TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 5

Financial Statements as of and for the Year Ended September 30, 2019 and Independent Auditors' Report

MAXWELL & LOCKE & RITTER

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 5

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
Travis County Emergency Services District No. 5:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of Travis County Emergency Services District No. 5 (the "District"), as of and for the year ended September 30, 2019, 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.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 General Fund of the District as of September 30, 2019, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability (asset) and related ratios, the schedule of district contributions, and the notes to required supplementary information on pages 3 through 7, 26, 27, and 28 through 29, respectively, 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.

Maxwell Locke + Ritter LLP

Austin, Texas
March 10, 2020

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Travis County Emergency Services District No. 5 (the "District") offers the following narrative on the financial performance of the District as of and for the year ended September 30, 2019. Please read it in connection with the District's financial statements that follow.

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required government-wide and fund financial statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "General Fund" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

Overview of the Basic Financial Statements

The District's reporting is comprised of two parts:

- *Management's Discussion and Analysis* (this section)
- *Basic Financial Statements*
  - *Statement of Net Position and Governmental Fund Balance Sheet*
  - *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance*
  - *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund*
  - *Notes to Basic Financial Statements*

Other supplementary information is also included.

The *Statement of Net Position and Governmental Fund Balance Sheet* includes a column (titled "General Fund") that represents a balance sheet prepared using the modified accrual basis of accounting. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District's net position will indicate financial health.

The *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* includes a column (titled "General Fund") that derives the change in fund balance resulting from current period revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business.

The *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund* presents a comparison statement between the District's adopted budget to its actual results.

The *Notes to Basic Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Position and Governmental Fund Balance Sheet* and the *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance*.

Required supplementary information related to the District's participation in the Texas County and District Retirement System pension plan is presented immediately following the *Notes to Basic Financial Statements*.

The District as a Whole

The District's combined net position as of September 30, 2019 and 2018 are shown in the table below. Our analysis below focuses on the net position and changes in the net position of the District's governmental activities as reported on the accrual basis of accounting.

Statement of Net Position

	Governmental Activities	
	September 30, 2019	September 30, 2018
Current assets	$ 6,845,192	$ 6,054,631
Capital assets (net of accumulated depreciation)	4,314,456	3,935,710
Net pension asset	3,827	-
Total assets	$ 11,163,475	$ 9,990,341
Deferred outflows of resources	$ 76,839	$ 62,029
Current liabilities	$ 551,881	$ 420,445
Non-current liabilities	2,649,232	2,361,371
Total liabilities	$ 3,201,113	$ 2,781,816
Deferred inflows of resources	$ 2,660	$ 2,902
Net investment in capital assets	$ 1,360,266	$ 1,320,879
Unrestricted	6,676,275	5,946,773
Total net position	$ 8,036,541	$ 7,267,652

The District's total assets were $11,163,475 as of September 30, 2019, of which $4,314,456 is accounted for by capital assets. The District had outstanding liabilities of $3,201,113 as of September 30, 2019, of which $2,954,190 represents outstanding notes payable maturing through 2029. Net position increased from $7,267,652 at September 30, 2018 to $8,036,541 at September 30, 2019.

The changes in net position for the years ended September 30, 2019 and 2018 are shown in the table below.

Statement of Activities

	September 30, 2019	September 30, 2018
Expenses:		
Service operations	$ 1,861,191	$ 1,549,353
Depreciation	399,909	315,695
Debt service	108,182	88,574
Total Expenses	2,369,282	1,953,622
Revenues-		
General revenues	3,138,171	3,008,414
Change in Net Position	$ 768,889	$ 1,054,792

General revenues totaled $3,138,171 for the year ended September 30, 2019, of which $1,600,349 (51%) was generated by sales tax revenue and $1,411,912 (45%) was generated by property tax revenue. Expenses totaled $2,369,282 for the year ended September 30, 2019. Net position increased by $768,889 for the year ended September 30, 2019 compared to an increase of $1,054,792 for the year ended September 30, 2018.

