

**Williamson County
Emergency Services District #5
Financial Statements
September 30, 2019**

**Williamson County Emergency Services District #5
For the Year Ending September 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Williamson County Emergency Services District No. 5

We have audited the accompanying financial statements of the governmental activities, and each major fund, of Williamson County Emergency Services District No. 5, 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.

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 misstatements 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 each major fund, of Williamson County Emergency Services District No. 5, as of September 30, 2019, and the respective changes in financial position thereof 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, budgetary comparison information, schedule of changes in net pension liability and related ratios, and schedule of employer contributions on pages 3 through 8 and pages 32 through 35 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.

A handwritten signature in black ink that reads "Medack & Olthmann, LLP". The script is cursive and fluid, with the letters "M", "O", and "L" being particularly large and stylized.

Medack & Olthmann, LLP
Giddings, TX
March 3, 2020



Williamson County Emergency Services District No. 5
P.O. Box 88 Jarrell, Texas 76537
"Serving Northern Williamson County, Texas"

This is the discussion and analysis of the Williamson County Emergency Services District No. 5 (the District) for fiscal year ending September 30, 2019. We encourage readers to consider it in conjunction with the additional information presented in the accompanying basic financial statement and the notes to the financial statements.

Financial Highlights

- The net position of the District increased by \$360,983 as a result of the current year's operations.
- As of year-end, the District's governmental fund reported an ending fund balance of \$1,262,348, an increase of \$307,313.

Using This Annual Report

This annual report consists of a series of financial statements. GASB Statement No. 34 provides that for governments engaged in a single governmental program, the fund financial statements and the government-wide statements may be combined. The District presents the governmental funds in the first two columns and a total in the third column. The next column is an adjustments column, reconciling the amounts reported in the governmental funds to show how each would change when reported on the full-accrual basis of accounting. The last column of these combination statements shows the amounts that normally would appear in the government-wide statements. For governmental activities, this last column tells how these services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities present information about the District as a whole. These statements (as reported in the last column of each of the statements) include all of the District's assets and liabilities, utilizing the accrual basis of accounting which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two columns report the District's net position and changes in them. The difference between assets and liabilities, net position, are one way to measure the District's financial health. 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 deteriorating. However, other non-financial factors such as changes in the District's property tax base must also be considered in an assessment of the overall financial health of the District.

The statement of activities presents information showing how the District's net position changed during the most recent twelve-month period. 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, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Reporting the District's Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District may establish other funds to help in control and manage money for particular purposes or to show that it is meeting its legal responsibilities for using certain taxes, grants, and other money. These funds are reported using an accounting method called the Modified Accrual accounting which measures cash and all other financial assets that can be readily converted to cash.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare that information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

The ESD maintains only one governmental fund – the General Fund. Information is presented in the Balance Sheets and in the Revenues, Expenditures, and Changes in Fund Balances.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The District as a Whole

Governmental activities increased the Department's net position by \$385,125. Our analysis below focuses on the net position (Table 1) and the changes in net position (Table 2) of the Department's governmental activities:

Table 1
Governmental Activities
Net Position

	9/30/2019	9/30/2018
Assets:		
Current Assets	\$ 1,307,731	\$ 1,011,767
Capital Assets	<u>1,798,859</u>	<u>1,907,474</u>
Total Assets	\$ 3,106,590	\$ 2,919,241
 Deferred Outflows of Resources	 \$ 44,372	 \$ 15,923
Liabilities		
Current Liabilities	\$ 280,618	\$ 231,574
Long Term Liabilities	<u>1,668,237</u>	<u>1,860,955</u>
Total Liabilities	<u>\$ 1,948,855</u>	<u>\$ 2,092,529</u>
 Deferred Inflows of Resources	 \$ 6,570	 \$ 8,081
Net Position:		
Net Investment in Capital Assets	\$ 50,889	\$ 13,561
Unrestricted	1,144,648	820,993
Restricted	<u>-0-</u>	<u>-0-</u>
Total Net Position	\$ 1,195,537	\$ 834,554

Table 2
Changes in Net Position

Revenues:		
	9/30/2019	9/30/2018
Operating Grants and Contributions	\$ 27,358	\$ 10,535
Property Taxes	762,301	653,427
Sales Taxes	753,595	602,809
Interlocal Agreement	20,003	19,815
Miscellaneous Income	-	-
Fire Recovery	13,553	12,084
Interest Income	9,379	1,434
Plan Review & Inspections	<u>13,653</u>	<u>18,453</u>
Total Revenues	\$ 1,599,842	\$ 1,318,557
 Expenses:		
General Government	<u>\$ 1,255,631</u>	<u>\$ 933,432</u>
Total Expenses	\$ 1,255,631	\$ 933,432
 Gain from Sale of Assets	 \$ 16,772	 \$ -
 Change in Net Position:		
Increase (decrease) in Net Position	\$ 360,983	\$ 385,125
Net Position – Beginning (as restated)	834,554	449,429
Net Position – Ending	<u>\$ 1,195,537</u>	<u>\$ 834,554</u>

Financial Analysis of the Government's Funds

As noted earlier, the Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. For the year ending September 30, 2019, the District's total fund balance was \$1,262,348 which reflects an increase of \$307,313.

