

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT No. 3

AUDITED FINANCIAL STATEMENTS

AND SUPPLEMENTAL SCHEDULES

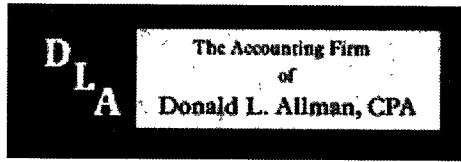
AND INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT No. 3

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Independent Auditor's Report

To the Board of Directors

Williamson County Emergency Services District No. 3

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Williamson County Emergency Services District No. 3 "the ESD", as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the ESD's basic financial statements as listed in the table of contents.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, each major fund, and the aggregate remaining fund information of the Williamson County ESD No. 3 as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows 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 the schedule of contributions on pages 3–10 and 38-41 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2020, on our consideration of the Williamson County ESD # 3's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Williamson County ESD # 3's internal control over financial reporting and compliance


Donald L. Allman, CPA

Georgetown, Texas
December 11, 2020

**WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Our discussion and analysis of the Williamson County Emergency Services District No. 3's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2020. Please review it in conjunction with the transmittal letter and the District's basic financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

Total net position increased \$2,524,801 which represents an increase from 2019.

The District expended \$31,427 on communication equipment, \$1,213,098 on apparatus and fire fighting equipment, \$3,606,815 in construction in progress building improvements during fiscal year ending September 30, 2020. The construction and building improvements and apparatus and equipment were financed with \$11,537,186 in loans with \$5,156,980 in construction cash still available.

The District had \$5,277,351 in expenses related to governmental activities with \$7,802,152 in program revenues to cover the cost of these programs. The excess revenues were kept to increase the cash balance and unrestricted net position.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 11-12) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 13. These statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most financially significant funds.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the District as a whole begins on page 11. One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer that question.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position, the difference between assets, what the District owns, and liabilities, what the District owes, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's jurisdiction, the availability of capital projects, and continuing local governmental support to assess the overall health of the District.

Reporting the District's Most Significant Funds Major Funds

Fund Financial Statements

-General

Our analysis of the District's major funds begins on page 13. The Fund financial statements begin on page 13 and provide detailed information about the most significant funds-not the District as a whole. Some funds are required to be established by State law. The District only has governmental funds.

Governmental Funds: The District's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation beside the fund financial statements, if applicable.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the financial statements can be found on pages 17-36 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents budget to actual statements and schedules which can be found on pages 38-39 of this report.

THE DISTRICT AS A WHOLE

The District's total net position changed from a year ago, increasing from \$7,689,276 to \$10,214,077. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental activities.

Table 1
Summary of Net Position

| | 2020 | 2019 | \$ Change | % Change |
|----------------------------------|----------------------|---------------------|---------------------|---------------|
| Cash and Current Assets | \$ 11,392,341 | \$ 5,051,170 | \$ 6,341,171 | 125.5% |
| Property & Sales Taxes Rec. | 344,989 | 294,759 | \$ 50,230 | 17.0% |
| Net Pension Asset | - | - | \$ - | |
| Capital Assets | <u>13,180,132</u> | <u>8,920,433</u> | <u>4,259,699</u> | <u>47.8%</u> |
| Total Assets | \$ 24,917,462 | \$ 14,266,362 | \$ 10,651,100 | 74.7% |
| Deferred Outflows of Resources | (435,091) | (222,579) | \$ (212,512) | 95.5% |
| Current Liabilities | \$ 1,138,949 | \$ 725,715 | \$ 413,234 | 56.9% |
| Net Pension Liability | 277,105 | 432,769 | \$ (155,664) | -36.0% |
| Long-Term Obligations | <u>12,762,579</u> | <u>5,228,324</u> | <u>7,534,255</u> | <u>144.1%</u> |
| Total Liabilities | \$ 14,178,633 | \$ 6,386,808 | \$ 7,791,825 | 122.0% |
| Deferred Inflows of Resources | 89,661 | (32,301) | \$ 121,962 | -377.6% |
| Net Position: | | | | |
| Net Investment in Capital Assets | \$ 701,345 | \$ 4,461,881 | \$ (3,760,536) | -84.3% |
| Restricted | 6,428,267 | 752,538 | 5,675,729 | 754.2% |
| Unrestricted | <u>3,084,465</u> | <u>2,474,857</u> | <u>609,608</u> | <u>24.6%</u> |
| Total Net Position | <u>\$ 10,214,077</u> | <u>\$ 7,689,276</u> | <u>\$ 2,524,801</u> | <u>32.8%</u> |

Net position of the District's activities increased 33% or \$2,524,801. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by \$609,608 going from \$2,474,857 up to \$3,084,465 by the end of fiscal year 2020.

Table 2 compares the 2020 change in net position to the 2019 change in net position.

Table 2
Summary of Changes in Net Position for 2020
Compared With 2019 Activity

| | <u>2020</u> | <u>2019</u> | <u>\$ Change</u> | <u>% Change</u> |
|--------------------------|---------------------|---------------------|---------------------|-----------------|
| Program Revenues: | | | | |
| Property Taxes | \$ 3,655,701 | \$ 3,057,054 | \$ 598,647 | 19.6% |
| Sales Taxes | 3,536,798 | 2,806,236 | \$ 730,562 | 26.0% |
| Other Revenues | 481,206 | 153,640 | 327,566 | 213.2% |
| Grant Revenues | - | 302,935 | (302,935) | -100.0% |
| Interest Income | 128,447 | 189,094 | (60,647) | -32.1% |
| Total Revenues | \$ 7,802,152 | \$ 6,508,959 | \$ 1,293,193 | 19.9% |
| Program Expenses: | | | | |
| Total Pension Expense | \$ 178,810 | \$ 208,149 | \$ (29,339) | -14.1% |
| General Government | \$ 4,830,842 | \$ 5,025,239 | \$ (194,397) | -3.9% |
| Interest on L/T Debt | 267,699 | 101,651 | 166,048 | 163.4% |
| Total Expenses | \$ 5,277,351 | \$ 5,335,039 | \$ (57,688) | -1.1% |
| Net Position | | | | |
| Increase / (Decrease) | \$ 2,524,801 | \$ 1,173,920 | \$ 1,350,881 | 115.1% |

Table 3 presents the cost of each of the District's programs as well as each program's net cost (total cost less revenues generated by activities). The net cost shows the financial burden that was placed on the District by each of these functions.