The District's Governmental Fund

At September 30, 2019, the District's General Fund reported total assets of $6,845,192, total liabilities of $135,968, and deferred inflows of resources related to uncollected property taxes of $40,482, resulting in fund balance of $6,668,742, which is an increase of $746,337 over the prior year fund balance of $5,922,405.

General Fund Budgetary Highlights

Actual expenditures in the General Fund totaled $3,063,509 for the year ended September 30, 2019, which was $749,268 more than the final budget. The budget variance is primarily due to more capital outlay expenditures in the current year. Resources available for appropriation (revenues) totaled $3,144,161 for the year ended September 30, 2019, which was $146,277 less than the final budget. The budget variance is primarily due to less other income in the current year.

Capital Assets and Long-Term Debt Administration

Capital Assets

At September 30, 2019 and 2018, the District had the following capital assets in operation:

Capital Assets at Year End

	September 30, 2019	September 30, 2018
Land	$ 530,170	$ 530,170
Construction in progress	12,970	-
Buildings and improvements	3,460,506	3,460,506
Fire trucks and vehicles	2,411,882	1,646,197
Equipment	376,051	376,051
Total Capital Assets	6,791,579	6,012,924
Accumulated depreciation	(2,477,123)	(2,077,214)
Total Net Capital Assets	$ 4,314,456	$ 3,935,710

More detailed information about the District's capital assets is presented in the *Notes to Basic Financial Statements.*

Long-Term Debt Administration

At September 30, 2019 and 2018, the District's long-term debt was comprised of the following:

Long-Term Debt at Year End

	September 30, 2019	September 30, 2018
2015 Truck Note	$ 378,240	$ 435,909
2015 Fire Station Note	1,967,483	2,147,870
2018 Truck Note	608,467	-
Total Long-Term Debt	$ 2,954,190	$ 2,583,779

More detailed information about the District's debt is presented in the *Notes to Basic Financial Statements.*

Economic Factors, Next Year's Budgets and Rates

The District's Board of Commissioners considered various factors when setting the 2020 budget, tax rates, and necessary expenditures for the next year's activities. The District's budgetary growth has mirrored its residential growth and the economy. Tax revenues are currently limited by the mandatory $0.10 per $100 of assessed valuation cap. The adopted budget for the year ended September 30, 2020 for the District's governmental fund projects a fund balance increase of $615,176. Compared to the 2019 budget for the General Fund, 2020 budgeted revenues are expected to decrease by $117,132; expenditures are expected to increase by $243,889.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District at Travis County Emergency Services District No. 5, Attn: Dennis Wright, Board Treasurer, P.O. Box 1239, Manchaca, Texas 78652.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 5

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2019

	GENERAL FUND	ADJUSTMENTS (NOTE 2)	STATEMENT OF NET POSITION
ASSETS:			
Cash and cash equivalents	$ 6,531,656	-	6,531,656
Receivables:			
Property taxes	40,482	-	40,482
Sales taxes	273,054	-	273,054
Capital assets (net of accumulated depreciation):			
Land	-	530,170	530,170
Construction in progress	-	12,970	12,970
Buildings and improvements	-	2,416,628	2,416,628
Fire trucks and vehicles	-	1,214,186	1,214,186
Equipment	-	140,502	140,502
Net pension asset	-	3,827	3,827
Total assets	$ 6,845,192	4,318,283	11,163,475
DEFERRED OUTFLOWS OF RESOURCES:			
Pension contributions after measurement date	-	58,974	58,974
Deferred outflows related to pension liability	-	17,865	17,865
Total deferred outflows of resources	-	76,839	76,839
LIABILITIES:			
Accounts payable	$ 72,660	-	72,660
Accrued liabilities	63,308	-	63,308
Accrued interest payable	-	65,372	65,372
Long-tem liabilities:			
Due within one year	-	350,541	350,541
Due after one year	-	2,649,232	2,649,232
Total liabilities	135,968	3,065,145	3,201,113
DEFERRED INFLOWS OF RESOURCES:			
Deferred revenue - property taxes	40,482	(40,482)	-
Deferred inflows related to pension liability	-	2,660	2,660
Total deferred inflows of resources	40,482	(37,822)	2,660
FUND BALANCE/NET POSITION-			
Fund balance-			
Unassigned	6,668,742	(6,668,742)	-
Total fund balance	6,668,742	(6,668,742)	-
Total liabilities, deferred inflows of resources and fund balance	$ 6,845,192		
Net position:			
Net investment in capital assets		1,360,266	1,360,266
Unrestricted		6,676,275	6,676,275
Total net position		$ 8,036,541	8,036,541