49.8% of all Department funds come from Ad Valorem taxes. The remaining revenues come from sources such as grants and contributions.

Budgetary Highlights

The Department's annual budget includes estimated revenues and expenditures. The annual budget is a line-item document that allows the Board of Commissioners a high degree of control over Department expenditures. Estimates of taxable value for the forthcoming year are provided by the Williamson County Tax Appraiser's Office. That estimate, combined with an estimate of historical tax collection rates for the Department is used with the proposed tax rate to estimate Ad Valorem Revenue. The District Commissioners amended the budget during the year ended September 30, 2019. Changes are reflected in the final/amended columns of the budget to actual report found on page 32.

Capital Asset and Debt Administration

Capital Assets:

At the end of the fiscal year September 30, 2019, capital assets are as follows:

Table 3
Capital Assets at Year-end

	<u>9/30/18</u>	<u>9/30/19</u>
Land	\$ 77,989	\$ 77,989
Vehicles	925,969	896,579
Machinery & Equipment	225,530	254,680
Building	<u>1,439,106</u>	<u>1,439,106</u>
Total capital assets	\$ 2,668,593	\$ 2,668,354

Depreciation expense charged to the general fund was \$ 128,409.

More detailed information about the District's Capital Assets is presented in Note 3 of the financial statements.

Debt:

As of September 30, 2018, and 2019, the District was obligated on the following debt:

	<u>9/30/2018</u>	<u>9/30/2019</u>
Notes Payable	\$ 1,991,686	\$ 1,802,389
Capital Lease Obligation	52,225	45,579
Compensated Absences	<u>9,645</u>	<u>17,750</u>
Total	\$ 2,053,556	\$ 1,865,718

The District incurred interest expense of \$ 62,622 for the year ending September 30, 2019, and \$50,061 for the year ending September 30, 2018. More detailed information about the District's notes payable is presented in the *Notes to Basic Financial Statements*.

Currently Known Facts, Decisions, or Conditions

The district's tax revenues continue to increase as the district experiences the rapid increase in residential and commercial properties. These revenues are supplemented by the addition of funds derived from the allocation of a 2% sales tax in areas within our district that lie outside of the limits of the City of Jarrell. The district began receiving revenues from the sales tax in April of 2017 and received an average monthly accrual of \$59,582 for the fiscal year beginning October 1, 2018 and ending September 30, 2019.

The number of requests for services continues to climb along with the population growth.

The district has developed a policy for the allocation part of the sales tax funds received each month. These allocations are directed toward the monthly building payment as well as annual payments on purchases such as an additional fire engine, radios, a new squad vehicle which replaced our 18-year-old squad truck. There are also funds allocated monthly for the purpose of repaying the City of Jarrell for a \$150,000 loan given to assist with the addition of fire fighter staffing in 2016. The WCESD 5 board of commissioners approved a procedure of placing these funds allocated each month into the money market account. These funds will be transferred back to the operations account when the notes for which they are allocated become due for payment each year.

In addition to these allocations, the district has transferred \$5000 each month into the money market for the purpose of building the emergency reserve funds. Beginning October 2019, this amount was increased to \$7500 per month.

The board has been able to set aside emergency reserve funds to support three months of operating expenses as well as have funds set aside for future needs, such as adding another fire station or funding additional fire apparatus. These funds are maintained in a Certificate of Deposit (CD) account.

The remaining sales tax funds will be directed at providing improved pay and benefits for employees and adding 3 additional employees.

The district expects continued growth by the addition of residential and commercial structures.

The district will be adding three more employees within the 2019/2020 fiscal year.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Williamson County Emergency Services District #5
P.O. Box 88
Jarrell, Texas 76537