Table 3
Governmental Activities

| | Total Cost of Services | | Net Cost of Services | |
|-----------------------|-------------------------------|---------------------|-----------------------------|---------------------|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| General Government | \$ 4,830,842 | \$ 5,025,239 | \$ 4,830,842 | \$ 5,025,239 |
| Int of L/T Debt | 267,699 | 101,651 | 267,699 | 101,651 |
| Total Expenses | \$ 5,098,541 | \$ 5,126,890 | \$ 5,098,541 | \$ 5,126,890 |

THE DISTRICT'S FUND'S

**Table 4
Change In Year End Fund Balance**

| | 2020 | 2019 | \$ Change | % Change |
|----------------------------------|---------------|--------------|----------------|----------|
| Net Investment in Capital Assets | \$ 701,345 | \$ 4,120,755 | \$ (3,419,410) | -83.0% |
| Restricted | 6,428,267 | 1,187,301 | 5,240,966 | 441.4% |
| Unrestricted | 3,084,465 | 1,207,300 | 1,877,165 | 155.5% |
| Total Governmental Balances | \$ 10,214,077 | \$ 6,515,356 | \$ 3,698,721 | 56.8% |

The 83% decrease in Net Investment in Capital Assets balance is due to capital asset additions being paid with debt and cash for construction still in restricted cash. Restricted net position increased \$5,240,966 due to increasing balances in reserved cash accounts.

The 155% increase in the Unrestricted fund balance can be attributed to increased revenues.

Table 5 presents a summary of governmental fund revenues for the 2020 fiscal year and the amounts and percentages of increases and decreases in relation to the prior year.

**Table 5
Total Governmental Fund Revenues**

| Revenue Source | 2020 | % of Total | Increase or (Decrease) Over 2019 | % Increase / (Decrease) |
|-------------------|--------------|------------|--|----------------------------|
| Property taxes | 3,655,701 | 46.9% | 598,647 | 19.6% |
| Sales taxes | 3,536,798 | 45.3% | 730,562 | 475.5% |
| Other Income | 481,206 | 6.2% | 327,566 | 213.2% |
| Grant Income | - | 0.0% | (302,935) | -100.0% |
| Investment Income | 128,447 | 1.6% | (60,647) | -32.1% |
| Total | \$ 7,802,152 | 100.0% | \$ 1,293,193 | 19.9% |

The 19.6% increase in Property Tax revenues is primarily due to increases in the property tax base, the tax rate did not change. Sales Tax revenues increased 475.5% due to rapid growth in the area. Other income increased 213.2% and Grant income decreased (302,935).

The 32% decrease in interest income is due to more cash maintained in non-interest bearing restricted cash accounts such as construction and debt service.

Table 6 presents the General Fund budget and the difference between the original budget and final budget for fiscal year 2020. Table 7 discusses the variance between the final budget and the actual results for the year.

**Table 6
Original and Final Budget
Budgeted Amounts**

| | <u>Original</u> | <u>Final</u> | <u>Variance</u> |
|--|----------------------------|----------------------------|----------------------------|
| Revenues: | | | |
| Property Taxes | \$ 3,607,920 | \$ 3,651,748 | \$ 43,828 |
| Sales Taxes | 2,331,197 | 3,482,113 | \$ 1,150,916 |
| Interlocal agreement | 28,000 | 33,560 | 5,560 |
| Interest Income | 16,000 | 178,459 | 162,459 |
| Loan proceeds | - | 1,613,602 | 1,613,602 |
| Other Income | 40,000 | 462,248 | 422,248 |
| Total Revenues | <u>\$ 6,023,117</u> | <u>\$ 9,421,730</u> | <u>\$ 3,398,613</u> |
| Expenditures: | | | |
| Current: | | | |
| General Government | \$ 4,526,705 | \$ 4,960,312 | \$ 433,607 |
| Capital Outlay | 178,105 | 3,143,111 | 2,965,006 |
| Debt Service | 1,318,307 | 1,318,307 | - |
| Total Expenditures | <u>\$ 6,023,117</u> | <u>\$ 9,421,730</u> | <u>\$ 3,398,613</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Original versus Final Budget

There were material differences between original and final budgeted amounts for 2020. Large revenue increases were added for sales tax, interest income, and other income. Loan proceeds were also added and utilized for building expansion, resulting in large increases in capital outlay. Large increases in general government expenses and debt service were added also.

Table 7
Final Budget Versus Actual Results
General Fund

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-----------------------|----------------------------|-----------------------------|----------------------------|
| Revenues: | | | |
| Property Taxes | \$ 3,651,748 | \$ 3,655,701 | \$ 3,953 |
| Sales Taxes | 3,482,113 | 3,536,798 | \$ 54,685 |
| Grant Income | 33,560 | - | (33,560) |
| Interest Income | 178,459 | 128,447 | (50,012) |
| Loan Proceeds | 1,613,602 | 11,537,186 | 9,923,584 |
| Other Income | 462,248 | 481,206 | 18,958 |
| Total Revenues | <u>\$ 9,421,730</u> | <u>\$ 19,339,338</u> | <u>\$ 9,917,608</u> |

Final Budget Versus Actual Results

Expenditures:

Current:

| | | | |
|---------------------------|----------------------------|-----------------------------|------------------------------|
| General Government | \$ 4,960,312 | \$ 4,830,842 | \$ 129,470 |
| Capital Outlay | 3,143,111 | 4,879,325 | (1,736,214) |
| Debt Service | 1,318,307 | 4,807,652 | (3,489,345) |
| Total Expenditures | <u>\$ 9,421,730</u> | <u>\$ 14,517,819</u> | <u>\$ (5,096,089)</u> |

**Excess (Deficiency) of
Revenues Over (Under)
Expenditures**

| | | | |
|--|-------------|---------------------|---------------------|
| | <u>\$ -</u> | <u>\$ 4,821,519</u> | <u>\$ 4,821,519</u> |
|--|-------------|---------------------|---------------------|

Final Budget versus Actual Results

The variance in **Property Tax** revenues is due to the District increasing its overall property value due to growth and new construction. Sales tax revenues increased dramatically due to rapid growth in the area.

The variance in **General Government** expenditures is due to the increase in population in the WCESD # 3 service area and the expansion into 3 buildings.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At year-end, the District had \$13,180,132 invested in equipment, trucks and building. This amount represents a \$4,259,699 net increase over the last year, which is due to asset additions. \$4,879,325 of communication equipment, fire-fighting equipment, Building improvements and construction, and apparatus and furniture were purchased.

Debt Administration

At fiscal year-end, the District had \$13,420,916 in notes & leases payable for the building, fire trucks and fire equipment. This amount represents a net increase of \$7,837,771 new loans in the amount of \$6,090,000 and \$1,007,756 was added in fiscal year 2020. The interest rates and maturity dates vary with each separate agreement. For a breakdown of the interest rates, the principal and interest payment schedules, and the maturity dates, see Note 4 of the basic financial statements.

ECONOMIC FACTORS

The District operates solely in Williamson County and has since its inception. The District's budgeting process must continue to work as closely as possible with the Williamson County Tax Assessor's office in order to meet the financial obligations of the District.

It is important that the District is able to succeed in carrying out its day-to-day operations and continue to be able to meet its financial obligations as well. The additional apparatus and equipment are vital to providing the best fire protection and EMT services to the citizens of the District.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Treasurer, 501 Exchange Blvd., Hutto, TX 78634.

