

**Williamson County  
Emergency Services District #5  
Financial Statements  
September 30, 2022**

approved by  
board 11/10/23  
Amy Seduk  
VP

Williamson County Emergency Services District #5  
For the Year Ending September 30, 2022

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# MEDACK & OLTMANN, LLP

## CERTIFIED PUBLIC ACCOUNTANTS

### PARTNERS

James E. Medack, CPA  
Melodi J. Oltmann, CPA

### PROFESSIONAL STAFF

Ashton McGonagle

### MEMBERS

American Institute of  
Certified Public Accountants

Texas Society of  
Certified Public Accountants

### INDEPENDENT AUDITOR'S REPORT

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

#### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Williamson County Emergency Services District No. 5 as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2022, 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.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Williamson County Emergency Services District No. 5, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Williamson County Emergency Services District No. 5's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Williamson County Emergency Services District No. 5's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **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 3-7 and 28-32 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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  
Giddings, Texas  
December 7, 2022



**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, 2022. 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 \$709,713 as a result of the current year's operations.
- As of year-end, the District's governmental fund reported an ending fund balance of \$2,131,423, an increase of \$766,518.

### **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 \$709,713. 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**

	09/30/2022	09/30/2021
<b>Assets:</b>		
Current Assets	\$3,118,041	\$1,590,838
Capital Assets	4,942,283	4,942,283
Total Assets	8,060,324	4,260,801
Deferred Outflows of Resources	111,667	89,971
<b>Liabilities:</b>		
Current Liabilities	1,193,960	398,119
Long Term Liabilities	4,146,319	1,881,713
Total Liabilities	5,340,279	2,279,832
Deferred Inflows of Resources	62,114	11,055
<b>Net Position:</b>		
Net Investment in Capital Assets	499,907	604,517
Unrestricted	2,269,691	1,455,368
Total Net Position	\$2,769,598	\$2,059,885

**Table 2**  
**Changes in Net Position**

	09/30/2022	09/30/2021
<b>Revenues:</b>		
Operating Grants and Contributions	\$3,763	\$190,250
Property Taxes	1,221,830	1,053,998
Sales Tax	1,714,862	1,252,896
Interlocal Agreement	20,529	20,359
Fire Recovery	18,374	8,286
Interest Income	5,965	5,524
Plan Review & Inspections	24,538	8,570
Miscellaneous	-	1,557
	<u>\$3,009,861</u>	<u>\$2,541,440</u>
<b>Expenses:</b>		
General Government	2,300,148	1,831,639
Total Expenses	<u>2,300,148</u>	<u>1,831,639</u>
Gain from Sale of Assets	-	12,986
Forgiveness of Debt	-	50,000
	<u>-</u>	<u>62,986</u>
<b>Changes in Net Position:</b>		
Increase (Decrease) in Net Position	709,713	772,787
Net Position – Beginning	2,059,885	1,287,098
Net Position – Ending	<u>\$2,769,598</u>	<u>\$2,059,885</u>

### **Financial Analysis of the Government's Funds**

As noted earlier, the Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. For the year ending September 30, 2022, the District's total fund balance was \$2,131,423 which reflects an increase of \$766,518.

Of all Department funds, 40.4% come from Ad Valorem taxes and 57.2% 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, 2022. 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, 2022, capital assets are as follows:

	<b>Table 3</b>	
	<b>Capital Assets at Year-End</b>	
	09/30/2022	09/30/2021
Land	\$453,990	\$453,990
Construction-in-Progress	-	384,449
Vehicles	1,779,718	1,097,444
Machinery & Equipment	512,198	444,671
Building	3,535,638	1,439,106
Total capital assets	\$6,281,544	\$3,819,660

Depreciation expense charged to the general fund was \$189,564.

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

### Debt:

As of September 30, 2022, and 2021, the District was obligated on the following debt:

	09/30/2022	09/30/2021
Notes Payable	\$4,418,254	\$2,033,859
Capital Lease Obligation	24,122	31,587
Pension Liability	-	-
Compensated Absences	31,703	20,483
Total	4,474,079	2,085,929

The District incurred interest expense of \$83,983 for the year ending September 30, 2022, and \$67,176 for the year ending September 30, 2021. More detailed information about the District's notes payable is presented in the *Notes to Basic Financial Statements*.