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 5
GOVERNMENTAL FUND BALANCE SHEET AND
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	General Fund	Adjustments (Note 11)	Statement of Net Position
ASSETS			
Cash	\$ 1,165,766	\$ -	\$ 1,165,766
Taxes Receivable - Property Taxes	10,873	-	10,873
Taxes Receivable - Sales Taxes	127,888	-	127,888
Receivables-Other	3,204	-	3,204
Pension Asset	-	-	-
Capital Assets (net of accumulated depreciation)	<u>-</u>	<u>1,798,859</u>	<u>1,798,859</u>
TOTAL ASSETS	<u>\$ 1,307,731</u>	<u>\$ 1,798,859</u>	<u>\$ 3,106,590</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Amounts	-	\$ 44,372	\$ 44,372
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	<u>\$ 44,372</u>	<u>\$ 44,372</u>
LIABILITIES			
Accounts Payable	\$ 10,194	\$ -	\$ 10,194
Accrued Interest Payable	-	11,118	11,118
Accrued Payroll	24,316	-	24,316
Pension Liability	-	37,509	37,509
Long Term Liabilities - Due within one year	-	197,483	197,483
Long Term Liabilities - Due after one year	<u>-</u>	<u>1,668,235</u>	<u>1,668,235</u>
TOTAL LIABILITIES	<u>\$ 34,510</u>	<u>\$ 1,914,345</u>	<u>\$ 1,948,855</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 10,873	\$ (10,873)	\$ -
Deferred Pension Amounts	<u>-</u>	<u>6,570</u>	<u>6,570</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 10,873</u>	<u>\$ (4,303)</u>	<u>\$ 6,570</u>
FUND BALANCES/NET POSITION			
Fund balances:			
Non-Spendable	-	-	-
Spendable	-	-	-
Unassigned	<u>1,262,348</u>	<u>(1,262,348)</u>	<u>-</u>
Total fund balances	<u>1,262,348</u>	<u>(1,262,348)</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,307,731</u>	<u>\$ -</u>	
Net Position:			
Net Investment in Capital Assets		50,889	50,889
Unrestricted		1,144,648	1,144,648
Restricted		-	-
Total Net Position		<u>\$ 1,195,537</u>	<u>\$ 1,195,537</u>

See Accompanying Notes to the Financial Statements

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 5
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING SEPTEMBER 30, 2019

	General Fund	Adjustments (Note 11)	Statement of Activities
EXPENDITURES/EXPENSES			
Personnel Expense	\$ 789,454	\$ 25,362	\$ 814,816
Fleet Expense	37,253	-	37,253
Repairs & Maintenance	31,691	-	31,691
Emergency Equipment/Supplies	15,892	-	15,892
Professional Fees	26,276	-	26,276
Office Expenses/Postage	2,749	-	2,749
Computer Expense	7,623	-	7,623
Insurance	26,668	-	26,668
Appraisal District & Tax Collector Fees	4,485	-	4,485
Utilities	13,422	-	13,422
Communications	8,987	-	8,987
Miscellaneous	6,131	-	6,131
Personal Protective Equipment	39,980	-	39,980
Professional Development	16,499	-	16,499
Uniforms	8,088	-	8,088
Capital Outlay	33,190	(29,150)	4,040
Depreciation	-	128,409	128,409
Debt Service:			
Principal	195,944	(195,944)	-
Interest	67,240	(4,618)	62,622
Total expenditures/expenses	\$ <u>1,331,572</u>	\$ <u>(75,941)</u>	\$ <u>1,255,631</u>
PROGRAM REVENUES			
Grants/Contributions	<u>27,358</u>	<u>-</u>	<u>27,358</u>
Net program expense			1,228,273
GENERAL REVENUES			
Ad valorem taxes	775,219	(12,918)	762,301
Sales taxes	753,595	-	753,595
Interlocal Agreements	20,003	-	20,003
Fire Recovery	13,553	-	13,553
Interest Income	9,379	-	9,379
Plan Review & Inspections	13,653	-	13,653
Total general revenues	\$ <u>1,585,402</u>	\$ <u>(12,918)</u>	\$ <u>1,572,484</u>
Excess (Deficiency) of revenues over expenditures	\$ 281,188	\$ (281,188)	\$ -
OTHER FINANCING SOURCES/(USES):			
Proceeds from Sale of Assets	<u>26,125</u>	<u>(26,125)</u>	<u>-</u>
Total Other Financing Sources/(Uses):	<u>26,125</u>	<u>(26,125)</u>	<u>-</u>
Excess (Deficiency) of revenues and other sources over expenditures	\$ 307,313	(307,313)	
Gain from Sale of Assets		\$ 16,772	\$ 16,772
Change in Net Position		\$ 360,983	\$ 360,983
Fund Balance/Net Position			
Beginning of the year (as restated)	<u>955,035</u>	<u>(120,481)</u>	<u>834,554</u>
End of the year	\$ <u><u>1,262,348</u></u>	\$ <u><u>(66,811)</u></u>	\$ <u><u>1,195,537</u></u>

See Accompanying Notes to the Financial Statements

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with GASB pronouncements, in which case, GASB prevails. The District currently reports under the financial reporting requirements of GASB Statement No. 34. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

Financial Reporting Entity

Williamson County Emergency Services District #5 (hereafter referred to as the District) was formed in November 2001. With few exceptions, all powers of the District are vested in a board of commissioners (the Board), which adopts budgets and determines policies. The District receives its revenues from the Williamson County Tax Office, which collects property taxes from the county's property-owners.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit with the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, no potential component units appear to exist.