Anne Cano, Treasurer
Williamson County Emergency Services District # 3

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT No. 3
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

Assets:

Current Assets:

| | |
|-----------------------------|----------------------|
| Cash and Cash Equivalents | \$ 11,392,341 |
| Property Taxes Receivable | 344,989 |
| Total Current Assets | \$ 11,737,330 |

Non-Current Assets:

| | |
|---|----------------------|
| Net Pension Assets | - |
| Capital Assets: | |
| Building, Equipment & Trucks, Net of Accumulated Depreciation | \$ 13,180,132 |
| Total Non-Current Assets | \$ 13,180,132 |

Total Assets **\$ 24,917,462**

Deferred Outflows of Resources-Pension (435,091)

Liabilities:

Current Liabilities:

| | |
|--|-----------|
| Accounts Payable | \$ 94,107 |
| Unearned Revenue | 98,010 |
| Payroll Taxes, Insurance, & Retirement Payable | 4,699 |
| Current Portion of Long-Term Debt | 942,133 |

Total Current Liabilities **\$ 1,138,949**

Non-Current Liabilities:

| | |
|------------------------------------|-------------------|
| Net Pension Liability | 277,105 |
| Notes, Leases and Bonds Payable | \$ 12,478,787 |
| Sick & Vacation Leave payable | 283,792 |
| Total Long-Term Liabilities | 13,039,684 |

Total Liabilities **\$ 14,178,633**

Deferred Inflows of Resources - Pension 89,661

Net Position:

| | |
|--|----------------------|
| Net Investment in Capital Assets | \$ 701,345 |
| Restricted for Debt Service, Fire Station, Apparatus & Regular Reserve | 6,428,267 |
| Unrestricted | 3,084,465 |
| Total Net Position | \$ 10,214,077 |

See accompanying notes to the financial statements.11

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT No. 3

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2020

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | <u>Net Revenue and Change in Net Position Primary Governmental Activities</u> |
|----------------------------------|------------------------|--------------------------------|--|
| Governmental Activities: | | | |
| General Government | \$ 5,009,652 | \$ 7,673,705 | \$ 2,664,053 |
| Interest on Long-Term Debt | 267,699 | - | (267,699) |
| Total Governmental Activities | <u>\$ 5,277,351</u> | <u>\$ 7,673,705</u> | <u>\$ 2,396,354</u> |
| | | | |
| General Revenues: | | | |
| Unrestricted Interest Earnings | | | \$ 128,447 |
| Grant Revenues | | | - |
| Total General Revenues | | | <u>\$ 128,447</u> |
| | | | |
| Change in Net Position | | | \$ 2,524,801 |
| Net Position - Beginning | | | <u>7,689,276</u> |
| Net Position - Ending | | | <u>\$ 10,214,077</u> |

See accompanying notes to the financial statements.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT No. 3

BALANCE SHEET – GOVERNMENTAL FUNDS

SEPTEMBER 30, 2020

| | General | Reserved for Fire Station, Apparatus, & Debt Service | Total Governmental Funds |
|--|----------------------------|---|---|
| <u>Assets:</u> | | | |
| Cash and Cash Equivalents | \$ 4,964,074 | \$ 6,428,267 | \$ 11,392,341 |
| Property Taxes & Sales Tax Receivable | 344,989 | - | 344,989 |
| Total Assets | <u>\$ 5,309,063</u> | <u>\$ 6,428,267</u> | <u>\$ 11,737,330</u> |
| | | | |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accounts Payable | \$ 94,107 | \$ - | \$ 94,107 |
| Unearned revenue | 344,989 | - | 344,989 |
| Payroll Taxes, Insurance & Retirement Payable | 4,699 | - | 4,699 |
| Total Liabilities | <u>\$ 443,795</u> | <u>\$ -</u> | <u>\$ 443,795</u> |
| | | | |
| Fund Balances | | | |
| Restricted for Debt Service, Fire Station, Apparatus, Reserve | \$ - | \$ 6,428,267 | \$ 6,428,267 |
| Unassigned | 4,865,268 | - | 4,865,268 |
| Total Fund Balances | <u>\$ 4,865,268</u> | <u>\$ 6,428,267</u> | <u>\$ 11,293,535</u> |
| | | | |
| Total Liabilities and Fund Balances | <u>\$ 5,309,063</u> | <u>\$ 6,428,267</u> | <u>\$ 11,737,330</u> |

See accompanying notes to financial statements.

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET
POSITION OF GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2020**

| | |
|--|----------------------|
| Total fund balance – total governmental funds | \$ 11,293,535 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Deferred Outflows of Resources for Pensions are not recognized in Gov. Funds | \$ (435,091) |
| Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds. | \$ 13,180,132 |
| Deferred Inflows of Resources for Pensions are not recognized in Gov. Funds | \$ (89,661) |
| The current portion of leases payable for capital assets is not included in governmental activities due to capital assets not being included in governmental activities. | \$ (942,133) |
| Unearned property tax revenues | \$ 246,979 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | \$ (12,478,787) |
| Net Pension Liability is not recognized for governmental funds | \$ (277,105) |
| Accrued vacation and sick leave payable not included in govt. funds | \$ (283,792) |
| Net assets of governmental activities | <u>\$ 10,214,077</u> |

See accompanying notes to financial statements.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT No. 3

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2020

| | <u>General</u> | <u>Fire Station, Apparatus Debt Service</u> | <u>Total Governmental Funds</u> |
|-------------------------------------|----------------------------|--|--|
| <u>Revenues:</u> | | | |
| Property Taxes | \$ 2,343,297 | \$ 1,316,858 | \$ 3,660,155 |
| Sales Taxes | 3,536,798 | | 3,536,798 |
| Plan reviews | 99,528 | - | 99,528 |
| Williamson County | 33,560 | - | 33,560 |
| Revenue Rescue | 5,397 | - | 5,397 |
| Inspections | 10,315 | - | 10,315 |
| Miscellaneous | 332,406 | - | 332,406 |
| Interest Earnings | 128,447 | - | 128,447 |
| Total Revenues | <u>\$ 6,489,748</u> | <u>\$ 1,316,858</u> | <u>\$ 7,806,606</u> |
| <u>Expenditures:</u> | | | |
| Current: | | | |
| General Government | \$ 4,211,216 | \$ - | \$ 4,211,216 |
| Capital Outlay | - | 4,879,325 | 4,879,325 |
| Debt Service: | | | |
| Principal | - | 4,539,953 | 4,539,953 |
| Interest | - | 267,699 | 267,699 |
| Total Expenditures | <u>\$ 4,211,216</u> | <u>\$ 9,686,977</u> | <u>\$ 13,898,193</u> |
| Net Income or (Loss) | \$ 2,278,532 | \$ (8,370,119) | \$ (6,091,587) |
| Loan proceeds | \$ 4,879,325 | \$ 7,522,255 | \$ 12,401,580 |
| Transfers | \$ (6,523,593) | \$ 6,523,593 | \$ - |
| Net Changes in Fund Balances | \$ 634,264 | \$ 5,675,729 | \$ 6,309,993 |
| Fund Balances - Beginning | <u>\$ 4,231,004</u> | <u>\$ 752,538</u> | <u>\$ 4,983,542</u> |
| Fund Balances - Ending | <u>\$ 4,865,268</u> | <u>\$ 6,428,267</u> | <u>\$ 11,293,535</u> |