### Currently Known Facts, Decisions, or Conditions

The district's tax revenue continues to increase as the district experiences a rapid increase in residential and commercial properties. These revenues are supplemented by the addition of funds derived from the allocation of 2% sales tax in areas within our district, but 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 about \$135,000 for the fiscal year beginning October 1, 2021 and ending September 30, 2022.

The number of requests for service continues to increase yearly along with the population growth from 530 in 2015 to a pace of 1560 in 2022. This represents an increase of almost 300% in 7 years.

The district has developed a policy for the allocation of part of the sales tax funds received each month towards items such as monthly building payments and purchases such as additional fire apparatus, radios, and command vehicles. Additionally, WILCO ESD #5 directs a monthly allocation of \$15,000 into a reserve fund that is set to be maintained at no less than 3 months of operating expense. Currently, the monthly



operating expenses are roughly \$199,000 and the reserve fund sits at \$695,000 representing a reserve of just under 3.5 months in a money market account. Additionally, the district owns a CD at just under 3% interest with a current balance of \$424K resulting in over 5.5 months of reserve at the current time.

In cooperation with the City of Jarrell Texas an agreement was reached between the City and the District regarding the collection of sales tax in areas of the ESD in which the City of Jarrell annexes in the future. The district will retain the sales tax collected from any existing business that lie within a newly annexed area of the city. The district and the city will equally divide the sales tax revenue collected from businesses that are established following the annexation by the city.

The district added two major debts in 2022. One was the purchase of a 2014 Pierce Quint needed for future growth and ability to support high rise construction proposed and the second was the opening a second firehouse. The combined monthly cost of the loans is just under \$21,000 per month.

The district plans, in 2022-2023, to add an additional tender style water truck at an estimated cost of \$110K, a command vehicle to replace a older one in our fleet at a cost of \$63,000 and possibly a training tower in the 2023-2024 budget at an estimated cost of \$500,00 to meet the training needs of our expanding staff.

The staffing plan is to expand by 9 in the next 3 years. To accomplish this, we have applied for a SAFER grant, which we are waiting to hear if we are selected. Employee benefits were improved in this budget in the form of a 5% across the board raise for all employees except the Fire Chief, increased pension benefits from 1:1 to 2.5:1 employee/employer contribution for all employees, and a \$104 per year of service longevity bonus to be paid the first pay period in December each year to all employees and incentive / certification pay for all uniformed employees except the Fire Chief.

The district expects continued growth via projected housing plans of between 12-25K new builds in the next 5 years along with commercial/industrial business known to be coming to the area.

### **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, 2022

	General Fund	Adjustments (Note 10)	Statement of Net Position
<b>ASSETS</b>			
Cash	\$ 2,682,742	\$ -	\$ 2,682,742
Taxes Receivable - Property Taxes	27,870	-	27,870
Taxes Receivable - Sales Taxes	303,993	-	303,993
Receivables-Other	1,078	-	1,078
Net Pension Asset	-	102,358	102,358
Capital Assets (net of accumulated depreciation)	-	4,942,283	4,942,283
<b>TOTAL ASSETS</b>	<b>\$ 3,015,683</b>	<b>\$ 5,044,641</b>	<b>\$ 8,060,324</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Amounts		\$ 111,667	\$ 111,667
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>		<b>\$ 111,667</b>	<b>\$ 111,667</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 799,772	\$ -	\$ 799,772
Accrued Interest Payable	-	9,810	9,810
Accrued Payroll	56,618	-	56,618
Long Term Liabilities - Due within one year	-	327,760	327,760
Long Term Liabilities - Due after one year	-	4,146,319	4,146,319
<b>TOTAL LIABILITIES</b>	<b>\$ 856,390</b>	<b>\$ 4,483,889</b>	<b>\$ 5,340,279</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	\$ 27,870	\$ (27,870)	\$ -
Deferred Pension Amounts	-	62,114	62,114
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 27,870</b>	<b>\$ 34,244</b>	<b>\$ 62,114</b>
<b>FUND BALANCES/NET POSITION</b>			
Fund balances:			
Non-Spendable	-	-	-
Spendable	-	-	-
Unassigned	2,131,423	(2,131,423)	-
<b>Total fund balances</b>	<b>2,131,423</b>	<b>(2,131,423)</b>	<b>-</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 3,015,683</b>	<b>\$ -</b>	
<b>Net Position:</b>			
Net Investment in Capital Assets		499,907	499,907
Unrestricted		2,269,691	2,269,691
Restricted		-	-
<b>Total Net Position</b>		<b>\$ 2,769,598</b>	<b>\$ 2,769,598</b>

