

**Williamson County
Emergency Services District #5
Financial Statements
September 30, 2023**

Williamson County Emergency Services District #5
For the Year Ending September 30, 2023

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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, 2023, 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, 2023, 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 29-33 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

Medack & Oltmann, LLP
Giddings, Texas
February 13, 2024



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, 2023. 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 \$270,580 as a result of the current year's operations.
- As of year-end, the District's governmental fund reported an ending fund balance of \$2,512,076, an increase of \$380,653.

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 \$270,580. Our analysis below focuses on the net position (Table 1) and the changes in net position (Table 2) of the Department's governmental activities:

**Table 1
Governmental Activities
Net Position**

	9/30/2023	9/30/2022
Assets:		
Current Assets	2,636,004	3,118,041
Capital Assets	4,875,561	4,942,283
Total Assets	<u>7,511,565</u>	<u>8,060,324</u>
 Deferred Outflows of Resources	 400,132	 111,667
Liabilities		
Current Liabilities	457,333	1,193,960
Long Term Liabilities	4,399,976	4,146,319
Total Liabilities	<u>4,857,309</u>	<u>5,340,279</u>
 Deferred Inflows of Resources	 14,210	 62,114
Net Position:		
Net Investment in Capital Assets	521,619	499,907
Unrestricted	2,518,559	2,269,691
Restricted	-	-
Total Net Position	<u>3,040,178</u>	<u>2,769,598</u>

Table 2
Changes in Net Position

	9/30/2023	9/30/2022
Revenues:		
Operating Grants and Contributions	\$ 39,287	\$ 3,763
Property Taxes	1,977,656	1,221,830
Sales Taxes	1,991,991	1,714,862
Interlocal Agreement	12,232	20,529
Fire Recovery	13,395	18,374
Interest Income	28,322	5,965
Plan Review & Inspections	52,227	24,538
Miscellaneous	683	-
Total Revenues	\$ 4,115,793	\$ 3,009,861
Expenses:		
General Government	\$ 3,849,213	\$ 2,300,148
Total Expenses	\$ 3,849,213	\$ 2,300,148
Gain from Sale of Assets	\$ 4,000	\$ -
Change in Net Position:		
Increase (decrease) in Net Position	\$ 270,580	\$ 709,713
Net Position – Beginning	2,769,598	2,059,885
Net Position – Ending	\$ 3,040,178	\$ 2,769,598

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, 2023, the District's total fund balance was \$2,512,076 which reflects an increase of \$380,653.

Of all Department funds, 48.05% come from Ad Valorem taxes and 48.40% 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, 2023. Changes are reflected in the final/amended columns of the budget to actual report found on page 29.

Capital Asset and Debt Administration

Capital Assets:

At the end of the fiscal year September 30, 2023, capital assets are as follows:

Table 3
Capital Assets at Year-End

	9/30/2023	9/30/2022
Land	\$ 453,990	\$ 453,990
Construction-in-Progress	-	-
Vehicles	2,017,340	1,779,718
Machinery & Equipment	531,309	512,198
Buildings	3,575,897	3,535,638
Total capital assets	<u>\$6,578,536</u>	<u>\$ 6,281,544</u>

Depreciation expense charged to the general fund was \$367,464.

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

Debt:

As of September 30, 2023, and 2022, the District was obligated on the following debt:

Table 4
Debt at Year-End

	9/30/2023	9/30/2022
Notes Payable	\$4,337,876	\$ 4,418,254
Financed Purchases	16,066	24,122
Pension Liability	287,667	-
Compensated Absences	109,363	31,703
Total	<u>4,750,972</u>	<u>4,474,079</u>

The District incurred interest expense of \$139,704 for the year ending September 30, 2023, and \$83,983 for the year ending September 30, 2022. 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 ad-valorem tax revenue continues to increase as the district experiences a rapid growth 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 \$160,220 for the fiscal year beginning October 1, 2022, and ending September 30, 2023, or \$1,922,640 for the year.

