

**Williamson County
Emergency Services District #5
Financial Statements
September 30, 2020**

Williamson County Emergency Services District #5
For the Year Ending September 30, 2020

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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, 2020, 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, 2020, 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 7 and pages 28 through 31 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.

Medack & Oltmann LLP

Medack & Oltmann, LLP
Giddings, TX
February 5, 2021



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, 2020. 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 \$ 91,561 as a result of the current year's operations.
- As of year-end, the District's governmental fund reported an ending fund balance of \$1,133,948, a decrease of \$ 128,400.

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 \$ 91,561. 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

	09/30/2020	09/30/2019
Assets:		
Current Assets	\$ 1,240,141	\$ 1,307,731
Capital Assets	<u>2,152,140</u>	<u>1,798,859</u>
Total Assets	\$ 3,392,281	\$ 3,106,590
 Deferred Outflows of Resources	 \$ 59,961	 \$ 44,372
Liabilities		
Current Liabilities	\$ 677,946	\$ 280,618
Long Term Liabilities	<u>1,475,543</u>	<u>1,668,237</u>
Total Liabilities	\$ 2,153,489	\$ 1,948,855
 Deferred Inflows of Resources	 \$ 11,655	 \$ 6,570
Net Position:		
Net Investment in Capital Assets	\$ 404,170	\$ 50,889
Unrestricted	882,928	1,144,648
Restricted	<u>\$ -</u>	<u>\$ -</u>
Total Net Position	\$ 1,287,098	\$ 1,195,537

Table 2
Changes in Net Position

	09/30/2020	09/30/2019
Revenues:		
Operating Grants and Contributions	\$ 400	\$ 27,358
Property Taxes	901,463	762,301
Sales Taxes	763,887	753,595
Interlocal Agreement	20,191	20,003
Fire Recovery	11,267	13,553
Interest Income	9,766	9,379
Plan Review & Inspections	4,576	13,653
Total Revenues	\$ 1,711,550	\$ 1,599,842
Expenses:		
General Government	\$ 1,619,989	\$ 1,255,631
Total Expenses	\$ 1,619,989	\$ 1,255,631
 Gain from Sale of Assets	 \$ -	 \$ 16,772
Change in Net Position:		
Increase (decrease) in Net Position	\$ 91,561	\$ 360,983
Net Position – Beginning	1,195,537	834,554
Net Position – Ending	\$ 1,287,098	\$ 1,195,537

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, 2020, the District's total fund balance was \$ 1,133,948 which reflects a decrease of \$ 128,400.

Of all Department funds, 53.1% come from Ad Valorem taxes and 45.4% come from Sales Tax. 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, 2020. Changes are reflected in the final/amended columns of the budget to actual report found on page 28.

Capital Asset and Debt Administration

Capital Assets:

At the end of the fiscal year September 30, 2020, capital assets are as follows:

Table 3
Capital Assets at Year-end

	<u>09/30/2020</u>	<u>09/30/2019</u>
Land	\$ 453,990	\$ 77,989
Construction-in-Progress	17,105	-0-
Vehicles	959,734	896,579
Machinery & Equipment	283,012	254,680
Building	<u>1,439,106</u>	<u>1,439,106</u>
Total capital assets	\$ 3,152,947	\$ 2,668,354

Depreciation expense charged to the general fund was \$ 131,312.

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

Debt:

As of September 30, 2020, and 2019, the District was obligated on the following debt:

	<u>09/30/2020</u>	<u>09/30/2019</u>
Notes Payable	\$ 1,987,505	\$ 1,802,389
Capital Lease Obligation	38,762	45,579
Pension Liability	3,562	37,509
Compensated Absences	<u>23,215</u>	<u>17,750</u>
Total	\$ 2,053,044	\$ 1,865,718

The District incurred interest expense of \$ 62,429 for the year ending September 30, 2020, and \$ 62,622 for the year ending September 30, 2019. 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 districts 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 \$ 65,041 for the fiscal year beginning October 1, 2019 and ending September 30, 2020.