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, 2022

	General Fund	Adjustments (Note 10)	Statement of Activities
<b>EXPENDITURES/EXPENSES</b>			
Personnel Expense	\$ 1,537,047	\$ (38,963)	\$ 1,498,084
Fleet Expense	78,959	-	78,959
Repairs & Maintenance	31,087	-	31,087
Emergency Equipment/Supplies	28,953	-	28,953
Professional Fees	149,300	-	149,300
Office Expenses/Postage	6,681	-	6,681
Information Technology	47,667	-	47,667
Insurance	58,701	-	58,701
Appraisal District & Tax Collector Fees	6,509	-	6,509
Utilities	27,234	-	27,234
Communications	10,715	-	10,715
Miscellaneous	13,370	-	13,370
Personal Protective Equipment	26,828	-	26,828
Professional Development	21,868	-	21,868
Uniforms	19,059	-	19,059
Capital Outlay	2,461,885	(2,461,885)	-
Depreciation	-	189,564	189,564
Debt Service:			
Principal	204,744	(204,744)	-
Interest	83,983	1,586	85,569
Total Expenditures/Expenses	<u>\$ 4,814,590</u>	<u>\$ (2,514,442)</u>	<u>\$ 2,300,148</u>
<b>PROGRAM REVENUES</b>			
Interlocal Agreements	\$ 20,529	\$ -	\$ 20,529
Grants/Contributions	3,763	-	3,763
Total Program Revenues	<u>\$ 24,292</u>	<u>\$ -</u>	<u>\$ 24,292</u>
Net Program Expense			2,275,856
<b>GENERAL REVENUES</b>			
Ad valorem taxes	\$ 1,211,403	\$ 10,427	\$ 1,221,830
Sales taxes	1,714,862	-	1,714,862
Fire Recovery	18,374	-	18,374
Interest Income	5,965	-	5,965
Miscellaneous	-	-	-
Plan Review & Inspections	<u>24,538</u>	<u>-</u>	<u>24,538</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,815,156)	\$ 1,815,156	\$ -
<b>OTHER FINANCING SOURCES/(USES):</b>			
Financing Proceeds	\$ 2,581,674	\$ (2,581,674)	\$ -
Total Other Financing Sources/(Uses):	<u>2,581,674</u>	<u>(2,581,674)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	\$ 766,518	\$ (766,518)	
Change in Net Position		\$ 709,713	\$ 709,713
Fund Balance/Net Position			
Beginning of the year	<u>1,364,905</u>	<u>694,980</u>	<u>2,059,885</u>
End of the year	<u>\$ 2,131,423</u>	<u>\$ 638,175</u>	<u>\$ 2,769,598</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, 2022

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, 2022

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, 2022

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, 2022

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 40.4% of the District's revenue for the year ended September 30, 2022.

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."

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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 \$0.0872/\$100 for 2021. 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, 2022

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, 2022, 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, 2022

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 ADOPTED 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. The adoption of GASB 87 did not have a material impact on the District's financial statements, the adoption did not result in a restatement of previously reported fund balance 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 \$2,406,684. However, securities were pledged to cover this excess (Category 2) with a market value of \$2,821,088. As of September 30, 2022, the carrying amount of the District's deposits was \$2,682,742 and the bank balance was \$2,753.832.