The number of requests for service continues to increase yearly along with the population growth from 530 in 2015 to a pace of 1750 in 2023. This represents an increase of 350% in 8 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 reserve funds that are set to be maintained at no less than 3 months of full operating expense. Currently, the monthly operating expenses are roughly \$200,00-\$250,000 depending on the month. Reserve fund is just under \$1.4M between two CD's (\$520,410 @ 4.35% and \$441,058 @ 5.16%) and a Money Market Fund (\$432,623 @ .55%) representing a reserve of 5.6 months across these three accounts which helps prepare for the expected rising costs from growth.

In cooperation with the City of Jarrell, TX 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 2% sales tax revenue collected from businesses that are established following the annexation by the city.

The district added the following debt in 2023; a water truck for the purpose of aiding with the response to wildland fires at a cost of \$110,000 and a command vehicle to replace an older one at a cost of \$63,000 adding a yearly debt of \$23,632. WCESD5 is scheduled to pay of \$67,000 in debt in fiscal year 2024/2025 and another \$47,000 in fiscal year 2027/2028.

The district plans, in 2023/2024 to add property for the site of our third fire station, a wildland UTV for aid in accessing difficult areas on wildland fires and a trailer to carry it in that also serves as an incident command site on remote calls. Additionally, we expect to add a used but in excellent condition engine in March of 2025 from Jollyville FD, the same organization that we purchased our current Quint from.

The staffing plan is to expand by 9-12 over next 3 years. To accomplish this, we intend to apply for a SAFER grant, the open application period for that is forthcoming for this fiscal year.

Employee benefits were improved in this budget in the form of a 6% across the board raise (COLA) for all employees except the Fire Chief, in addition to their annual scheduled 4% step raise laid out in the pay scale plan. WCESD5 also added a health benefit that includes \$1644 on a health savings account debit card for all employees.

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, 2023

	General Fund	Adjustments (Note 8)	Statement of Net Position
ASSETS			
Cash	\$ 2,200,705	\$ -	\$ 2,200,705
Taxes Receivable - Property Taxes	27,870	-	27,870
Taxes Receivable - Sales Taxes	373,344	-	373,344
Receivables-Other	1,078	-	1,078
Prepaid Expenses	33,007	-	33,007
Capital Assets (net of accumulated depreciation)	-	4,875,561	4,875,561
TOTAL ASSETS	\$ 2,636,004	\$ 4,875,561	\$ 7,511,565
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Amounts		\$ 400,132	\$ 400,132
TOTAL DEFERRED OUTFLOWS OF RESOURCES		\$ 400,132	\$ 400,132
LIABILITIES			
Accounts Payable	\$ 14,056	\$ -	\$ 14,056
Accrued Interest Payable	-	10,279	10,279
Accrued Payroll	82,002	-	82,002
Long Term Liabilities - Due within one year	-	350,996	350,996
Long Term Liabilities - Due after one year	-	4,399,976	4,399,976
TOTAL LIABILITIES	\$ 96,058	\$ 4,761,251	\$ 4,857,309
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 27,870	\$ (27,870)	\$ -
Deferred Pension Amounts	-	14,210	14,210
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 27,870	\$ (13,660)	\$ 14,210
FUND BALANCES/NET POSITION			
Fund balances:			
Non-Spendable	33,007	(33,007)	-
Spendable	-	-	-
Unassigned	2,479,069	(2,479,069)	-
Total fund balances	2,512,076	(2,512,076)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,636,004	\$ -	
Net Position:			
Net Investment in Capital Assets		521,619	521,619
Unrestricted		2,518,559	2,518,559
Restricted		-	-
Total Net Position		\$ 3,040,178	\$ 3,040,178