See accompanying notes to the financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Net change in fund balance - total governmental funds \$ 6,309,993

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlay (4,879,325) exceeded depreciation (619,626) in the current period. \$ 4,259,699

Loan principal paid off in refinancing and debt principal payments \$ 4,539,953

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes not collected \$ 26,888

Less: Prior year (31,342)

\$ (4,454)

Miscellaneous adjustments of differences between Govt. wide & Gov. FD \$ -

funds, but the repayment reduces long-term liabilities in the statement of net assets. Loan proceeds are subtracted with the net difference reported \$ (12,401,580)

Total Pension Expense is not recognized in Governmental Funds \$ (178,810)

\$ -

Changes in net position of governmental activities \$ 2,524,801

See accompanying notes to the financial statements.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Williamson County Emergency Services District No. 3 (the District) is a governmental unit of the state of Texas that was formed in November 1999. The entity is responsible for providing fire and emergency services in Williamson County, Texas. The District provides fire and emergency medical services to a certain geographic portion of Williamson County including Hutto, Texas, an incorporated city located in Williamson County. The District was created and operates under Article III, Section 48-e, of the Texas Constitution, as proposed by S.J.R. No. 37, Acts of the 70th Legislature, Regular Session, 1987, and adopted by the voters at an election held November 1999.

The District is governed by a Board of Commissioners that acts as the authoritative and legislative body of the entity. The Board of Commissioners elects officers for the following positions; President, Vice-President, Treasurer, Secretary and Vice-Treasurer. No board member receives compensation for serving on the Board.

The accompanying statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the District's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Using these criteria, the District has no component units.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues primarily consist of Ad Valorem taxes received from the County's appraisal district.

C. 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 the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 government considers revenues to be available if they are collected within 31 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Grants and entitlements and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

The District reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Texas and the bylaws of the District.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within thirty-one days of fiscal year-end. Under the modified accrual basis, only interest is considered to be both measurable and available at fiscal year-end. Non-exchange transactions, in which the District receives value without directly giving value in return, includes grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Expenses/Expenditures

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

C. Cash and Cash Equivalents

Cash and equivalents include all highly-liquid investments with a maturity of three months or less at the date of purchase. During 2018-2019, cash and cash equivalents accounts were limited to Vera Bank General, SAFER Payroll, and Payroll Funds and Vera Bank Regular reserve, Apparatus reserve, Fire Station reserve, Construction and Debt Service reserve. The District at times has an amount in its depository account that exceeds the maximum amount secured by the Federal Deposit Insurance Corporation. Vera Bank collateralizes deposits by pledging securities in the District's name.

D. Restricted Assets

Restricted assets are cash and cash equivalents whose use is limited by legal requirements. Restricted cash with fiscal agent represents amounts required by debt covenant to be segregated for final year debt payment and accrued interest on the bonds. The District's Board of Directors voted to establish reserve and restricted accounts in 2010-2011 for debt service, fire station, apparatus, and regular reserve.

E. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. Interfund transactions are generally classified as follows:

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating transfers are reported as “Other Financing Sources and Uses” in the governmental funds, as “Transfers In” by the recipient fund, and “Transfers Out” by the disbursing fund.

On the governmental funds balance sheet, receivables and payables resulting from short-term interfund loans are classified as “interfund loan receivables/payables.” These amounts are eliminated on the statement of net assets.

F. **Capital Assets**

General capital assets generally result from expenditures in the governmental funds. These assets are reported on the government-wide statement of net assets and in the General Fund. All capital assets are recorded at cost and updated for additions and retirements during the year. The District does possess building infrastructure. Other capital assets consist of fire-fighting & EMT equipment and fire trucks. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not.

G. **Reservations of Fund Balance**

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore, are not available for appropriations or expenditures in the governmental fund balance sheet. Unreserved fund balance indicates that portion of fund equity, which is available for appropriations, in future periods. Fund equity reserves have been established for the fire station, apparatus, and regular reserve and for future debt service in the debt service fund. If restricted and unrestricted assets are available for the same purpose, then restricted assets will be used before unrestricted assets.

H. **Net Position**

Net position present the difference between assets and liabilities in the statement of net assets. Net position invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net position is reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

I. 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

J. Accrued Liabilities

The District reports accrued liabilities on the statement of net position. The District reports accounts payable of \$94,107 and \$98,010 in unearned revenue during 2019-2020.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2 – TAX REVENUES

The District's tax revenue is collected by County of Williamson, Texas, (the County) under the provisions of a tax collection agreement signed November, 1999. Under the agreement, the County is responsible for making the calculations necessary for the District to comply with the statutory requirements for setting tax rates as specified in Chapter 26 of the Texas Property Tax Code and collecting the appropriate tax. The County periodically remits the collected taxes to the District. The agreement may be terminated by either party on written notice, but neither party has expressed an interest in terminating the agreement. The County provides the District with written reports necessary to keep the District advised of all financial information affecting the District. The District pays the County for its tax collection activity in four equal quarterly payments, which totaled \$21,404 USD for 2019-2020. The amount is determined by the County based on an amount per each parcel of taxable property, or account taxable by the District. The tax rate for WCESD # 3 for 2020 is \$.10 per \$100 valuation of property. The M&O rate for WCESD # 3 was 0.063914 and the I&S rate was 0.03608686, the total adjusted original tax roll was \$3,604,303 on \$3,604,303,000 valuation. Property taxes receivable at 9/30/20 total \$26,888, with \$11,480 being current and \$12,555 being delinquent, and \$2,852 in rollbacks.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash resources of several individual funds are combined to form a pool of cash and investments. In addition, investments are separately held by a number of individual funds. Statutes require the classification of funds held by the District into three categories.

Category 1 consists of “active” funds – those funds required to be kept in “cash” or “near cash” status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds – those funds not required for use within the current two-year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds – those funds not needed for immediate use, but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

- United States Treasury notes, bills, bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States.
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities

A. Deposits

At year-end the carrying amount of the District's deposits was \$11,392,341 and the bank balance was \$11,392,341. Federal depository insurance coverage totals \$250,000. The deposits were classified as category 1, collateralized, as defined by GASB Statement 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements. Securities pledged as collateral for Williamson County Emergency Services District No. 3 at September 30, 2020 totaled \$14,131,027 for excess collateralization in the amount of \$2,738,686.