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, 2022

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022, was as follows:

	Balance 10/1/2021	Additions/ Completions	Retirements/ Adjustments	Balance 9/30/2022
<u>Non-Depreciable Assets</u>				
Land	\$ 453,990	\$ -	\$ -	\$ 453,990
Construction in Progress	384,449	-	(384,449)	-
Total Non-Depreciable Assets	838,439	-	(384,449)	453,990
<u>Depreciable Assets</u>				
Vehicles	1,097,444	682,274	-	1,779,718
Equipment	444,671	67,528	-	512,198
Building	1,439,106	2,096,532	-	3,535,638
Total Depreciable Assets	2,981,220	2,846,333	-	5,827,554
Total Assets	\$ 3,819,660	\$ 2,846,333	\$ (384,449)	\$ 6,281,544
<u>Accumulated Depreciation:</u>				
Vehicles	\$ (537,069)	\$ (87,490)	\$ -	\$ (624,559)
Equipment	(180,896)	(61,044)	-	(241,939)
Building	(431,732)	(41,030)	-	(472,762)
Total Accumulated Depreciation	(1,149,697)	(189,564)	-	(1,339,261)
Total Capital Assets, Net	\$ 2,669,963	\$ 2,656,769	\$ (384,449)	\$ 4,942,283

In prior years, the District entered into capital leases for a truck, equipment, and radios (see Note 4), as of September 30, 2022, the asset was fully amortized. Amortization expense is included in depreciation expense.

Depreciation expense charged to the government wide statements was \$189,564.

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, 2022, was \$10,338.

Williamson County Emergency Services District #5  
Notes to the Basic Financial Statements  
For the Year Ended September 30, 2022

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, 2022, was \$13,784.

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

Year Ending September 30	Principal	Interest	Total
2023	\$7,760	\$949	\$8,709
2024	8,065	645	8,710
2025	8,297	329	8,626
Total	\$24,122	\$1,923	\$26,045

NOTE 5: DEBT

Transactions for the year ended September 30, 2022, are summarized as follows:

	Balance 9/30/2021	Additions	Reductions	Balance 9/30/2022	Due within one year
<u>Governmental Activities:</u>					
Notes Payable	\$2,033,859	\$2,581,674	\$ 197,279	\$4,418,254	\$ 320,000
Capital Lease Obligations	31,587	-	7,465	24,122	7,760
Total Notes Payable & Capital Lease Obligations	\$2,065,446	\$2,581,674	\$ 204,744	\$4,442,376	\$ 327,760
Pension Liability	-	-	-	-	-
Compensated Leave Payable	20,483	11,220	-	31,703	-
Total Governmental Activities	\$2,085,929	\$2,592,894	\$ 204,744	\$4,474,079	\$ 327,760

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, 2022, is \$859,829.

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, 2022, is \$114,949.

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, 2022, is \$42,298.

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, 2022, is \$251,021.

Williamson County Emergency Services District #5  
Notes to the Basic Financial Statements  
For the Year Ended September 30, 2022

NOTE 5: DEBT – continued

The District entered into a promissory note agreement with Eagle Bank on July 19, 2022 for \$750,000 at 3.50%, maturing July 19, 2032. This is secured by an interest in the District's ad valorem tax revenues. The balance due as of September 30, 2022, is \$739,635.

The District entered into a promissory note agreement with Government Capital Corporation on June 17, 2021 for \$616,085 at 2.75%, maturing June 17, 2042. This is a construction note for the new station and is secured by an interest in the District's ad valorem tax revenues. The balance due as of September 30, 2022, is \$2,410,523.

The future principal payments for these notes are as follows:

Year Ending September 30	Principal	Interest	Total
2023	\$ 320,000	\$ 131,313	\$ 451,313
2024	327,799	123,584	451,383
2025	338,463	112,952	451,415
2026	293,758	102,055	395,813
2027	303,370	91,411	394,781
2028-2032	1,455,403	318,460	1,773,863
2033-2037	770,337	138,094	908,431
2038-2042	609,124	34,307	643,431
Total	\$ 4,418,254	\$ 1,052,176	\$ 5,470,430

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, 2021, upon which the 2021 levy was based, was \$1,369,183,344 as certified by the Williamson County Central Appraisal District.

Taxes are due by January 31 following the October 1 levy date. The total 2021 levy was \$1,194,531 and the tax rate was \$ 0.0872 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, 2022

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 2021 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](http://www.tcdrs.org).