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the reporting entity. Governmental activities generally are financed through taxes, intergovernmental and non-exchange revenues. The District currently does not have any business-type activities.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues,

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

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

The funds of the financial reporting entity are described below:

Governmental Funds

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

Measurement Focus and Basis of Accounting

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

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, the governmental activities are presented using the economic resources measurement focus as defined in item A below.

In the fund financial statements, the “current financial resources” measurement focus is used as appropriate. All government funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available financial resources during a given period. These funds use fund balance as their measure of available financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assets, Liabilities, and Equity

Cash

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

Receivables

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

Capital Assets

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation expense is allocated over the assets' estimated useful lives using the straight-line method of depreciation.

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

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

Buildings	40 years
Fire Trucks	10 years
Vehicles	10 years
Equipment	5 years

The District does not own any infrastructure assets.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Long-Term Debt

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

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

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

Source of Funds

Ad valorem taxes, penalties, and interest are reported as revenue in the fiscal year in which they become available to finance expenditures of the District. Property taxes accounted for approximately 49.8% of the District's revenue for the year ended September 30, 2019.

Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components.

- A. Net Investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements.
- B. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- C. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "Net Investment in capital assets."

The District currently does not carry any restricted position.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable or spendable with spendable being further classified into restricted, committed, assigned or unassigned.

Compensated Absences

Compensated absences represent the estimate 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.

Revenue

Property Taxes

Property taxes are collected by the Williamson County Tax Assessor Collector, and are forwarded to the District through bank transfer. The tax rate held by the District was \$0.10/\$100 for 2018. Property tax revenues are considered available when they become due or past due and are considered receivable within the current period, including those property taxes expected to be collected during a sixty-day period after the close of the District's fiscal year.

Other

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plan and additions to/deductions from the Pension Plan's fiduciary net position have been determined on the same basis as they are reported by Texas County & District Retirement System (TCDRS). For this purpose, 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.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows And Inflows Of Resources

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

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Budgets

The District follows these procedures in establishing the budget reflected in the financial statements:

1. Prior to the beginning of each fiscal year, the District prepares a budget. The operating budget includes proposed expenditures and the means of financing those expenditures and is prepared in accordance with the basis of accounting utilized by that fund.

Public meetings are conducted at which all interested persons' comments concerning the budget are heard. After such meetings, the Board of Commissioners formally adopts the budget through passage of a motion in a public meeting.

2. The District amends the budget throughout the year approving such additional expenses. The amended budget is used in presenting the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.
3. All annual appropriations lapse at fiscal year end.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2019

NOTE 2: CASH

Deposits

It is the policy for deposits to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation insurance. The District's deposits are categorized to give an indication of the level of risk assumed by the District at the fiscal year-end. As of year-end, deposits exceed FDIC coverage by \$ 507,420. However, securities were pledged to cover this excess (Category 2) with a market value of \$1,488,757. At September 30, 2019, the carrying amount of the District's deposits was \$757,420 and the bank balance was \$ 1,172,531.

The categories are described below:

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

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

Category 3 – Uncollateralized.

Deposits categorized by risk:

	1	Category 2	3	Deposit Balance	Carrying Amount
<i>Governmental Activities</i>					
Major Funds:					
2019 General Fund					
And Total Deposits	<u>\$ 250,000</u>	<u>\$ 922,531</u>	<u>\$ -0-</u>	<u>\$1,172,531</u>	<u>\$757,420</u>

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2019

NOTE 3: CAPITAL ASSETS

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

	Balance 10/1/2018	Additions/ Completions	Retirements/ Adjustments	Balance 9/30/2019
Governmental Activities:				
Capital Assets, not depreciated				
Land	77,989	-	-	77,989
Capital assets, being depreciated				
Vehicles	925,968	-	(29,389)	896,579
Equipment	225,530	29,150	-	254,680
Building	1,439,106	-	-	1,439,106
Total capital assets being depreciated	2,590,604	29,150	(29,389)	2,590,365
Total Assets	2,668,593	29,150	(29,389)	2,668,354
Accumulated Depreciation:				
Vehicles	363,790	67,483	(20,036)	411,237
Equipment	73,532	24,949	-	98,481
Building	323,798	35,978	-	359,776
Total Accumulated Depreciation	761,120	128,410	(20,036)	869,494
Total capital assets, net of depreciation	1,907,473	(99,260)	(9,353)	1,798,860

In prior years, the District entered into capital leases for a truck, equipment, and radios (see Note 4). At September 30, 2019, the gross amount of the asset was \$71,773 and accumulated amortization was \$57,280. Amortization expense is included in depreciation expense.

Depreciation expense charged to the government wide statements was \$128,409.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2019

NOTE 4: CAPITAL LEASE OBLIGATIONS

The District maintains the following capital leases:

Loan Amount: \$30,000
Maturity Date: January 30, 2025
Interest Rate: 3.92% annum
Payment Terms: Payments are due and payable in annual installments of \$3,733 beginning January 30, 2016 and ending January 30, 2025. The lease is collateralized with a vehicle, equipment and tax revenue. The total outstanding balance at September 30, 2019, was \$19,535.