NOTE 4 - GENERAL FIXED ASSETS

A summary of changes in general fixed assets for the year ended September 30, 2020:

| | CWICS | | | | | |
|------------|-------------------------|--------------------|-----------------------|--------------------|--------------------------|----------------------|
| | Fire Station 1,2 & 3 | Trunking System | Apparatus & Trucks | Radio Equipment | Computers & Furniture | Totals |
| 10/1/2019 | 7,825,225 | 159,504 | 1,788,214 | 599,895 | 87,307 | 10,460,145 |
| Additions | 3,606,815 | - | 1,213,098 | 31,427 | 27,985 | 4,879,325 |
| Deletions | - | - | - | - | - | - |
| 9/30/2020 | <u>11,432,040</u> | <u>159,504</u> | <u>3,001,312</u> | <u>631,322</u> | <u>115,292</u> | <u>15,339,470</u> |
| Land | | | | | | \$ 895,981 |
| CIP | | | | | | - |
| Less: | | | | | | |
| Acc. Depr. | \$ 1,117,499 | \$ - | \$ 1,537,659 | \$ 327,783 | \$ 72,378 | \$ 3,055,319 |
| Total, Net | <u>\$ 10,314,541</u> | <u>\$ 159,504</u> | <u>\$ 1,463,653</u> | <u>\$ 303,539</u> | <u>\$ 42,914</u> | <u>\$ 13,180,132</u> |

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 5 – GENERAL LONG-TERM DEBT

The District has acquired buildings, vehicles and fire equipment under master governmental lease-purchase agreements dated as follows:

| | |
|---|---------------------|
| Note Payable to PNC, dated July 21, 2020, in the amount of \$1,007,756, annual payments from \$117,408 to \$236,920, due 1/21, including interest at 2.25%. Secured by Equipment. | \$ 1,007,756 |
| Note payable to PNC Bank dated July 20, 2017 in the amount of \$804,681, monthly payments of \$91,386, matures August 20, 2025 secured by Pierce Pumper fire truck. | \$ 598,402 |
| Note payable to Union State Bank dated December 29, 2015 in the amount of \$200,000, annual payments of \$43,983, due 12/29, matures 12/29/2020, including interest of 3.25%, secured by radios. | \$ 42,599 |
| Note payable to PNC dated April 1, 2019 in the amount of \$1,556,469.50, annual payments of \$182,711 and \$400,900, due 4/1, matures May 1, 2027, including interest of 3.54%, secured by equipment. | \$ 1,428,857 |
| Note Payable to Hilltop Securities in the amount of \$4,439,430, annual payments from \$365,499.73 to \$598,904.05 due on 2/15, interest rate of 2.2%, matures 2/15/2033. | \$ 4,439,430 |
| Note Payable to Hilltop Securities in the amount of \$6,090,000, annual payments from \$236,366.99 to \$918,799.75 due on 5/15, interest rate of 2.2%, matures 2/15/2033. | <u>\$ 5,903,872</u> |
| Total | <u>13,420,916</u> |

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 5 – GENERAL LONG-TERM DEBT (Continued)

The debt service requirements on the above lease-purchase agreements are as follows:

| <u>Due Year Ending September 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|--------------|
| 2021 | 132,130 | 50,582 | 182,712 |
| 2022 | 136,807 | 45,904 | 182,711 |
| 2023 | 141,650 | 41,061 | 182,711 |
| 2024 | 146,664 | 36,047 | 182,711 |
| 2025 | 151,856 | 30,855 | 182,711 |
| Thereafter | 719,750 | 46,571 | 766,321 |
| Total | \$ 1,428,857 | \$ 251,020 | \$ 1,679,877 |
| | | | |
| <u>Due Year Ending September 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2021 | 42,599 | 1,388 | 43,987 |
| Total | \$ 42,599 | \$ 1,388 | \$ 43,987 |
| | | | |
| <u>Due Year Ending September 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2021 | 73,108 | 18,728 | 91,836 |
| 2022 | 75,396 | 16,440 | 91,836 |
| 2023 | 77,756 | 14,080 | 91,836 |
| 2024 | 80,189 | 11,647 | 91,836 |
| 2025 | 82,699 | 9,137 | 91,836 |
| Thereafter | 209,254 | 566 | 209,820 |
| Total | \$ 598,402 | \$ 70,598 | \$ 669,000 |
| | | | |
| <u>Due Year Ending September 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2021 | 501,170 | 97,734 | 598,904 |
| 2022 | 405,490 | 87,429 | 492,919 |
| 2023 | 287,080 | 78,427 | 365,507 |
| 2024 | 293,450 | 72,054 | 365,504 |
| 2025 | 299,960 | 65,540 | 365,500 |
| Thereafter | 2,652,280 | 271,748 | 2,924,028 |
| Total | \$ 4,439,430 | \$ 672,932 | \$ 5,112,362 |

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 5 – GENERAL LONG-TERM DEBT (Continued)

The debt service requirements on the above lease-purchase agreements are as follows:

| <u>Due Year Ending September 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|--------------|
| 2021 | 106,555 | 129,885 | 236,440 |
| 2022 | 214,882 | 127,541 | 342,423 |
| 2023 | 347,027 | 122,814 | 469,841 |
| 2024 | 354,662 | 115,179 | 469,841 |
| 2025 | 362,464 | 107,376 | 469,840 |
| Thereafter | 4,518,282 | 554,118 | 5,072,400 |
| Total | \$ 5,903,872 | \$ 1,156,913 | \$ 7,060,785 |

| <u>Due Year Ending September 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|--------------|
| 2021 | 86,571 | 30,837 | 117,408 |
| 2022 | 89,220 | 28,188 | 117,408 |
| 2023 | 91,950 | 25,458 | 117,408 |
| 2024 | 94,764 | 22,644 | 117,408 |
| 2025 | 97,663 | 19,745 | 117,408 |
| Thereafter | 547,588 | 41,557 | 589,145 |
| Total | \$ 1,007,756 | \$ 168,429 | \$ 1,176,185 |

NOTE 6 – CONTINGENCIES AND SUBSEQUENT EVENTS

As of September 30, 2020, the District did not have any material pending litigation or non-disclosed liabilities.

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, District specific information about its Fiduciary Net Position in the Texas County and District Retirement System (TCDRS) and additions to/deductions from the District's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the District's Total Pension Liability is obtained from TCERS through a report prepared for the District by TCERS consulting actuary, Milliman, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has the following items that qualify for reporting in this category.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Pension contributions after measurement date – these contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

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

Pension Plan - The Williamson County ESD # 3 participates as one of the plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas County and District Retirement System (TCDRS). The funding policy governs how the Texas County & District Retirement System (TCDRS) determines the employer contributions required to ensure that benefits provided to TCDRS members are funded in a reasonable and equitable manner. The goals of TCDRS' funding policy are to fully fund benefits over the course of employees' careers to ensure intergenerational equity, and to balance rate and benefit stability with the need for the plan funding to be reflective of current plan conditions. This policy documents the current funding policies in effect for the Dec. 31, 2018 actuarial valuation as established by state law, administrative rule and action by the TCDRS Board of Trustees (the board). The policy serves as a comprehensive funding overview and complies with the GASB reporting requirements for an agent multiple-employer plan. TCDRS funding overview TCDRS is a model for responsible, disciplined funding. TCDRS does not receive any state funding. As an agent, multiple-employer plan, each participating employer in the system funds its plan independently. A combination of three elements funds each employer's plan: employee deposits, employer contributions and investment income. • The deposit rate for employees is 4%, 5%, 6% or 7% of compensation, as