Employee membership data related to the Plan, as of the valuation date of December 31, 2021, was as follows:

Members	Dec. 31, 2020	Dec. 31, 2021
Number of inactive employees entitled to but not yet receiving benefits	11	13
Number of active employees	18	21
Average monthly salary:	\$3,776	\$3,993
Average age:	32.54	36.53
Average length of service in years:	3.59	5.87
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, 2022

NOTE 8: PENSION PLAN – continued

**Net Pension Liability**

The District's net pension liability was measured as of December 31, 2021, 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, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<b>Valuation Timing</b>	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.
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Amortization Method</b>	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
<b>Asset Valuation Method</b>	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
<b>Inflation</b>	2.50%

**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 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.7% per year for a career employee.

**Investment Rate of Return** 7.50%

**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	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and non-depositing members	135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Williamson County Emergency Services District #5  
Notes to the Basic Financial Statements  
For the Year Ended September 30, 2022

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 2021 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 long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

Asset Class	Benchmark	Target Allocation <sup>(1)</sup>	Geometric Real Rate of Return <sup>(2)</sup>
US Equities	Dow Jones US Total Stock Market Index	11.50%	3.80%
Global Equities	MSCI World (net) Index	2.50%	4.10%
International Equities – Developed Markets	MSCI World Ex USA (net) Index	5.00%	3.80%
International Equities – Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.30%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	1.77%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.25%
Distressed Debt	Cambridge Associates Distressed Securities Index <sup>(3)</sup>	4.00%	4.50%
REIT Equities	67% FTSE NAREIT Equity REITs Index +33% Global REIT (net) Index	2.00%	3.10%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	3.85%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(4)</sup>	6.00%	5.10%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.55%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-1.05%

(1) Target asset allocation adopted at the March 2022 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.6% per Cliffwater's 2022 capital market assumptions.

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

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

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

Williamson County Emergency Services District #5  
Notes to the Basic Financial Statements  
For the Year Ended September 30, 2022

NOTE 8: PENSION PLAN – continued

**Net Pension Liability / (Asset)**

Net Pension Liability / (Asset)	December 31, 2020	December 31, 2021
Total pension liability	\$305,025	\$432,283
Fiduciary net position	327,837	534,641
Net pension liability / (asset)	(22,812)	(102,358)
Fiduciary net position as a % of total pension liability	107.48%	123.68%
Pensionable covered payroll <sup>(1)</sup>	\$861,123	\$850,181
Net pension liability as a % of covered payroll	(2.65%)	(12.04%)

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 <sup>(2)</sup>	7.60%	7.60%
Long-term expected rate of return, net of investment expense <sup>(2)</sup>	7.60%	7.60%
Municipal bond rate <sup>(3)</sup>	Does not apply	Does not apply

(2) This rate reflects the long-term rate of return funding valuation assumption of 7.50%, 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, 2022

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, 2020	\$305,025	\$327,837	\$(22,812)
<i>Changes for the year:</i>			
Service cost	92,948		92,948
Interest on total pension liability <sup>(1)</sup>	30,211		30,211
Effect of plan changes <sup>(2)</sup>	0		0
Effect of economic/demographic gains or losses	(8,378)		(8,378)
Effect of assumptions changes or inputs	13,426		13,426
Refund of contributions	0	0	0
Benefit payments	(949)	(949)	0
Administrative expenses		(289)	289
Member contributions		59,513	(59,513)
Net investment income		85,581	(85,581)
Employer contributions		59,513	(59,513)
Other <sup>(3)</sup>	0	3,435	(3,435)
Balances as of December 31, 2021	\$432,283	\$534,641	\$(102,358)

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

<sup>(2)</sup> No plan changes valued.

<sup>(3)</sup> 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 7.60%, 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 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total Pension Liability	\$538,594	\$432,283	\$349,857
Fiduciary Net Position	534,641	534,641	534,641
Net pension liability/(asset)	\$3,953	(\$102,358)	(\$184,784)

Williamson County Emergency Services District #5  
Notes to the Basic Financial Statements  
For the Year Ended September 30, 2022

NOTE 8: PENSION PLAN – continued

As of September 30, 2022, 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	\$ 15,829	\$ 10,872
Changes of assumption	505	35,192
Net difference between projected and actual earnings	45,780	0
Contributions made subsequent to measurement date	<u>N/A</u>	<u>65,603</u>
Totals	\$ 62,114	\$ 111,667

The \$65,603 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, 2023. 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:

2023	\$ (8,009)
2024	(9,835)
2025	(8,560)
2026	(8,512)
2027	2,716
Thereafter(1)	16,150

*(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, 2022, the District reported a payable of \$25,805 for the outstanding amount of employer and employee contributions to the pension plan required for the year ended September 30, 2022.