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

The district has developed a policy for the allocation of 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 and a new fire marshal/command vehicle. 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. To date, \$ 100,000 of this loan has been paid back to the City of Jarrell, leaving \$ 50,000 owed to them which will be paid in September of 2021. 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 transfers \$7500 per month from sales tax allocations to the money market account for future needs of the department such as a second station which is scheduled to begin construction in the spring or summer of 2021. Anticipated cost of the second station is 1.2 million dollars.

The district also plans to add a quint apparatus to serve out of the second station and meet the needs of fire rescue in upcoming multi-story structures planned for the district. The anticipated cost of this apparatus with all associated tools is 1.4 million dollars. The purchase of the quint apparatus should occur in the 2021/2022 fiscal year.

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 9 additional employees over the next 3 years.

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

The district hopes to add three more employees within the 2020/2021 fiscal year and an additional 6 employees in the 2021/2022 budget.

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, 2020

	General Fund	Adjustments (Note 10)	Statement of Net Position
ASSETS			
Cash	\$ 1,097,971	\$ -	\$ 1,097,971
Taxes Receivable - Property Taxes	17,443	-	17,443
Taxes Receivable - Sales Taxes	120,415	-	120,415
Receivables-Other	978	-	978
Prepaid Expenses	3,334	-	3,334
Capital Assets (net of accumulated depreciation)	-	2,152,140	2,152,140
TOTAL ASSETS	<u>\$ 1,240,141</u>	<u>\$ 2,152,140</u>	<u>\$ 3,392,281</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Amounts		\$ 59,961	\$ 59,961
TOTAL DEFERRED OUTFLOWS OF RESOURCES		<u>\$ 59,961</u>	<u>\$ 59,961</u>
LIABILITIES			
Accounts Payable	\$ 48,943	\$ -	\$ 48,943
Accrued Interest Payable	-	11,695	11,695
Accrued Payroll	39,807	-	39,807
Long Term Liabilities - Due within one year	-	577,501	577,501
Long Term Liabilities - Due after one year	-	1,475,543	1,475,543
TOTAL LIABILITIES	<u>\$ 88,750</u>	<u>\$ 2,064,739</u>	<u>\$ 2,153,489</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 17,443	\$ (17,443)	\$ -
Deferred Pension Amounts	-	11,655	11,655
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 17,443</u>	<u>\$ (5,788)</u>	<u>\$ 11,655</u>
FUND BALANCES/NET POSITION			
Fund balances:			
Non-Spendable	3,334	(3,334)	-
Spendable	-	-	-
Unassigned	1,130,614	(1,130,614)	-
Total fund balances	<u>1,133,948</u>	<u>(1,133,948)</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,240,141</u>	<u>\$ -</u>	
Net Position:			
Net Investment in Capital Assets		404,170	404,170
Unrestricted		882,928	882,928
Restricted		-	-
Total Net Position		<u>\$ 1,287,098</u>	<u>\$ 1,287,098</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, 2020