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

adopted by the employer's governing body. • Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees. • Investment income funds a large part of the benefits employees earn. Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis. Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience. GASB 68 Disclosure for Measurement Date December 31, 2017. Williamson County Emergency Services District #3 Texas County & District Retirement System. This work product was prepared solely for the TCDRS for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product. In addition, employers annually review their plans and may adjust benefits and costs based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs. Methodology for determining employer contribution rates The board hires independent outside consulting actuaries to conduct an annual valuation to measure the funding status and to determine the required employer contribution rate for each employer plan. In order to calculate the employer contribution rate, the actuary does the following: • Studies each employer's adopted plan of benefits and the profile of its plan participants, and uses assumptions established by the board to estimate future benefit payments. • Discounts the estimate of future benefit payments to the present based on the long-term rate of investment return to determine the present value of future benefits. • Compares the present value of future benefits with the plan's assets to determine the difference that needs to be funded based on the funding policy. The valuation of each employer plan is based on the system funding policy and the assets, benefits and participant profile of each participating employer plan. The four key components in the determination of employer contribution rates are: the actuarial cost method, amortization policy, the asset valuation method and the actuarial assumptions. Actuarial cost method TCDRS has adopted the replacement life entry age cost method, a conservative cost method and an industry standard. The goal of this cost method is to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin. Under this approach, benefits are funded in advance as a level percentage of pay. This portion of the contribution rate is called the normal cost rate and generally remains stable from year to year. Amortization policy The portion of the contribution

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

rate that funds any remaining unfunded amounts for benefits that are not covered by the normal cost is called the unfunded actuarial accrued liability (UAAL) rate. UAAL amounts occur when benefit enhancements are adopted that have not been funded in advance, or when actual investment or demographic experience varies from the actuarial assumptions (actuarial gains and losses). UAAL amounts are amortized on a level-percentage-of-covered-payroll basis over a closed period with a layered approach. The closed periods ensure all unfunded liabilities are financed over no more than 20 years from the time they occur. Each year new layers are established to amortize changes in the UAAL due to actuarial gains or losses, as well as any plan benefit changes elected by an employer for that year. Benefit enhancements are amortized over a 15-year closed period. All other changes in the UAAL are amortized over 20-year closed periods. These amortization periods are generally more conservative than those of most other public retirement plans and are stricter than the minimum amortization period required under state law. GASB 68 Disclosure for Measurement Date December 31, 2014. Williamson County Emergency Services District #3 Texas County & District Retirement System. This work product was prepared solely for the TCDRS for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product. For newly participating districts that have five or fewer employees who are all within five years of retirement eligibility, any initial UAAL and any subsequent adoption of prior service credits are amortized over a five-year closed amortization period. This ensures that benefits are appropriately funded over the current generation of employees. Notwithstanding the layered approach, the total UAAL payment may not be less than the required payment obtained by amortizing the entire UAAL over a 20-year period. If a plan is overfunded, the overfunded actuarial accrued liability (OAAL) is calculated annually using a 30-year open amortization period. Asset valuation method When determining the actuarial value of assets used for measuring a plan's funded status, TCDRS smooths each year's actuarial investment gains and losses and recognizes them over a five-year period to better reflect the system's long-term investment horizons and to keep employer contribution rates more stable. As actuarial asset investment gains and losses are recognized, they become part of the actuarial gains and losses for the year and are funded according to the amortization policy. The five-year period helps stabilize employer rates while still ensuring that rates are reflective of current market conditions. In addition, the board has the ability to set aside reserves from investment earnings that are used to help offset future negative economic cycles. These reserves are held separately and are not counted as part of a participating employer's plan assets until they are passed through to employers when determined necessary by the board. Reserves help maintain rate stability for employers. In addition, reserves ensure that employers do not adopt benefit increases based on a

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
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temporarily lower plan cost at a high point in a market cycle and, conversely, are not as pressured to immediately reduce benefit levels during a low point in a market cycle. Actuarial assumptions Demographic and economic assumptions are used to estimate employer liabilities and to determine the amount of funding required from employer contributions as opposed to investment earnings. These assumptions reflect a long-term perspective of 30 years or more. Examples of key economic assumptions include long-term investment return, long-term inflation and annual payroll increase. Demographic assumptions are the actuary's best estimate of what will happen to TCDRS members and retirees. Examples of demographic assumptions are employment termination rates, retirement rates and retiree mortality rates. A complete listing of all actuarial assumptions can be found in the annual system-wide valuation report. Oversight The board has established review policies to ensure that actuarial assumptions are appropriate and that the methodology for determining employer contribution rates is being correctly applied. Review of actuarial assumptions TCDRS' actuarial assumptions are periodically reviewed and revised as deemed necessary to reflect best estimates of future experience. Every four years, the TCDRS consulting actuary conducts an investigation of experience.

TCDRS assumptions are compared to plan experience and future expectations, and changes to GASB 68 Disclosure for Measurement Date December 31, 2018. Williamson County Emergency Services District #3 Texas County & District Retirement System This work product was prepared solely for the TCDRS for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product. the assumptions are recommended as needed. The board adopts actuarial assumptions to be used in the valuation based on the results of this study. An actuarial audit of every investigation of experience is required and must be performed by an independent auditing actuary to review the consulting actuary's analysis, conclusions and recommendations for accuracy, appropriateness and reasonableness. These audits alternate between a peer review and a full replication audit of the investigation of experience. In a peer review audit of the investigation, the reviewing actuary uses the raw results of the investigation for demographic assumptions as calculated by the consulting actuary to test the conclusions and recommendations. In addition, the reviewing actuary independently analyzes economic assumptions to test the results and recommendations of the consulting actuary. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the investigation, in addition to performing all of the steps of a peer review, the auditing actuary fully replicates the calculation of the investigation's raw results. Review of employer contribution rates In order to test accuracy and ensure that the actuarial methods and assumptions are being

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SEPTEMBER 30, 2020

correctly applied, an audit of the valuation is required every four years. These audits are conducted by an independent reviewing actuary and alternate between a peer review and a full replication audit of the valuation. In the peer review audit of the valuation, the actuary uses a sample of participant data and TCDRS plans to test the results of the valuation. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the valuation, the auditing actuary performs all the steps of a peer review audit but instead of analyzing sample data and plans, the auditing actuary fully replicates the original actuarial valuation. Review and modification of funding policy The board will review this policy on a regular basis and may modify this policy at its discretion. Modifications to the policy may be submitted for consideration to the board by staff and/or outside consulting actuaries as circumstances warrant.