The notes to financial statements are an integral part of this statement.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 5

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2019

	GENERAL FUND	ADJUSTMENTS (NOTE 2)	STATEMENT OF ACTIVITIES
EXPENDITURES/EXPENSES:			
Service operations:			
Fire and emergency services	$ 1,415,675	(19,996)	1,395,679
General government operations	465,512	-	465,512
Depreciation	-	399,909	399,909
Debt service:			
Principal payments	295,274	(295,274)	-
Interest payments	108,393	(211)	108,182
Capital outlay	778,655	(778,655)	-
Total expenditures/expenses	3,063,509	(694,227)	2,369,282
REVENUES-			
General revenues:			
Sales taxes	1,600,349	-	1,600,349
Property taxes, including penalties and interest	1,417,902	(5,990)	1,411,912
Interest income	124,601	-	124,601
Other	1,309	-	1,309
Total general revenues	3,144,161	(5,990)	3,138,171
OTHER FINANCING SOURCES-			
Proceeds from promissory note	665,685	(665,685)	-
Total revenues and other financing sources	3,809,846	(671,675)	3,138,171
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	746,337	(746,337)	-
Change in net position	-	768,889	768,889
FUND BALANCE/NET POSITION:			
Beginning of year	5,922,405	1,345,247	7,267,652
End of year	$ 6,668,742	1,367,799	8,036,541

The notes to financial statements are an integral part of this statement.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2019

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:			
Sales taxes	$ 1,521,000	1,600,349	79,349
Property taxes, including penalties and interest	1,397,438	1,417,902	20,464
Interest income	72,000	124,601	52,601
Other	300,000	1,309	(298,691)
Total revenues	3,290,438	3,144,161	(146,277)
EXPENDITURES:			
Service operations:			
Fire and emergency services	1,405,760	1,415,675	(9,915)
General government operations	504,814	465,512	39,302
Debt service:			
Principal payments	238,128	295,274	(57,146)
Interest payments	165,539	108,393	57,146
Capital outlay	-	778,655	(778,655)
Total expenditures	2,314,241	3,063,509	(749,268)
OTHER FINANCING SOURCES-			
Proceeds from promissory note	-	665,685	665,685
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	976,197	746,337	(229,860)
FUND BALANCE:			
Beginning of year	5,922,405	5,922,405	-
End of year	$ 6,898,602	6,668,742	(229,860)

The notes to financial statements are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Travis County Emergency Services District No. 5 (the "District") was organized in the State of Texas under Article III, Section 48-e of the Texas Constitution for the protection of human life and health. The District is one of many emergency service districts located in Travis County, Texas. The District provides fire suppression, emergency medical and rescue first response, hazardous materials incident response, and other emergency incident response that may arise within its boundaries. The District serves a 15 square mile area just south of the City of Austin to the Travis County boundary line, and includes the subdivisions of Bear Creek, Onion Creek Meadows, the City of San Leanna, and Shady Hollow. The District is a 24 hour a day operation, providing service from one fire station and answering approximately 1,400 incidents a year.