	General Fund	Adjustments (Note 10)	Statement of Activities
EXPENDITURES/EXPENSES			
Personnel Expense	\$ 1,132,819	\$ (38,986)	\$ 1,093,833
Fleet Expense	44,714	-	44,714
Repairs & Maintenance	42,116	-	42,116
Emergency Equipment/Supplies	32,926	-	32,926
Professional Fees	22,506	-	22,506
Office Expenses/Postage	6,460	-	6,460
Information Technology	47,723	-	47,723
Insurance	47,618	-	47,618
Appraisal District & Tax Collector Fees	6,794	-	6,794
Utilities	15,961	-	15,961
Communications	24,183	-	24,183
Miscellaneous	830	-	830
Personal Protective Equipment	16,706	-	16,706
Professional Development	11,965	-	11,965
Uniforms	11,913	-	11,913
Capital Outlay	484,593	(484,593)	-
Depreciation	-	131,312	131,312
Debt Service:			
Principal	196,701	(196,701)	-
Interest	61,852	577	62,429
Total Expenditures/Expenses	<u>\$ 2,208,380</u>	<u>\$ (588,391)</u>	<u>\$ 1,619,989</u>
PROGRAM REVENUES			
Interlocal Agreements	\$ 20,191	\$ -	\$ 20,191
Grants/Contributions	400	-	400
Total Program Revenues	<u>\$ 20,591</u>	<u>\$ -</u>	<u>\$ 20,591</u>
Net Program Expense			1,599,398
GENERAL REVENUES			
Ad valorem taxes	\$ 894,893	\$ 6,570	\$ 901,463
Sales taxes	763,887	-	763,887
Fire Recovery	11,267	-	11,267
Interest Income	9,766	-	9,766
Plan Review & Inspections	4,576	-	4,576
Total General Revenues	<u>\$ 1,684,389</u>	<u>\$ 6,570</u>	<u>\$ 1,690,959</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (503,400)	\$ 503,400	\$ -
OTHER FINANCING SOURCES/(USES):			
Financing Proceeds	375,000	(375,000)	-
Total Other Financing Sources/(Uses):	<u>375,000</u>	<u>(375,000)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	\$ (128,400)	\$ 128,400	
Change in Net Position		\$ 91,561	\$ 91,561
Fund Balance/Net Position			
Beginning of the year	<u>1,262,348</u>	<u>(66,811)</u>	<u>1,195,537</u>
End of the year	<u>\$ 1,133,948</u>	<u>\$ 153,150</u>	<u>\$ 1,287,098</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, 2020

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, 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:

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

- 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 combines.

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.

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.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 52.6% of the District's revenue for the year ended September 30, 2020.

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.

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 2019. 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.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases its insurance from regular commercial companies. As of September 30, 2020, no claims or losses have been incurred that were not covered by insurance. There is no liability due to any claim or suit having ever been filed.

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.

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's 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.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.
2. 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.
3. 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.
4. All annual appropriations lapse at fiscal year-end.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued GASB Statement No. 87, Leases, effective for fiscal years beginning after June 15, 2021. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended September 30, 2022.

NOTE 2: CASH

Deposits for the District are being held at Eagle Bank. As of year-end, the District's deposits exceed FDIC coverage by \$ 848,526. However, securities were pledged to cover this excess (Category 2) with a market value of \$ 1,960,605. As of September 30, 2020, the carrying amount of the District's deposits was \$1,097,871 and the bank balance was \$ 1,098,526.

The collateral pledged is represented by specific identifiable investment securities and classified as to credit risk by the three categories described below:

- | | |
|-------------|---|
| Category 1- | Insured by FDIC or collateralized with securities held by the District or by its agent in the District's name. |
| Category 2- | Uninsured but collateralized with securities held by the pledging institution's trust department or agent in the District's name. |
| Category 3- | Uncollateralized. |

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2020

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020, was as follows:

	Balance 10/1/2019	Additions/ Completions	Retirements/ Adjustments	Balance 9/30/2020
<u>Non-Depreciable Assets</u>				
Land	\$ 77,989	\$ 376,001	\$ -	\$ 453,990
Construction in Progress	-	17,105	-	17,105
Total Non-Depreciable Assets	77,989	393,106	-	471,095
<u>Depreciable Assets</u>				
Vehicles	896,579	63,155	-	959,734
Equipment	254,680	28,332	-	283,012
Building	1,439,106	-	-	1,439,106
Total Depreciable Assets	2,590,365	91,487	-	2,681,852
Total Assets	2,668,354	484,593	-	3,152,947
<u>Accumulated Depreciation:</u>				
Vehicles	411,237	63,909	-	475,146
Equipment	98,481	31,425	-	129,906
Building	359,777	35,978	-	395,755
Total Accumulated Depreciation	869,495	131,312	-	1,000,807
Total Capital Assets, Net	\$1,798,859	\$ 353,281	\$ -	\$2,152,140

In prior years, the District entered into capital leases for a truck, equipment, and radios (see Note 4). As of September 30, 2020, the gross amount of the asset was \$ 71,773 and accumulated amortization was \$68,840. Amortization expense is included in depreciation expense.

Depreciation expense charged to the government wide statements was \$ 131,312.

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 as of September 30, 2020, was \$ 16,613.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2020

NOTE 4: CAPITAL LEASE OBLIGATIONS – continued

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 as of September 30, 2020, was \$ 22,151.