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 2015 information for a 7-10 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 2013. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2009 – December 31, 2013 for more details. (1) Target asset allocation adopted at the April 2015 TCDRS Board meeting. (2) Geometric real rates of return in addition to assumed inflation of 1.7%, per Cliffwater's 2015 capital market assumptions. (3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs. (4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs. Geometric Real Rate of Return Target (Expected minus Asset Class Benchmark Allocation)(1) Inflation)(2) US Equities Dow Jones U.S. Total Stock Market Index 16.50% 5.35% Private Equity Cambridge Associates Global Private Equity & Venture Capital Index(3) 12.00% 8.35% Global Equities MSCI World (net) Index 1.50% 5.65% International Equities - Developed 50% MSCI World Ex USA (net) + 50% MSCI World ex USA 100% Hedged to USD (net) Index 11.00% 5.35% International Equities - Emerging 50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index 9.00% 6.35% Investment-Grade Bonds Barclays Capital Aggregate Bond Index 3.00% 0.55% High-Yield Bonds Citigroup High-Yield Cash-Pay Capped Index 3.00% 3.75% Opportunistic Credit Citigroup High-Yield Cash-Pay Capped Index 5.00% 5.54% Direct Lending Citigroup High-Yield Cash-Pay Capped Index 2.00% 5.80% Distressed Debt Citigroup High-Yield Cash-Pay Capped Index 3.00% 6.75% REIT Equities 67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index 2.00%

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

4.00% Commodities Bloomberg Commodities Index 2.00% -0.20% Master Limited
Partnerships (MLPs) Alerian MLP Index 2.00% 5.30% Private Real Estate Partnerships
Cambridge Associates Real Estate Index(4) 3.00% 7.20% Hedge Funds Hedge Fund
Research, Inc. (HFRI) Fund of Funds Composite Index 25.00% 5.15%

Williamson County ESD # 3
Schedule of Changes in Net Pension Liability and Related Ratios Current Period
September 30, 2020

| | |
|--|----------------------------|
| A. Total pension liability | |
| 1. Service Cost | \$ 290,130 |
| 2. Interest (on the Total Pension Liability) | 155,881 |
| 3. Effect of Plan Changes | - |
| 4. Effect of assumption changes or inputs | - |
| 5. Effect of economic/demographic (gains) or losses | 7,332 |
| 6. Benefit payments, including refunds of employee contributions | (11,912) |
| 7. Net change in total pension liability | <u>\$ 441,431</u> |
| 8. Total pension liability - beginning | <u>1,640,167</u> |
| 9. Total pension liability - ending | <u><u>\$ 2,081,598</u></u> |
| B. Plan fiduciary net position | |
| 1. Contributions - employer | \$ 243,483 |
| 2. Contributions - member | 155,509 |
| 3. Net investment income | 197,886 |
| 4. Benefit payments, including refunds of employee contributions | (11,912) |
| 5. Administrative Expense | (1,375) |
| 6. Other | 13,504 |
| 7. Net change in plan fiduciary net position | <u>\$ 597,095</u> |
| 8. Plan fiduciary net position - beginning | <u>1,207,398</u> |
| 9. Plan fiduciary net position - ending | <u><u>\$ 1,804,493</u></u> |
| C. Net pension liability [A.9-B.9] | <u><u>\$ 277,105</u></u> |
| D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9] | 86.69% |
| E. Covered-employee payroll | \$ 2,221,561 |
| F. Net pension liability as a percentage of covered employee payroll [C / E] | 12.47% |

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

WILLIAMSON COUNTY ESD # 3
SCHEDULE OF PENSION EXPENSE
SEPTEMBER 30, 2020

| | |
|--|-------------------|
| 1. Total Service Cost | \$ 290,130 |
| 2. Interest on the Total Pension Liability | 155,881 |
| 3. Current Period Benefit Changes | - |
| 4. Employee Contributions (Reduction of Expense) | (155,509) |
| 5. Projected Earnings on Plan Investments (Reduction of Expense) | (113,652) |
| 6. Administrative Expense | 1,375 |
| 7. Other Changes in Fiduciary Net Position | (13,504) |
| 8. Recognition of Investment gains or losses | (405) |
| 9. Recognition of economic/demographic gains or losses | 10,337 |
| 10. Recognition of assumption changes or inputs | 4,157 |
| | - |
| 12. Total Pension Expense | <u>\$ 178,810</u> |

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

WILLIAMSON COUNTY ESD # 3
SCHEDULE OF DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES
SEPTEMBER 30, 2020

| | Recognition Period (or amortization <u> yrs</u>) | 2019 Recognized in current <u>pension expense</u> | Deferred Inflow <u>in future expense</u> | Deferred Outflow <u>in future expen</u> |
|--|---|--|--|---|
| <u>Due to Liabilities:</u> | | | | |
| Difference in expected and actual experience [actuarial (gains) or losses] | 12.0000 | | \$ 60,482 | \$ 206,945 |
| Difference in assumption changes [actuarial (gains) or losses] | 12.0000 | | \$ 7,848 | \$ 1,183 |
| | | <u> </u> | <u>\$ 68,330</u> | <u>\$ 208,128</u> |
| <u>Due to Assets:</u> | | | | |
| Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses] | 5.0000 | | \$ 21,331 | \$ - |
| | | <u> </u> | <u>\$ 21,331</u> | <u>\$ -</u> |
| Total: | | | <u>\$ 46,999</u> | <u>\$ 208,128</u> |

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

| | Net deferred outflows (inflows) of resources |
|------------|---|
| 2020 | \$ 7,306 |
| 2021 | 5,868 |
| 2022 | 12,136 |
| 2023 | (6,913) |
| 2024 | 9,932 |
| Thereafter | <u>90,138</u> |
| Total | <u>\$ 118,467</u> |

Required Supplementary Information

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT No. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|----------------------------|------------------------------|------------------------------|--|
| | Original | Final | Actual | |
| Revenues: | | | | |
| Property Taxes | \$ 3,607,920 | \$ 3,651,748 | \$ 3,660,155 | \$ 8,407 |
| Sales Taxes | 2,331,197 | 3,482,113 | 3,536,798 | \$ 54,685 |
| Other Income | 68,000 | 485,493 | 470,891 | (14,602) |
| Inspections | - | 10,315 | 10,315 | - |
| General Reserve | | | | |
| Interest Earnings | 16,000 | 178,459 | 128,447 | (50,012) |
| Total Revenues | <u>\$ 6,023,117</u> | <u>\$ 7,808,128</u> | <u>\$ 7,806,606</u> | <u>\$ (1,522)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | \$ 4,526,705 | \$ 4,960,312 | \$ 4,211,216 | \$ 749,096 |
| Capital Outlay | 178,105 | 3,143,111 | 4,879,325 | (1,736,214) |
| Debt Service | 1,318,307 | 1,318,307 | 4,807,652 | (3,489,345) |
| Total Expenditures | <u>\$ 6,023,117</u> | <u>\$ 9,421,730</u> | <u>\$ 13,898,193</u> | <u>\$ (4,476,463)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ -</u> | <u>\$ (1,613,602)</u> | <u>\$ (6,091,587)</u> | <u>\$ (4,477,985)</u> |
| Net income or (Loss) | \$ - | \$ - | \$ (6,091,587) | |
| Loan Proceeds | | \$ 1,613,602 | \$ 12,401,580 | |
| Fund Balances - Beginning | <u>\$ 4,627,983</u> | <u>\$ 4,627,983</u> | <u>\$ 4,627,983</u> | |
| Fund Balances - Ending | <u>\$ 4,627,983</u> | <u>\$ 6,241,585</u> | <u>\$ 10,937,976</u> | |
| Investment in Capital Assets, Net of Related Debt | | | \$ 701,345 | |
| Unearned Revenue | | | \$ (344,989) | |
| Long Term Debt not recognized in governmental funds | | | (832,608) | |
| Net Pension Liability not recognized in governmental funds | | | \$ 277,105 | |
| Deferred Inflows of Resources not recognized in govt. funds | | | \$ (89,661) | |
| Deferred Outflows of Resources not recognized in govt. funds | | | \$ (435,091) | |
| GAAP Basis Fund Balance | | | <u>\$ 10,214,077</u> | |