Loan Amount: \$40,000
Maturity Date: January 30, 2025
Interest Rate: 3.92% annum
Payment Terms: Payments are due and payable in annual installments of \$4,977 beginning January 30, 2016 and ending January 30, 2025. The lease is collateralized with equipment and tax revenue. The total outstanding balance at September 30, 2019, was \$26,046.

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

Year Ending September 30	Principal	Interest	Total
2020	\$ 6,915	\$ 1,794	\$ 8,709
2021	7,186	1,523	8,709
2022	7,468	1,242	8,710
2023	7,760	949	8,709
2024	8,065	645	8,710
2025	8,185	329	8,514
Total	\$ 45,579	\$ 6,481	\$ 52,060

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2019

NOTE 5: DEBT

Changes in Outstanding Debt

Transactions for the year ended September 30, 2019, are summarized as follows:

	Balance October 1	Additions	Reductions	Balance September 30	Due within one year
<u>Governmental Activities:</u>					
Notes Payable	\$ 1,991,686	-	\$ 189,297	\$ 1,802,389	\$ 190,568
Capital Lease Obligations	52,225	-	6,646	45,579	6,915
Compensated Absences	9,645	8,105	-	17,750	-
Net Pension Liability	-	37,509	-	37,509	-
Total Governmental Activities	\$ 2,053,556	45,614	\$ 195,943	\$ 1,903,227	\$ 197,483

The District has a loan with Eagle Bank, a note for the fire station at a fixed rate of 3.25% with monthly payments of \$7,775, maturing September 30, 2033. The balance due as of September 30, 2019, is \$1,045,061.

The District entered into a promissory note agreement with Government Capital Corporation on December 21, 2017 for \$252,945 at 3.05%, maturing February 5, 2025. The note is secured by an interest in the District's ad valorem tax revenues.

The District entered into a promissory note agreement with Government Capital Corporation on December 21, 2017 for \$92,791 at 3.261%, maturing February 5, 2025. The note is secured by an interest in the District's ad valorem tax revenues.

The District entered into a promissory note agreement with Government Capital Corporation on June 18, 2018 for \$389,150 at 3.887%, maturing June 25, 2028. The note is secured by an interest in the District's ad valorem tax revenues.

The District entered into an agreement with the City of Jarrell to repay funds received in February 2016 of \$150,000. The District will pay \$50,000 annually with no interest.

The future principal payments for these notes are as follows:

Year Ending September 30	Principal	Interest	Total
2020	\$ 190,568	\$ 56,152	\$ 246,720
2021	195,315	51,405	246,720
2022	150,223	46,497	196,720
2023	155,300	41,421	196,721
2024	160,548	36,172	196,720
2025-2029	606,763	106,257	713,020
2030-2033	343,672	22,349	366,021
Total	\$ 1,802,389	\$ 360,253	\$ 2,162,642

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2019

NOTE 6: PROPERTY TAXES

The District property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real property located in the District. The District's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. An enforceable lien is attached to the property as of January 1. The assessed value of the roll as of January 1, 2018, upon which the 2018 levy was based, was \$771,408,627 as certified by the Williamson County Central Appraisal District.

Taxes are due by January 31 following the October 1 levy date. The total 2018 levy was \$ 771,409 and the tax rate was \$ 0.10 per \$100 assessed valuation. Property taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided. The appraisal of property within the District is the responsibility of the Williamson County Central Appraisal District. The Appraisal District is required under the Property Tax Code to assess all property within the appraisal district on the basis of 10% of its appraisal value and is prohibited from applying any assessment ratios.

NOTE 7: RISK MANAGEMENT

During the ordinary course of business, the District becomes exposed to various risks of loss related to torts, theft of, damage and destruction of assets; business interruption; error and omissions; and natural disasters, for which it carries commercial insurance at levels consistent with that of prior years. Risk retention is substantially confined to customarily nominal policy deductibles. Resulting risk management liabilities, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There are no risk management liabilities that have been made known to management, or are reported in these financial statements.

NOTE 8: RELATED PARTY TRANSACTIONS

During the course of the year, the District conducted related party transactions. The Commissioners of the District analyzed the transactions, and prior to initiating it was determined the transactions to be arm's length transactions. There are not any related party receivables or payables at year end.

NOTE 9: DATE OF MANAGEMENT'S REVIEW

Management has evaluated all subsequent events for disclosure and/or recognition through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued. No events occurred that would impact the financial statements.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2019

NOTE 10: FUND BALANCE CLASSIFICATION

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.

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 has delegated the authority to assign fund balance for a specific purpose to the District's Chief or Assistant Chief.

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.

As of September 30, 2019, the District has not adopted a minimum fund balance policy.