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, 2023

	General Fund	Adjustments (Note 8)	Statement of Activities
EXPENDITURES/EXPENSES			
Personnel Expense	\$ 2,467,190	\$ 131,316	\$ 2,598,506
Fleet Expense	82,812	-	82,812
Repairs & Maintenance	78,588	-	78,588
Emergency Equipment/Supplies	68,940	-	68,940
Professional Fees	136,581	-	136,581
Office Expenses/Postage	6,827	-	6,827
Information Technology	51,527	-	51,527
Insurance	105,208	-	105,208
Appraisal District & Tax Collector Fees	13,093	-	13,093
Utilities	46,841	-	46,841
Communications	10,788	-	10,788
Miscellaneous	10,543	-	10,543
Personal Protective Equipment	64,527	-	64,527
Professional Development	40,803	-	40,803
Uniforms	25,992	-	25,992
Capital Outlay	321,993	(321,993)	-
Depreciation	-	367,464	367,464
Debt Service:			
Principal	326,176	(326,176)	-
Interest	139,704	469	140,173
Total Expenditures/Expenses	<u>\$ 3,998,133</u>	<u>\$ (148,920)</u>	<u>\$ 3,849,213</u>
PROGRAM REVENUES			
Interlocal Agreements	\$ 12,232	\$ -	\$ 12,232
Grants/Contributions	39,287	-	39,287
Total Program Revenues	<u>\$ 51,519</u>	<u>\$ -</u>	<u>\$ 51,519</u>
Net Program Expense			3,797,694
GENERAL REVENUES			
Ad valorem taxes	\$ 1,977,656	\$ -	\$ 1,977,656
Sales taxes	1,991,991	-	1,991,991
Fire Recovery	13,395	-	13,395
Interest Income	28,322	-	28,322
Miscellaneous	683	-	683
Plan Review & Inspections	52,227	-	52,227
Total General Revenues	<u>\$ 4,064,274</u>	<u>\$ -</u>	<u>\$ 4,064,274</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 117,660	\$ (117,660)	\$ -
OTHER FINANCING SOURCES/(USES):			
Financing Proceeds	\$ 237,741	\$ (237,741)	\$ -
Gain/(Loss) on disposal of assets	-	4,000	4,000
Proceeds from Sale of Asset	25,252	(25,252)	-
Total Other Financing Sources/(Uses):	<u>262,993</u>	<u>(258,993)</u>	<u>4,000</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	\$ 380,653	\$ (376,653)	
Change in Net Position		\$ 270,580	\$ 270,580
Fund Balance/Net Position			
Beginning of the year	<u>2,131,423</u>	<u>638,175</u>	<u>2,769,598</u>
End of the year	<u>\$ 2,512,076</u>	<u>\$ 528,102</u>	<u>\$ 3,040,178</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, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. More significant of these accounting policies are described below.

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

Basic Financial Statements

GASB sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses or either fund category or governmental and enterprise combined. Due to the fund structure of the District, all funds have been classified as major funds. As a part of this Statement, there is a reporting requirement regarding the local government's infrastructure (road, bridges, etc.) The District does not own any infrastructure assets and therefore is unaffected by this requirement.

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The reporting model focus is on either the District as a whole or major individual funds (within the fund financial statements). In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The District does not have any business-type activities or fiduciary activities.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The government-wide Statement of Activities reflects both the gross and net cost per functional category which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. However, the District does not have any program revenues for this fiscal period.

The net cost by function is normally covered by general revenues (intergovernmental revenues, interest income, etc). The District does not currently employ indirect cost allocation systems.

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the District's actual experience conforms to the budget or fiscal plan.

GASB 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.

Fund Accounting

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent 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 are at least 5 percent of the corresponding total for all governmental funds combined.

The District reports the following major governmental fund – the focus of Governmental Fund measurement (in the Fund Financial Statements) is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

General Fund

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

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented on an 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers all revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

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.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

AD VALOREM PROPERTY TAXES

Delinquent taxes are prorated based on rates adopted for the year of the levy. Allowances for uncollectibles within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. There were no allowance for uncollectible property taxes as of September 30, 2023.

PREPAID ITEMS

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

CAPITAL ASSETS

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Property, plant, and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market value as of the date received.

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.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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, or any leases required to be reported under GASB 87.

Fund Financial Statements

In the fund financial statements, capital assets 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.

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.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fund Statements

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

COMPENSATED ABSENCES

The District's policies regarding sick and vacation time permit employees to accumulate earned but unused sick and vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. As of September 30, 2023, \$109,363 was accrued as a payable for paid leave.

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.