See accompanying notes to the financial statements.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT No. 3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgetary Process

The budgetary process is prescribed by the provisions of the Texas Constitution and entails the preparation of budgetary documents within an established timeline. Legally, the Texas Constitution does not strictly impose a requirement on the District to follow the budgetary process but the District chose to follow the budgetary process. The major documents prepared are an estimated budget with revenues and expenditures. The level of budgetary control is at the object level for the District. The budget is not amended for modifications or changes during the year. All expenditures are approved by the Board beforehand.

1. Estimated Resources

As part of the District's budgetary process, the Board approves the official estimated resources. The official estimated resources state the projected revenue for the District. The estimated revenue is calculated from information from the Williamson County Appraisal District. The budget is not revised or amended for increases or decreases in estimated revenues.

2. Appropriations

Estimated appropriations are prepared for the annual budget. All appropriations, no matter how small or how large, still must be approved by the Board before remittance, whether or not they were included in the budget.

3. Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary process, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements. See page 14 for a reconciliation between governmental funds and GAAP basis net equity fund balance.

Williamson County ESD # 3
Schedule of Changes in Net Pension Liability and Related Ratios
Last ten years (will ultimately be displayed)

| Total pension liability | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|----------|-----------|-----------|-----------|-----------|
| 1. Service Cost | 79,227 | 85,432 | 132,527 | 273,409 | 290,130 |
| 2. Interest (on the Total Pension Liability) | 29,642 | 36,009 | 61,053 | 126,095 | 155,881 |
| 3. Effect of plan changes | (15,298) | 15,180 | 321,803 | - | - |
| 4. Effect of assumption changes or inputs | 1,774 | - | (9,417) | (42,657) | - |
| 5. Effect of economic/demographic (gains) or losses | (33,847) | 89,353 | 156,147 | - | 7,332 |
| 6. Benefit payments, including refunds | 1 | - | - | - | (11,912) |
| 7. Net change in total pension liability | 61,499 | 225,974 | 662,113 | 356,847 | 441,431 |
| 8. Total pension liability - beginning | 333,734 | 395,233 | 621,207 | 1,283,320 | 1,640,167 |
| 9. Total pension liability - ending | 395,233 | 621,207 | 1,283,320 | 1,640,167 | 2,081,598 |
| Plan fiduciary net position | | | | | |
| 1. Contributions - employer | 49,109 | 58,947 | 106,889 | 230,778 | 243,483 |
| 2. Contributions - members | 44,645 | 56,247 | 97,172 | 129,755 | 155,509 |
| 3. Net investment income | (4,464) | 30,415 | 84,710 | (11,786) | 197,886 |
| 4. Benefit payments, including refunds of contributions | 1 | (1) | - | - | (11,912) |
| 5. Administrative Expense | (263) | (331) | (564) | (970) | (1,375) |
| 6. Other | (32) | 9,045 | 2,729 | 10,826 | 13,504 |
| 7. Net change in plan fiduciary net position | 88,996 | 154,322 | 290,936 | 358,603 | 597,095 |
| 8. Plan fiduciary net position - beginning | 314,541 | 403,537 | 557,859 | 848,795 | 1,207,398 |
| 9. Plan fiduciary net position - ending | 403,537 | 557,859 | 848,795 | 1,207,398 | 1,804,493 |
| Net pension liability [A.9-B.9] | (8,304) | 63,348 | 434,525 | 432,769 | 277,105 |
| Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9] | 102.10% | 89.80% | 66.14% | 73.61% | 86.69% |
| Covered-employee payroll | 892,897 | 1,120,079 | 1,619,531 | 1,853,636 | 2,221,561 |
| Net pension liability as a percentage of covered employee payroll [C / E] | -0.93% | 5.66% | 26.83% | 23.35% | 12.47% |

Williamson County ESD # 3
Schedule of Contributions
Last 10 Fiscal Years (will ultimately be displayed)
September 30, 2020

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Actually Determined Contribution | 243,483 | 230,778 | 106,889 | 58,692 | \$ 49,109 | \$ 45,835 | \$ 37,229 | \$ 24,389 |
| Contributions in relation to the actuarially determined contribution | 243,483 | 230,778 | 106,889 | 58,947 | 49,109 | 45,835 | 37,229 | 24,389 |
| Contribution deficiency (excess) | | | | | | - | - | - |
| Covered employee payroll | 2,221,561 | 1,853,636 | 1,619,531 | 1,120,079 | 892,897 | 818,490 | 663,609 | 614,331 |
| Contributions as a percentage of covered employee payroll | 12.47% | 23.35% | 6.60% | 5.30% | 5.50% | 5.60% | 5.60% | 4.00% |

Noes to Schedule of Contributions

Valuation Date determined 12/31/2019

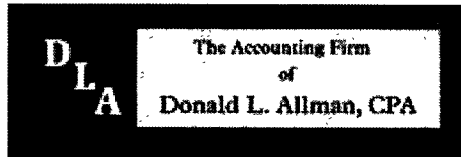
Notes

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January.

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|---|
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level percentage of payroll, closed |
| Remaining Amortization Period | 13.5 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%, net of administrative & investment expenses, including inflation |
| Retirement Age | 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 |
| Mortality | 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. |
| Other Information: | 2015 New inflation, mortality and other assumptions were reflected. 2017 New mortality assumptions were reflected. |
| Changes in Plan Provisions | 2015 & 2016 - No changes in plan provisions are reflected in the Schedule of Employer Contributions |
| Reflected in the schedule | 2017 Employer contributions reflect that the member contribution rate was increased to 6% and the current service matching rate was increased to 175% for future benefits. Also, new annuity purchase rates were reflected for benefits earned after 2017 |



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Williamson County ESD # 3

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Williamson County ESD # 3 as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Williamson County ESD # 3's basic financial statements, and have issued our report thereon dated December 11, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Williamson County ESD # 3's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Williamson County ESD # 3's internal control. Accordingly, we do not express an opinion on the effectiveness of Williamson County ESD # 3's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Williamson County ESD #3's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Donald L. Allman, CPA, PC

Georgetown, TX
December 11, 2020