The detail of the fund balance is included in the Governmental Fund Balance Sheet on page 9.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2019

**NOTE 11: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
AND GOVERNMENT-WIDE STATEMENTS**

Differences between the Governmental Fund Balance Sheet and the Statement of Net Position:

The differences (as reflected in the adjustments column) primarily result from the long-term economic resources focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the District as a whole.

Cost of capital assets	\$ 2,668,354
Accumulated Depreciation	<u>(869,495)</u>
	<u>\$ 1,798,859</u>

The statement of net position includes as Deferred Outflows of Resources amounts that are permitted to be recognized as part of pension expense over a period of years in the governmental funds.

Deferred Outflows of Resources	\$ 44,372
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Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Accrued interest payable	\$ 11,118
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Net pension liability is not payable in the current period and, therefore, is not reported in the funds.

Net Pension Liability	\$ 37,509
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Long-term liabilities applicable to the district's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities – both current and long-term—are reported in the statement of net position.

Due within one year	\$ 197,483
Due after one year	1,668,235

Taxes receivable are offset by deferred revenues in the governmental funds and thus are not included in fund balance.

Deferred revenue	\$ (10,873)
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Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.

Deferred Inflows of Resources	\$ 6,570
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Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2019

**NOTE 11: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
AND GOVERNMENT-WIDE STATEMENTS (Continued)**

Differences between the Governmental Fund Operating Statement and the Statement of Net Activities:

The differences (as reflected in the adjustments column) arise primarily from the long-term economic resources focus of the statement of activities versus the current financial resources focus of the governmental funds.

Some expenses reporting the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Adjustment for Compensated Leave	\$ 8,104
Adjustment for Pension Asset	47,218
Change in Deferred Inflows/Outflows related to Pension	<u>(29,960)</u>
	\$ 25,362

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	\$ (29,150)
Depreciation Expense	\$ 128,409

Repayment of capital lease obligations is reported as an expenditure in governmental funds. For the district as a whole, however, the principal payments reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities.

Payment of Principal	\$ (195,944)
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Interest expense in the statement of activities differs from the amount reported in governmental funds because additional accrued interest was calculated for capital lease obligations.

Change in Accrued interest	\$ (4,618)
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Because some property taxes will not be collected for several months after the district's year end, they are not considered as "available" revenues in the governmental funds.

Adjustment for property taxes collected after year-end	\$ (12,918)
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In the statement of activities, only the net gain/(loss) on the sale of equipment is reported, whereas in the governmental funds, only the gross proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the equipment less any accumulated depreciation.

Proceeds from sale of assets	\$ (26,125)
Gain from Sale/Disposal of Assets	\$ 16,772

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2019

NOTE 13: PENSION PLAN

Plan Description. Williamson County Emergency Services District #5 participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.

a. A brief description of benefit terms:

- 1) All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
- 2) The plan provides retirement, disability and survivor benefits.
- 3) TCDRS is a savings-based plan. For the district's plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 100%) and is then converted to an annuity.
- 4) There are no automatic COLAs. Each year, the district may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
- 5) Benefit terms are established under the TCDRS Act. They may be amended as of Jan. 1 each year, but must remain in conformity with the Act.

b. The district's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Williamson County Emergency Services District #5 contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the district and are currently 4%. Contributions to the pension plan from the district for 2018 are shown in the Schedule of Employer Contributions.

c. The most recent comprehensive annual financial report for TCDRS can be found at www.tcdrs.org.

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

Members	Dec. 31, 2018	Dec. 31, 2017
Number of inactive employees entitled to but not yet receiving benefits	7	4
Number of active employees	16	8
Average monthly salary:	\$3,055	\$3,268
Average age:	32.05	37.41
Average length of service in years:	3.75	6.78
Inactive Employees (or their Beneficiaries) Receiving Benefits		
Number of benefit recipients:	1	0
Average monthly benefit:	\$79	\$0

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2019

NOTE 13: PENSION PLAN (continued)

Net Pension Liability

The District's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. 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 year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.75%

Salary Increases The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee. (See Table 1 for Merit Salary Increases.)

Investment Rate of Return 8.10%

Cost-of-Living Adjustments Cost-of-Living Adjustments for Williamson County Emergency Services District #5 are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.

Retirement Age Deferred members are assumed to retire (100% probability) at the later of:
a) age 60 b) earliest retirement eligibility.
(For all eligible members ages 75 and later, retirement is assumed to occur immediately.)

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 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.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2019

NOTE 13: PENSION PLAN (continued)

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. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 – December 31, 2016 for more details.