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.

Williamson County Emergency Services District #5  
Notes to the Basic Financial Statements  
For the Year Ended September 30, 2022

NOTE 9: FUND BALANCE CLASSIFICATION – continued

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, 2022, the District has not adopted a minimum fund balance policy.

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

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.

Net pension asset is not receivable in the current period and therefore, is not reported in the funds.

\$102,358

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	\$6,281,544
Accumulated Depreciation	<u>(1,339,261)</u>
	<u>\$4,942,283</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	\$111,667
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Williamson County Emergency Services District #5  
Notes to the Basic Financial Statements  
For the Year Ended September 30, 2022

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

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Accrued interest payable	\$9,810
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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	\$327,760
Due after one year	4,146,319

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

Deferred revenue	\$(27,870)
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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	\$62,114
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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	\$11,220
Adjustment for Pension Liability/Asset	(79,546)
Change in Deferred Inflows/Outflows related to Pension	29,363
	\$(38,963)

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	\$(2,461,885)
Depreciation Expense	189,564

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	\$(204,744)
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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	\$1,586
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Williamson County Emergency Services District #5  
Notes to the Basic Financial Statements  
For the Year Ended September 30, 2022

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

Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered as "available" revenues in the governmental funds.

Adjustment for property taxes collected after year-end	\$10,427
--	----------

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	\$(2,581,674)
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NOTE 11: COMMITMENT

During the fiscal year, the District entered into an agreement with Heritage Broadband to lease antenna space on the District's tower, in exchange, Heritage Broadband will provide the District with free internet service. The term of the agreement is for 30 years and is expected to begin during the fiscal year ending September 30, 2023.

NOTE 12: 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.

## 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, 2022

	Budget		Actual Amounts	Variance Favorable/ (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 1,190,600	\$ 1,190,600	\$ 1,211,403	20,803
Sales taxes	1,000,000	1,000,000	1,714,862	714,862
Fire Recovery	-	8,000	18,374	10,374
Interest Income	-	-	5,965	5,965
Plan Review & Inspections	-	12,300	24,538	12,238
Interlocal Agreements	20,000	20,000	20,529	529
Miscellaneous	-	-	-	-
Grants/Contributions	-	-	3,763	3,763
<b>TOTAL REVENUES</b>	<b>\$ 2,210,600</b>	<b>\$ 2,230,900</b>	<b>\$ 2,999,434</b>	<b>768,534</b>
<b>EXPENDITURES/EXPENSES</b>				
Personnel Expense	\$ 1,420,273	\$ 1,555,742	\$ 1,537,047	18,695
Supplies-Fleet	68,401	100,401	78,959	21,442
Supplies-Emergency Equipment	35,800	38,800	28,953	9,847
Maintenance	38,520	50,540	31,087	19,453
Professional Fees	58,880	151,256	149,300	1,956
Office Expense/Postage	3,800	7,544	6,681	863
Information Technology	51,000	51,000	47,667	3,333
Insurance	78,038	78,038	58,701	19,337
Appraisal District & Tax Collector Fees	9,300	9,300	6,509	2,791
Utilities	31,150	31,150	27,234	3,916
Communications	11,250	11,250	10,715	535
Miscellaneous	15,178	15,828	13,370	2,458
Personal Protective Equipment	32,500	29,100	26,828	2,272
Professional Development	23,300	26,000	21,868	4,132
Uniforms	15,000	21,000	19,059	1,941
Capital Outlay	16,765	112,015	2,461,885	(2,349,870)
Debt Issue Costs	-	-	-	-
Debt Service:				
Principal	286,042	301,149	204,744	96,405
Interest	63,392	48,285	83,983	(35,698)
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 2,258,589</b>	<b>\$ 2,638,398</b>	<b>\$ 4,814,590</b>	<b>(2,176,192)</b>
Excess (Deficiency) of Revenues Over Expenditures	<u>(47,989)</u>	<u>(407,498)</u>	<u>(1,815,156)</u>	<u>(1,407,658)</u>
<b>OTHER FINANCING SOURCES/(USES):</b>				
Financing Proceeds	\$ -	\$ -	\$ 2,581,674	\$ 2,581,674
Total Other Financing Sources/(Uses):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,581,674</u>	<u>\$ 2,581,674</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES and OTHER SOURCES/(USES)</b>	<b>(47,989)</b>	<b>(407,498)</b>	<b>766,518</b>	<b>1,174,016</b>
Net Change in Fund Balance	\$ (47,989)	\$ (407,498)	\$ 766,518	
Beginning of the year			<u>1,364,905</u>	
End of the year			<u><u>\$ 2,131,423</u></u>	