The reporting entity of the District encompasses those activities and functions over which the District's appointed officials exercise significant oversight or control. The District is governed by a five member Board of Commissioners (the "Board") which has been appointed by the Travis County Commissioners' Court, in accordance with state law. The District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB") since Board members have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

Manchaca Fire Auxiliary, Inc. (the "Auxiliary") was formed in May 2019 and is a legally separate entity from the District. The District has determined it is appropriate and in compliance with generally accepted accounting principles to present financial statement information for the Auxiliary as of and for the year ended December 31st, which is the Auxiliary's fiscal year end. The Auxiliary is fiscally dependent on the District for funding during its first year of operations. Although the Auxiliary is considered to be a discrete component unit of the District, since the Auxiliary's initial fiscal year ends December 31, 2019, no activity is reflected by the District as of September 30, 2019.

Government-Wide and Fund Financial Statements

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "General Fund" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the statement of net position and the statement of activities.

The government-wide financial statements report information on all of the activities of the District.

The statement of activities demonstrates the degree to which the expenses are offset by program revenues. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 for which they are levied. Sales taxes are recognized as revenues in the year in which the underlying exchanged occurred. Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include interest income and sales taxes. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources.

The District reports the following major governmental fund -

> The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balance is considered resources available for current operations.

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device for the General Fund. Prior to the beginning of each year, the District prepares a budget. The operating budget includes proposed expenditures and the means of financing those expenditures and is adopted on the modified accrual basis, which is consistent with generally accepted accounting principles.

Public meetings are conducted at which all interested persons' comments concerning the budget are heard. After such meetings, the Board formally adopts the budget through passage of an ordinance. The District may amend the budget throughout the year, approving such additional expenditures as may be required. All annual appropriations for the General Fund lapse at the fiscal year-end.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Cash and cash equivalents - The District considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The District is entitled to invest any and all of its funds in obligations of, or guaranteed by, the United States of America or its agencies, certificates of deposit, and certain public fund investment pools. The District is authorized to invest in obligations of, or guaranteed by, government entities other than the United States of America or one of its agencies or instrumentalities, repurchase agreements, bankers' acceptances, commercial paper, and mutual funds to the extent authorized by Section 2256 of the Government Code ("Public Funds Investment Act") and only upon the Board's adoption of a separate resolution authorizing such investment. The District's investment policies and types of investments are governed by the Public Funds Investment Act. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Ad Valorem Property Taxes - Allowances for uncollectibles within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of September 30, 2019, the District had no allowance for uncollectible accounts.

Capital Assets - Capital assets, which include land, construction in progress, buildings and improvements, equipment, and fire trucks and vehicles are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least $5,000. Such assets are recorded at historical cost if purchased or estimated acquisition value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Capital assets (other than land and construction in progress) are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Buildings and improvements	10-25
Equipment	5-7
Fire trucks and vehicles	5-10

Pensions - The fiduciary net position of the Texas County and District Retirement System ("TCDRS") has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources **-** The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 8 for additional information on deferred outflows and inflows of resources.

Fund Equity **-** The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 7 for additional information on those fund balance classifications.

Fair Value Measurements **-** The District complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach **-** uses prices generated by market transactions involving identical or comparable assets or liabilities

- Cost approach **-** uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)

- Income approach **-** uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Use of Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncement

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended September 30, 2021.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the statement of net position are different because:

Governmental fund total fund balance	$ 6,668,742
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund balance sheet.	
Capital assets, net of accumulated depreciation	4,314,456
Deferred tax revenue is not available to pay for current year expenditures and, therefore, is deferred in the funds.	40,482
Net pension asset is not a current financial resource and is therefore not reported in the governmental fund balance sheet	3,827
The following liabilities and deferred outflows and inflows of resources are not due and payable in the current year and, therefore, are not reported in the funds:	
Notes payable	(2,954,190)
Pension contributions after measurement date	58,974
Deferred outflows related to pension asset	17,865
Deferred inflows related to pension asset	(2,660)
Accrued compensated absences	(45,583)
Accrued interest payable	(65,372)
Total net position	$ 8,036,541

Amounts reported for governmental activities in the statement of activities are different because:

Excess of revenues and other financing sources over expenditures	$ 746,337
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	778,655
Depreciation expense	(399,909)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	(5,990)
Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position.	
Repayment of notes principal	295,274
Proceeds from promissory note	(665,685)
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.	
Change in accrued compensated absences	(14,531)
Change in interest payable	211
Pension contributions made before the measurement date	24,585
Pension contributions made after the measurement date	58,974
Adjustments for ending deferred inflows and outflows related to net pension asset	(49,032)
Change in net position	$ 768,889

3. CASH AND CASH EQUIVALENTS

The District's deposits are required to be secured in the manner provided by law for the security of the funds. At September 30, 2019, the District's cash and cash equivalents balances deposited in banks were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository.

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy to be approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are safety, liquidity, and yield.

4. PROPERTY TAXES

The District is authorized to levy a tax each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within its boundaries. Assessed values are established annually by the Travis Central Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected in the current year. The uncollected balance is reported as deferred revenue. Taxes receivable are due January 1 and are delinquent if received after January 31 and are subject to penalty and interest charges.

In September 2018, the District levied a tax rate of $0.10 per $100 of assessed valuation to finance operating expenditures and debt service requirements. The maintenance tax rate and the debt service tax rate were $0.0769 and $0.0231, respectively. The total fiscal year 2019 tax levy was $1,401,418 based on a taxable valuation of $1,397,438,696.

5. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2019 was as follows:

	Balance September 30, 2018	Additions	Disposals	Balance September 30, 2019
Capital assets not being depreciated:				
Land	$ 530,170	-	-	530,170
Construction in process	-	12,970	-	12,970
Total capital assets not being depreciated	530,170	12,970	-	543,140
Capital assets being depreciated:				
Buildings and improvements	3,460,506	-	-	3,460,506
Fire trucks and vehicles	1,646,197	765,685	-	2,411,882
Equipment	376,051	-	-	376,051
Total capital assets being depreciated	5,482,754	765,685	-	6,248,439
Less accumulated depreciation for:				
Buildings and improvements	(903,391)	(140,487)	-	(1,043,878)
Fire trucks and vehicles	(988,417)	(209,279)	-	(1,197,696)
Equipment	(185,406)	(50,143)	-	(235,549)
Total accumulated depreciation	(2,077,214)	(399,909)	-	(2,477,123)
Total capital assets being depreciated, net	3,405,540	365,776	-	3,771,316
Capital assets, net	$ 3,935,710	378,746	-	4,314,456

6. LONG-TERM LIABILITES

Long-term liabilities transactions for the year ended September 30, 2019 are summarized as follows:

	Balance September 30, 2018	Additions	Retirements	Balance September 30, 2019	Due Within One Year
Notes payable:					
2015 Truck Note	$ 435,909	-	(57,669)	378,240	59,139
2015 Fire Station Note	2,147,870	-	(180,387)	1,967,483	186,702
2018 Truck Note	-	665,685	(57,218)	608,467	59,117
Compensated absences	31,052	14,531	-	45,583	45,583
Total	$ 2,614,831	680,216	(295,274)	2,999,773	350,541

Notes payable consisted of the following at September 30, 2019:

Date of Issue	Amounts of Original Issue	Maturity Date	Interest Rate	Outstanding at September 30, 2019
March 2015	$ 606,402	2025	2.55%	$ 378,240
July 2015	2,450,760	2029	3.50%	1,967,483
June 2018	665,685	2028	3.32%	608,467
	$ 3,722,847			$ 2,954,190

The notes payable agreements were entered into by the District to finance the acquisition of land, building construction and improvements, and emergency response vehicles and are secured by ad valorem taxes, sales taxes, and the vehicles acquired.

Debt service requirements to maturity for the District's notes payable are summarized as follows:

Fiscal Year	Principal	Interest	Total Requirement
2020	$ 304,958	98,708	403,666
2021	314,963	88,703	403,666
2022	325,301	78,365	403,666
2023	335,982	67,684	403,666
2024	347,018	56,648	403,666
2025-2029	1,325,968	115,121	1,441,089
Total	$ 2,954,190	505,229	3,459,419

Compensated Absences - Compensated absences represent the estimated liability for employees' accrued vacation for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund.