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return ⁽²⁾
US Equities	Dow Jones US Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
International Equities – Developed Markets	MSCI World Ex USA (net) Index	10.00%	5.40%
International Equities – Emerging Markets	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 ⁽⁴⁾	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 ⁽⁵⁾	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%

⁽¹⁾ Target asset allocation adopted at the April 2019 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.70%, per Cliffwater's 2019 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.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2019

NOTE 13: PENSION PLAN (continued)

Net Pension Liability / (Asset)

Net Pension Liability / (Asset)	December 31, 2018	December 31, 2017
Total pension liability	\$147,636	\$73,754
Fiduciary net position	110,127	83,464
Net pension liability / (asset)	37,509	(9,709)
Fiduciary net position as a % of total pension liability	113.16%	113.16%
Pensionable covered payroll ⁽¹⁾	\$322,512	\$322,512
Net pension liability as a % of covered payroll	(3.01%)	(3.01%)

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below.

Note: Rounding differences may exist above or in other tables in this report.

(1) Payroll is calculated based on contributions as reported to TCDRS.

Discount Rate

Discount rate ⁽²⁾	8.10%	8.10%
Long-term expected rate of return, net of investment expense ⁽²⁾	8.10%	8.10%
Municipal bond rate ⁽³⁾	Does not apply	Does not apply

(2) 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.

(3) The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2019

NOTE 13: PENSION PLAN (continued)

Changes in Net Pension Liability / (Asset)

Changes in Net Pension Liability/(Asset)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2017	\$ 73,754	\$ 83,464	\$ (9,709)
<i>Changes for the year:</i>			
Service cost	19,185		19,185
Interest on total pension liability ⁽¹⁾	7,364		7,364
Effect of plan changes ⁽²⁾	44,933		44,933
Effect of economic/demographic gains or losses	6,534		6,534
Effect of assumptions changes or inputs	0		0
Refund of contributions	(3,264)	0	(3,264)
Benefit payments	(870)	(870)	0
Administrative expenses		(88)	88
Member contributions		19,901	(19,901)
Net investment income		(1,251)	1,251
Employer contributions		11,418	(11,418)
Other ⁽³⁾	0	818	(818)
Balances as of December 31, 2018	\$ 147,636	\$ 110,127	\$ 37,509

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

⁽²⁾ Reflects plan changes adopted effective in 2019.

⁽³⁾ Relates to allocation of system-wide items.

Sensitivity Analysis

The following presents the net pension liability of the district, calculated using the discount rate of 8.10%, as well as what the ESD net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total Pension Liability	\$ 179,934	\$ 147,636	\$ 121,980
Fiduciary Net Position	110,127	110,127	110,127
Net pension liability/(asset)	\$ 69,807	\$ 37,509	\$ 11,853

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2019

NOTE 13: PENSION PLAN (continued)

As of September 30, 2019, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/Outflows of Resources

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 5,897	\$ 12,286
Changes of assumption	673	121
Net difference between projected and actual earnings	0	0
Contributions made subsequent to measurement date	<u>N/A</u>	<u>25,702</u>
Totals	\$ 6,570	\$ 44,372

The \$ 25,702 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. The remaining amounts currently reported as deferred outflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended September 30:

2020	\$2,223
2021	1,802
2022	1,608
2023	2,222
2024	398
Thereafter ⁽¹⁾	3,847

⁽¹⁾ Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

Payable to the Pension Plan

At September 30, 2019, the District reported a payable of \$8,951 for the outstanding amount of employer and employee contributions to the pension plan required for the year ended September 30, 2019.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2019

NOTE 14: PRIOR PERIOD ADJUSTMENT

During the current year, it was discovered that a liability arose to the City of Jarrell regarding funds received during the fiscal year ending September 30, 2016. Management has determined that these funds were to be repaid to the City of Jarrell. It was previously reported as revenue in the governmental funds and on the statement of activities. Therefore, Net Position should be restated to reflect this change.

Net Position as of September 30, 2018 (as previously reported):	\$ 984,554
Correction to include liability	<u>(150,000)</u>
Net Position as of September 30, 2018 (as restated):	\$834,554

NOTE 15: POTENTIAL TAX REFUND

There was a deallocation of sales tax collections causing a potential refund in excess of \$35,000 to a taxpayer. Once the final refund amount has been determined, a refund will be issued.

Required Supplementary Information

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 5
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
BUDGET TO ACTUAL COMPARISON - GENERAL FUND
FOR THE YEAR ENDING SEPTEMBER 30, 2019