Williamson County Emergency Services District #5  
Notes to the Governmental Fund Revenues, Expenditures and  
Budget to Actual Comparison – General Fund  
For the Year Ended September 30, 2022

EXPENDITURES IN EXCESS OF APPROPRIATIONS:

The general government expenditures for capital outlay exceeded appropriations due to under budgeting of expense for capital outlay purchases. The District's management will monitor the budget vs actual statement and amend the budget as necessary as circumstances arise.



## Supplementary Information

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

	Year Ended December 31										
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	
<b>Total Pension Liability</b>											
Service cost	92,948	67,171	57,308	19,185	17,677	12,952	16,088	18,202	N/A	N/A	
Interest on total pension liability	30,211	21,181	16,009	7,364	5,488	2,778	2,131	723	N/A	N/A	
Effect of plan changes	-	-	-	44,933	-	(215)	(1,239)	-	N/A	N/A	
Effect of assumption changes or inputs	13,426	27,226	-	-	(785)	-	166	-	N/A	N/A	
Effect of economic/demographic (gains) or losses	(8,378)	1,757	(5,364)	6,534	1,296	6,518	(8,041)	17	N/A	N/A	
Benefit payments/refunds of contributions	(949)	(13,001)	(14,897)	(4,134)	-	-	-	-	N/A	N/A	
Net change in total pension liability	127,258	104,334	53,056	73,882	23,676	22,033	9,105	18,943	N/A	N/A	
Total pension liability, beginning	305,029	200,695	147,639	73,757	50,081	28,048	18,943	-	N/A	N/A	
Total pension liability, ending (a)	432,287	305,029	200,695	147,639	73,757	50,081	28,048	18,943	N/A	N/A	
<b>Fiduciary Net Position</b>											
Employer contributions	59,513	59,895	34,049	11,418	7,353	8,708	7,224	7,060	N/A	N/A	
Member contributions	59,513	60,279	47,669	19,901	12,900	10,793	8,757	8,558	N/A	N/A	
Investment income net of investment expenses	85,581	20,584	18,017	(1,251)	8,308	2,407	(178)	62	N/A	N/A	
Benefit payments/refunds of contributions	(949)	(13,001)	(14,897)	(4,134)	-	-	-	-	N/A	N/A	
Administrative expenses	(289)	(240)	(150)	(88)	(56)	(26)	(18)	(6)	N/A	N/A	
Other	3,435	3,191	2,315	818	271	1,349	(2)	-	N/A	N/A	
Net change in fiduciary net position	206,804	130,708	87,003	26,664	28,776	23,231	15,783	15,673	N/A	N/A	
Fiduciary net position, beginning	327,838	197,130	110,127	83,463	54,687	31,456	15,673	-	N/A	N/A	
Fiduciary net position, ending (b)	534,642	327,838	197,130	110,127	83,463	54,687	31,456	15,673	N/A	N/A	
Net pension liability / (asset), ending = (a) - (b)	(102,355)	(22,809)	3,565	37,512	(9,706)	(4,606)	(3,408)	3,270	N/A	N/A	
Fiduciary net position as a % of total pension liability	123.68%	107.48%	98.22%	74.59%	113.16%	109.20%	112.15%	82.74%	N/A	N/A	
Pensionable covered payroll	850,181	861,123	680,979	497,513	322,512	269,821	218,921	213,948	N/A	N/A	
Net pension liability as a % of covered payroll	-12.04%	-2.65%	0.52%	7.54%	-3.01%	-1.71%	-1.56%	1.53%	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
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%
2020	24,924	34,049	(9,125)	680,979	5.0%
2021	28,417	59,895	(31,478)	861,123	7.0%
2022	24,145	59,513	(35,368)	850,181	7.0%

Williamson County Emergency Services District No. 5  
Notes to the Schedule of Employer Contributions  
For the year ending September 30, 2022

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 12/31/2021 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment rate of Return	7.50%, 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	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010
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.  2019: New inflation, mortality and other 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%.  2020: No changes in plan provisions were reflected in the Schedule.  2021: No changes in plan provisions were reflected in the Schedule.