7. FUND BALANCE

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable **-** Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted **-** Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed **-** Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned **-** For the General Fund, amounts that are appropriated by the Board or Board designee that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned **-** Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balance is included in the Governmental Fund Balance Sheet on page 8.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board maintains the authority to assign fund balance for a specific purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

8. DEFINED BENEFIT PENSION PLAN

Plan Description

The District provides retirement, disability, and death benefits for all of its non-temporary full-time employees through a nontraditional defined benefit pension plan administered by TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 781 active participating counties and districts throughout Texas. TCDRS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas State statutes governing TCDRS ("TCDRS Act"). Members can retire either at age 60 and above with 8 or more years of service, after 30 years of service, or when service time plus age equals 75 but must leave their accumulated contributions in the plan to receive any employer-finance benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefits Provided

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and the employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act, so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employee membership data related to the Plan, as of the valuation date of December 31, 2018 was as follows:

Retirees and beneficiaries currently receiving benefits	-
Terminated employees entitled to but not yet receiving benefits	6
Active plan members	20
Total	26

Contributions

The District has elected the annually determined contribution rate ("ADCR") plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The District contributed using the actuarially determined rate of 7.5% for 2019 as adopted by the governing body of the District. The employee contribution rate was 7.00%. The employee contribution rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act. The required contribution and actual contributions for the year ended September 30, 2019 equaled $83,559.

Net Pension Asset

Actuarial Assumptions

The District's net pension asset was measured as of December 31, 2018 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported
Actuarial Cost Method	Individual Entry Age Normal
Amortization method	Level percentage of payroll, closed
Amortization period	18.9 years
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the District are not considered to be automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB 68 calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Between ages 40 and 74 with various rates of service retirement by gender: low of 4.5% for age 40-44 to high of 25.0% for age 65-66 for males and females
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality:	
Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

The actuarial assumptions that determined the total pension liability as of December 31, 2018 were 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 68.

Long-Term Expected Rate of Return

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, Cliffwater LLC. The numbers shown are based on January 2019 information for a 10 year time horizon.

Note that 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.

Asset Class	Benchmark	Target Allocation (a)	Geometric Real Rate of Return (Expected minus Inflation) (b)
US Equities	Dow Jones U.S. Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (c)	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
International Equities - Developed	MSCI World Ex USA (net) Index	10.00%	5.40%
International Equities - Emerging	MSCI Emerging Markets (net) Index	7.00%	5.90%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Associates Distressed Securities Index (d)	2.00%	7.20%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (e)	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%

(a) Target asset allocation adopted at the April 2019 TCDRS Board meeting.

(b) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.70%, per Cliffwater's 2019 capital market assumptions.

(c) Includes vintage years 2006-present of Quarter Pooled Horizon internal rates of return.

(d) Includes vintage years 2005-present of Quarter Pooled Horizon internal rates of return.

(e) Includes vintage years 2007-present of Quarter Pooled Horizon internal rates of return.

Discount Rate

The discount rate used to measure the total pension liability was 8.10%. This rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

Changes in Net Pension Liability (Asset)

Changes in the District's net pension liability (asset) for the valuation year ended December 31, 2018 are as follows:

	Total Pension Liability	Increase (Decrease) Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance as of December 31, 2017	$ 126,514	$ 110,866	$ 15,648
Changes for the year:			
Service cost	108,677	-	108,677
Interest on total pension liability (1)	19,050	-	19,050
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	4,307	-	4,307
Effect of assumptions changes or inputs	-	-	-
Administrative expenses	-	(211)	211
Member contributions	-	63,284	(63,284)
Net investment income	-	(416)	416
Employer contributions	-	84,439	(84,439)
Other (3)	-	4,413	(4,413)
Balance as of December 31, 2018	$ 258,548	$ 262,375	$ (3,827)