	Budget		Actual Amounts	Variance
	Original	Final	Budgetary Basis	Favorable/ (Unfavorable)
GENERAL REVENUES				
Ad Valorem Taxes	\$ 750,000	\$ 750,000	\$ 775,219	25,219
Sales Taxes	550,000	550,000	753,595	203,595
Interlocal Agreement	19,815	19,815	20,003	188
Fire Recovery	-	-	13,553	13,553
Interest Income	-	-	9,379	9,379
Grants/Contributions	-	-	27,358	27,358
Plan Review/Inspections	-	-	13,653	13,653
Total General Revenues	\$ 1,319,815	\$ 1,319,815	\$ 1,612,780	292,945
EXPENDITURES/EXPENSES				
Personnel Expense	\$ 860,417	\$ 860,417	\$ 789,454	70,963
Supplies-Fleet	30,450	30,450	37,253	(6,803)
Supplies-Emergency Equipment	31,300	11,300	15,892	(4,592)
Maintenance	35,250	35,250	31,691	3,559
Professional Fees	13,500	13,500	26,276	(12,776)
Office Expense/Postage	2,900	2,900	2,749	151
Computer Expense	9,500	9,500	7,623	1,877
Insurance	39,149	39,149	26,668	12,481
Appraisal District & Tax Collector Fees	7,000	7,000	4,485	2,515
Utilities	16,250	16,250	13,422	2,828
Communications	9,500	9,500	8,987	513
Miscellaneous	11,250	11,250	6,131	5,119
Personal Protective Equipment	28,250	28,250	39,980	(11,730)
Professional Development	21,900	21,900	16,499	5,401
Uniforms	8,200	8,200	8,088	112
Capital Outlay	24,000	24,000	33,190	(9,190)
Debt Service:				
Principal	-	192,042	195,944	(3,902)
Interest	-	63,392	67,240	(3,848)
Total expenditures/expenses	\$ 1,148,816	\$ 1,384,250	\$ 1,331,572	52,678
Excess (Deficiency) of revenues over expenditures	170,999	(64,435)	281,188	345,623
Net Change in Fund Balance	\$ 170,999	\$ (64,435)	\$ 281,188	(64,435)
OTHER FINANCING SOURCES/(USES):				
Proceeds from Sale of Assets			26,125	
Total Other Financing Sources/(Uses):			26,125	
Net Change in Fund Balance			307,313	
Fund Balance Beginning of the year			955,035	
End of the year			\$ 1,262,348	

Williamson County Emergency Services District #5
Schedule of Changes in Net Pension Liability and Related Ratios

	Year Ended December 31									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total Pension Liability										
Service cost	19,185	17,677	12,952	16,088	18,202	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	7,364	5,488	2,778	2,131	723	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	44,933	-	(215)	(1,239)	-	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or Inputs	-	(785)	-	166	-	N/A	N/A	N/A	N/A	N/A
	6,534	1,296	6,518	(8,041)	17	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses										
Benefit payments/refunds of contributions	(4,134)	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	73,882	23,676	22,033	9,105	18,943	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	73,757	50,081	28,048	18,943	-	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	147,639	73,757	50,081	28,048	18,943	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position										
Employer contributions	11,418	7,353	8,708	7,224	7,060	N/A	N/A	N/A	N/A	N/A
Member contributions	19,901	12,900	10,793	8,757	8,558	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	(1,251)	8,308	2,407	(178)	62	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(4,134)	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(88)	(56)	(26)	(18)	(6)	N/A	N/A	N/A	N/A	N/A
Other	818	271	1,349	(2)	-	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	26,664	28,776	23,231	15,783	15,673	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	83,463	54,687	31,456	15,673	-	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	110,127	83,463	54,687	31,456	15,673	N/A	N/A	N/A	N/A	N/A
Net pension liability / (asset), ending = (a) - (b)	37,512	(9,706)	(4,606)	(3,408)	3,270	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	74.59%	113.16%	109.20%	112.15%	82.74%	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	497,513	322,512	269,821	218,921	213,948	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	7.54%	-3.01%	-1.71%	-1.56%	1.53%	N/A	N/A	N/A	N/A	N/A

Williamson County Emergency Services District #5
Schedule of Employer Contributions

Year Ending September 30	Actually Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2010	Not Available	Not Available	Not Available	Not Available	Not Available
2011	**	**	**	**	**
2012	**	**	**	**	**
2013	**	**	**	**	**
2014	**	**	**	**	**
2015	7,060	7,060	-	213,948	3.3%
2016	72	72	-	218,921	3.3%
2017	8,688	8,708	(20)	269,821	3.2%
2018	7,353	7,353	-	322,512	2.3%
2019	11,393	11,418	(25)	497,513	2.3%

Williamson County Emergency Services District No. 5
Notes to the Schedule of Employer Contributions
For the year ending September 30, 2019

Valuation Date:	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.
Methods and assumptions used to determine contribution rates:	Entry Age
Actuarial Cost Method	Level percentage of payroll, closed
Amortization Method	0.00 (based on contribution rate calculated in 12/31/2018 valuation)
Remaining Amortization Period	5-year smoothed market
Asset Valuation Method	2.75%
Inflation	Varies by age and service. 4.9% average over career including inflation.
Salary Increases	8.00%, net of investment expenses, including inflation
Investment rate of Return	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Retirement Age	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
Mortality	2015: New inflation, mortality and other assumptions were reflected. 2017: new Mortality assumptions were reflected.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	
Changes in Plan Provisions Reflected in the Schedule	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017 2018: No changes in plan provisions were reflected in the Schedule.

**Only changes effective 2015 and later are shown in the Notes to Schedule.*