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



# MEDACK & OLTMANN, LLP

## CERTIFIED PUBLIC ACCOUNTANTS

### PARTNERS

James E. Medack, CPA  
Melodi J. Oltmann, CPA

### PROFESSIONAL STAFF

Ashton McGonagle

### MEMBERS

American Institute of  
Certified Public Accountants

Texas Society of  
Certified Public Accountants

December 7, 2022

To the Board of Commissioners  
Williamson County Emergency Services District No. 5  
P.O. Box 88  
Jarrell, Texas 76537

We have audited the financial statements of the governmental activities of Williamson County Emergency Services District No 5 for the year ended September 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 14, 2022. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Williamson County Emergency Services District No 5 are described in Note 1 to the financial statements.

As described in Note 1 to the financial statements, the District changed accounting policies related to leases by adopting Statement of Governmental Accounts Standards (GASB Statement) No. 87, *Leases*, in 2022. Accordingly, the cumulative effect of the accounting change did not result in a restatement of previously reported fund balance.

We noted no transactions entered into by Williamson County Emergency Services District No 5 during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the District's financial statements was:

Management's estimate of the depreciable lives of capital assets is based on the expected useful life of the asset. We evaluated the key factors and assumptions used to develop the depreciable lives of capital assets in determining they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of

PO Box 2153, 711 Old Austin Highway Ste. 103 • Bastrop, Texas 78602 • ph 512.321.3951 fax 512.321.5014

PO Box 237, 321 N Main St • Giddings, Texas 78942 • ph 979.542.3713 fax 979.542.0061

management. Management has corrected all such misstatements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 7, 2022.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Williamson County Emergency Services District No 5's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Williamson County Emergency Services District No 5's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Other Matters

We applied certain limited procedures to Management Discussion and Analysis, the Governmental Fund Revenues, Expenditures and Budget to Actual Comparison – General Fund, Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of Employer Contributions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

#### Restriction on Use

This information is intended solely for the use of Board of Commissioners of Williamson County Emergency Services District No 5 and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Medack & Oltmann, LLP  
Giddings, TX  
December 5, 2022

## Additional Findings and Recommendations

### Segregation of Accounting Duties and Monitoring

Management (the Board of Commissioners) has the responsibility of establishing, maintaining, and monitoring of proper internal controls in order to reduce the risk of fraud and/or misrepresentation of financial information. The basic premise is that no one individual should have access to both physical assets and the related accounting records or to all phases of a transaction.

We noted several issues that could have been detected with management's proper and timely review of these transactions.

### General Accounting Issues

It was noted that the proper recording and balance of liabilities was not performed on a monthly basis. Accrual and other liabilities (particularly payroll liabilities) should be reviewed for accuracy and maintained on monthly basis.

### Cash

There were several issues noted surrounding cash, all of which impacted the true cash balance:

- Old outstanding checks
- Backdated checks
- Duplicated payments

Management should review the bank reconciliation monthly to research old outstanding items. The backdating of checks and the duplicate checks appear be the result of attempting to record the expense in the current fiscal year. Subsequently, the accounts payable feature should be used to properly book expense.

### Payroll

The gross payroll amounts in the general ledger did not reconcile to the amounts reported on federal payroll reports. This should be performed at least quarterly to verify proper account coding and tax reporting.

### Accounts Payable/ Bill Payments

The District should review its procedure surrounding recording and paying bills.

- We noted several instances where a bill was recorded correctly, but either not paid correctly or duplicate payments were made resulting in both an overstatement and understatement of accounts payable balances.
- We noted instances where payments were made without a bill being recorded. Later, after the payment was made, a bill was recorded resulting in duplicating expenses.

The issues surrounding recording and paying bills should have been revealed during a review of the accounts payable aging reports, as well as, upon review of the monthly bank reconciliation.