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

Year Ending September 30	Principal	Interest	Total
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	8,285	329	8,614
Total	\$ 38,764	\$ 4,688	\$ 43,452

NOTE 5: DEBT

Transactions for the year ended September 30, 2020, are summarized as follows:

	Balance 10/1/2019	Additions	Reductions	Balance 9/30/2020	Due within one year
<u>Governmental Activities:</u>					
Notes Payable	\$ 1,802,389	\$ 375,000	\$ 189,884	\$ 1,987,505	\$ 570,315
Capital Lease Obligations	45,579	-	6,817	38,762	7,186
Total Notes Payable & Capital Lease Obligations	\$ 1,847,968	\$ 375,000	\$ 196,701	\$ 2,026,267	\$ 577,501
Pension Liability	37,509	-	33,947	3,562	-
Compensated Leave Payable	17,750	5,465	-	23,215	-
Total Governmental Activities	\$ 1,903,227	\$ 380,465	\$ 230,648	\$ 2,053,044	\$ 577,501

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, 2020, is \$985,400.

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 balance due as of September 30, 2020, is \$ 186,018.

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 balance due as of September 30, 2020, is \$ 68,370.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2020

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 balance due as of September 30, 2020, is \$ 322,718.

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 balance due as of September 30, 2020, is \$ 50,000.

The District entered into a promissory note agreement with Eagle Bank on May 12, 2020 for \$ 375,000 at 3.25%, maturing May 12, 2021. The note is secured by an interest newly financed land. The balance due as of September 30, 2020, is \$ 375,000.

The future principal payments for these notes are as follows:

Year Ending September 30	Principal	Interest	Total
2021	\$ 570,315	\$ 60,511	\$ 630,826
2022	150,223	46,497	196,720
2023	155,300	41,421	196,721
2024	160,548	36,172	196,720
2025	165,975	30,745	196,720
2026-2030	524,279	85,322	609,601
2031-2035	260,865	12,538	273,403
Total	\$ 1,987,505	\$ 313,206	\$ 2,300,711

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. An enforceable lien is attached to the property as of January 1. The assessed value of the roll as of January 1, 2019, upon which the 2019 levy was based, was \$ 891,103,425 as certified by the Williamson County Central Appraisal District.

Taxes are due by January 31 following the October 1 levy date. The total 2019 levy was \$ 891,103 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: 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.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2020

NOTE 8: 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 7%. 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 the following link, www.tcdrs.org.

Employee membership data related to the Plan, as of the valuation date of December 31, 2019, was as follows:

Members	Dec. 31, 2018	Dec. 31, 2019
Number of inactive employees entitled to but not yet receiving benefits	7	9
Number of active employees	16	14
Average monthly salary:	\$3,055	\$4,058
Average age:	32.05	32.35
Average length of service in years:	3.75	5.49
Inactive Employees (or their Beneficiaries) Receiving Benefits		
Number of benefit recipients:	1	1
Average monthly benefit:	\$79	\$79

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2020

NOTE 8: PENSION PLAN – continued

Net Pension Liability

The District's net pension liability was measured as of December 31, 2019, 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, 2019, 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.

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, 2020

NOTE 8: 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	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
International Equities – Developed Markets	MSCI World Ex USA (net) Index	7.00%	5.20%
International Equities – Emerging Markets	MSCI Emerging Markets Standard (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	4.00%	6.90%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% Global REIT (net) Index	3.00%	4.50%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%

⁽¹⁾ Target asset allocation adopted at the June 2020 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return in addition to assumed inflation of 1.80%, per Cliffwater's 2020 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, 2020

NOTE 8: PENSION PLAN – continued

Net Pension Liability / (Asset)

Net Pension Liability / (Asset)	December 31, 2018	December 31, 2019
Total pension liability	\$147,636	\$200,692
Fiduciary net position	110,127	197,130
Net pension liability / (asset)	37,509	3,562
Fiduciary net position as a % of total pension liability	74.59%	98.23%
Pensionable covered payroll ⁽¹⁾	\$297,513	\$680,979
Net pension liability as a % of covered payroll	7.54%	0.52%