(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 8.10%, 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 (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	7.10%	8.10%	9.10%
Total pension liability	$ 321,983	$ 258,548	$ 209,758
Fiduciary net position	262,375	262,375	262,375
Net pension liability / (asset)	$ 59,608	$ (3,827)	$ (52,617)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended September 30, 2019, the District recognized pension expense of $49,032. As of September 30, 2019, the deferred outflows and inflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,962	$ -
Changes of assumptions	-	2,660
Net difference between projected and actual earnings	13,903	-
Contributions made subsequent to measurement date	58,974	-
Total	$ 76,839	$ 2,660

The $58,974 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended September 30, 2020. The remaining amounts currently reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Pension Expense Amount
Year ended September 30:	
2020	$ 3,803
2021	3,803
2022	3,803
2023	3,282
2024	197
Thereafter	317
	$ 15,205

9. RISK MANAGEMENT

The District is exposed to various risks of losses including property, casualty, automobile, comprehensive liability and workers' compensation. The District purchases its insurance from regular commercial companies. As of September 30, 2019, no claims or losses have been incurred that were not covered by insurance. The District also participates in a public entity risk pool, the TML Intergovernmental Risk Pool, for various risk areas, wherein member entities pool risks and funds and share in the costs of losses. Claims against the District are expected to be paid in full by the public entity risk pool, but the District may be responsible to pay for claims if the public entity risk pool becomes insolvent. There is no liability due to any claim or suit having been filed within the last three years.

REQUIRED
SUPPLEMENTARY INFORMATION

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 5

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS SEPTEMBER 30, 2019

	Year Ended December 31, 2018*	Year Ended December 31, 2017*
Total Pension Liability		
Service cost	$ 108,677	$ 119,848
Interest on total pension liability	19,050	9,708
Effect of plan changes	-	-
Effect of assumption changes or inputs	-	(3,144)
Effect on economic/demographic (gains) or losses	4,307	102
Benefit paymens/refunds of contributions	-	-
Net change in total pension liability	132,034	126,514
Total pension liability, beginning	126,514	-
Total pension liability, ending (a)	$ 258,548	$ 126,514
Fiduciary Net Position		
Employer contributions	$ 84,439	$ 61,598
Member contributions	63,284	46,165
Investment income net of investment expenses	(416)	1,733
Benefit payments/refunds of contributions	-	-
Administrative expenses	(211)	(74)
Other	4,413	1,444
Net change in fiduciary net position	151,509	110,866
Fiduciary net position, beginning	110,866	-
Fiduciary net position, ending (b)	$ 262,375	$ 110,866
Net pension liability / (asset), ending = (a) - (b)	$ (3,827)	$ 15,648
Fiduciary net position as a % of total pension liability	101.48%	87.63%
Pensionable covered payroll	$ 904,060	$ 659,502
Net pension liability / (asset) as a % of covered payroll	-0.42%	2.37%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 5

SCHEDULE OF DISTRICT CONTRIBUTIONS
SEPTEMBER 30, 2019

Year Ending September 30 **	Actuarially Determined Contribution	Actual Employer Contributions	Contribution Deficiency (Excess)	Pensionable Covered Payroll *	Actual Contribution as a % of Covered Payroll
2017	41,073	41,073	-	598,324	6.9%
2018	80,379	80,379	-	862,343	9.3%
2019	83,559	83,559	-	1,094,601	7.6%

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

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

1. METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The following methods and assumptions were used to determine the contributions rates:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported
Actuarial Cost Method	Individual Entry Age Normal
Amortization method	Level percentage of payroll, closed
Amortization period	18.9 years
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the District are not considered to be automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB 68 calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Between ages 40 and 74 with various rates of service retirement by gender: low of 4.5% for age 40-44 to high of 25.0% for age 65-66 for males and females
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality:	
Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

2. CHANGE IN ASSUMPTIONS

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.