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, 2020

NOTE 8: 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, 2018	\$ 147,636	\$ 110,127	\$ 37,509
<i>Changes for the year:</i>			
Service cost	57,308		57,308
Interest on total pension liability ⁽¹⁾	16,009		16,009
Effect of plan changes ⁽²⁾	0		0
Effect of economic/demographic gains or losses	(5,364)		(5,364)
Effect of assumptions changes or inputs	0		0
Refund of contributions	(13,948)	(13,948)	0
Benefit payments	(949)	(949)	0
Administrative expenses		(150)	150
Member contributions		47,669	(47,669)
Net investment income		18,017	(18,017)
Employer contributions		34,049	(34,049)
Other ⁽³⁾	0	2,315	(2,315)
Balances as of December 31, 2019	\$ 200,692	\$ 197,130	\$ 3,562

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

⁽²⁾ No plan changes valued.

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

Sensitivity Analysis

The following presents the net pension liability 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	\$ 243,882	\$200,692	\$166,338
Fiduciary Net Position	197,130	197,130	197,130
Net pension liability/(asset)	\$46,752	\$3,562	(\$30,792)

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2020

NOTE 8: PENSION PLAN – continued

As of September 30, 2020, 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	\$ 10,390	\$ 11,307
Changes of assumption	617	110
Net difference between projected and actual earnings	648	0
Contributions made subsequent to measurement date	<u>N/A</u>	<u>48,544</u>
Totals	\$ 11,655	\$ 59,961

The \$ 48,544 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, 2020. 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:

2021	\$ 196
2022	2
2023	616
2024	(1,210)
2025	63
Thereafter ⁽¹⁾	95

⁽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, 2020, the District reported a payable of \$ 14,066 for the outstanding amount of employer and employee contributions to the pension plan required for the year ended September 30, 2020.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2020

NOTE 9: 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, 2020, 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 8.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2020

**NOTE 10: 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	\$ 3,152,947
Accumulated Depreciation	<u>(1,000,807)</u>
	<u>\$ 2,152,140</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	\$ 59,961
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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	\$ 11,695
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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	\$ 557,501
Due after one year	1,475,543

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

Deferred revenue	\$ (17,443)
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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	\$ 11,655
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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	\$ 5,465
Adjustment for Pension Liability	(33,947)
Change in Deferred Inflows/Outflows related to Pension	<u>(10,504)</u>
	<u>\$ (38,986)</u>

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2020

**NOTE 10: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
AND GOVERNMENT-WIDE STATEMENTS – continued**

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	\$ (484,593)
Depreciation Expense	\$ 131,312

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	\$ (196,701)
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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	\$ 577
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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	\$ 6,570
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The issuance of long-term debt provides current financial resources to governmental funds; however, this has no effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Financing Proceeds	\$ (375,000)
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NOTE 11: 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.

NOTE 12: 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, 2020

	Budget		Actual Amounts	Variance Favorable/ (Unfavorable)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 870,000	\$ 870,000	\$ 894,893	24,893
Sales taxes	575,000	575,000	763,887	188,887
Fire Recovery	19,815	-	11,267	11,267
Interest Income	-	-	9,766	9,766
Plan Review & Inspections	-	-	4,576	4,576
Interlocal Agreements	20,000	20,000	20,191	191
Grants/Contributions	-	-	400	400
TOTAL REVENUES	\$ 1,484,815	\$ 1,465,000	\$ 1,704,980	239,980
EXPENDITURES/EXPENSES				
Personnel Expense	\$ 1,268,907	\$ 1,268,907	\$ 1,132,819	136,088
Supplies-Fleet	55,150	59,650	44,714	14,936
Supplies-Emergency Equipment	39,500	31,900	42,116	(10,216)
Maintenance	41,150	46,150	32,926	13,224
Professional Fees	29,000	29,000	22,506	6,494
Office Expense/Postage	3,564	3,639	6,460	(2,821)
Information Technology	61,595	61,595	47,723	13,872
Insurance	54,175	50,010	47,618	2,392
Appraisal District & Tax Collector Fees	9,000	9,000	6,794	2,206
Utilities	20,625	20,625	15,961	4,664
Communications	11,500	11,500	24,183	(12,683)
Miscellaneous	17,200	17,800	830	16,970
Personal Protective Equipment	26,400	26,400	16,706	9,694
Professional Development	28,500	27,500	11,965	15,535
Uniforms	14,750	14,675	11,913	2,762
Capital Outlay	68,550	125,320	484,593	(359,273)
Debt Service:				
Principal	192,042	193,688	196,701	(3,013)
Interest	63,392	61,746	61,852	(106)
TOTAL EXPENDITURES/EXPENSES	\$ 2,005,000	\$ 2,059,105	\$ 2,208,380	(149,275)
Excess (Deficiency) of Revenues Over Expenditures	<u>(520,185)</u>	<u>(594,105)</u>	<u>(503,400)</u>	<u>90,705</u>
OTHER FINANCING SOURCES/(USES):				
Financing Proceeds	-	-	375,000	(375,000)
Total Other Financing Sources/(Uses):	<u>-</u>	<u>-</u>	<u>375,000</u>	<u>(375,000)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES and OTHER SOURCES/(USES)	(520,185)	(594,105)	(128,400)	(284,295)
Net Change in Fund Balance	\$ (520,185)	\$ (594,105)	\$ (128,400)	
Beginning of the year			<u>1,262,348</u>	
End of the year			<u><u>\$ 1,133,948</u></u>	

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

	Year Ended December 31									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total Pension Liability										
Service cost	57,308	19,185	17,677	12,952	16,088	18,202	N/A	N/A	N/A	N/A
Interest on total pension liability	16,009	7,364	5,488	2,778	2,131	723	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
Effect of assumption changes or inputs	-	-	(785)	-	166	-	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	(5,364)	6,534	1,296	6,518	(8,041)	17	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(14,897)	(4,134)	-	-	-	-	N/A	N/A	N/A	N/A
Net change in total pension liability	53,056	73,882	23,676	22,033	9,105	18,943	N/A	N/A	N/A	N/A
Total pension liability, beginning	147,639	73,757	50,081	28,048	18,943	-	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	200,695	147,639	73,757	50,081	28,048	18,943	N/A	N/A	N/A	N/A
Fiduciary Net Position										
Employer contributions	34,049	11,418	7,353	8,708	7,224	7,060	N/A	N/A	N/A	N/A
Member contributions	47,669	19,901	12,900	10,793	8,757	8,558	N/A	N/A	N/A	N/A
Investment income net of investment expenses	18,017	(1,251)	8,308	2,407	(178)	62	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(14,897)	(4,134)	-	-	-	-	N/A	N/A	N/A	N/A
Administrative expenses	(150)	(88)	(56)	(26)	(18)	(6)	N/A	N/A	N/A	N/A
Other	2,315	818	271	1,349	(2)	-	N/A	N/A	N/A	N/A
Net change in fiduciary net position	87,003	26,664	28,776	23,231	15,783	15,673	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	110,127	83,463	54,687	31,456	15,673	-	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	197,130	110,127	83,463	54,687	31,456	15,673	N/A	N/A	N/A	N/A
Net pension liability / (asset), ending = (a) - (b)	3,565	37,512	(9,706)	(4,606)	(3,408)	3,270	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	98.22%	74.59%	113.16%	109.20%	112.15%	82.74%	N/A	N/A	N/A	N/A
Pensionable covered payroll	680,979	497,513	322,512	269,821	218,921	213,948	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	0.52%	7.54%	-3.01%	-1.71%	-1.56%	1.53%	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
2011	not available	not available	not available	not available	not available
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%
2020	24,924	34,049	(9,125)	680,979	5.0%

Williamson County Emergency Services District No. 5
Notes to the Schedule of Employer Contributions
For the year ending September 30, 2020

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:	
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0.00 (based on contribution rate calculated in 12/31/2019 valuation)
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	8.00%, net of 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
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: new Mortality assumptions were reflected.
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. 2019: Employer contributions reflect that the member contribution rate was increase to 7%.

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