ELIMINATIONS

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid items on the purchase method. Prepaid items are recorded as expenditures when purchased rather than when consumed. Prepaid items are equally offset by a fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current position.

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, 2023, 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.

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the period. Operating results in the future could vary from the amounts derived from management's estimates.

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022. The Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The implementation of GASB 96 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, 2023.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, effective for fiscal years beginning after December 15, 2023. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Management is evaluating the effects that the full implementation of GASB Statement No. 101 will have on its financial statements for the year ended September 30, 2025.

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 \$1,950,705. However, securities were pledged to cover this excess (Category 2) with a market value of \$2,815,495. As of September 30, 2023, the carrying amount of the District's deposits was \$2,200,705 and the bank balance was \$2,219,939.

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, 2023

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023, was as follows:

	Balance 10/1/2022	Additions/ Completions	Retirements/ Adjustments	Balance 9/30/2023
<u>Non-Depreciable Assets</u>				
Land	\$ 453,990	\$ -	\$ -	\$ 453,990
Construction in Progress	-	-	-	-
Total Non-Depreciable Assets	453,990	-	-	453,990
<u>Depreciable Assets</u>				
Vehicles	\$ 1,779,718	\$ 237,622	\$ -	\$ 2,017,340
Equipment	512,198	44,111	(25,000)	531,309
Building	3,535,638	40,260	-	3,575,897
Total Depreciable Assets	5,827,554	321,992	(25,000)	6,124,546
Total Assets	\$ 6,281,544	\$ 321,992	\$ (25,000)	\$ 6,578,536
<u>Accumulated Depreciation:</u>				
Vehicles	\$ (624,559)	\$ (194,881)	\$ -	\$ (819,440)
Equipment	(241,939)	(75,608)	3,750	(313,797)
Building	(472,762)	(96,975)	-	(569,737)
Total Accumulated Depreciation	(1,339,261)	(367,464)	3,750	(1,702,975)
Total Capital Assets, Net	\$ 4,942,283	\$ (45,472)	\$ (21,250)	\$ 4,875,561

Depreciation expense charged to the government wide statements was \$367,464.

NOTE 4: 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, 2022, upon which the 2022 levy was based, was \$2,086,953,318 as certified by the Williamson County Central Appraisal District.

Taxes are due by January 31 following the October 1 levy date. The total 2022 levy was \$1,954,891 and the tax rate was \$0.093672 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.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2023

NOTE 5: DEBT

Transactions for the year ended September 30, 2023, are summarized as follows:

	Balance 9/30/2022	Additions	Reductions	Balance 9/30/2023	Due within one year
<u>Governmental Activities:</u>					
Notes Payable	\$4,418,254	\$ 237,741	\$ 318,119	\$4,337,876	\$ 342,931
Financed Purchases	24,122	-	8,056	16,066	8,065
Total Notes Payable & Financed Purchases	\$4,442,376	\$ 237,741	\$ 326,175	\$4,353,942	\$ 350,996
Pension Liability	-	287,667	-	287,667	-
Compensated Leave Payable	31,703	77,660	-	109,363	-
Total Governmental Activities	\$4,474,079	\$ 603,068	\$ 326,175	\$4,750,972	\$ 350,996

Financed Purchases:

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 financed purchase is collateralized with a vehicle, equipment, and tax revenue. The total outstanding balance as of September 30, 2023, was \$6,886.

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 financed purchase is collateralized with equipment and tax revenue. The total outstanding balance as of September 30, 2023, was \$9,181.

The future debt service for the financed purchases are as follows:

Year Ending September 30	Principal	Interest	Total
2024	\$8,065	\$645	\$8,710
2025	8,001	329	8,330
Total	\$16,066	\$974	\$17,040

Notes Payable:

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, 2023, is \$802,805.

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2023

NOTE 5: DEBT – continued

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, 2023, is \$76,585.

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, 2023, is \$28,240.

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, 2023, is \$211,649.

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, 2023, is \$675,626.

The District entered into a promissory note agreement with Eagle Bank 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, 2023, is \$2,367,357.

The District entered into a promissory note agreement with Eagle Bank on June 17, 2021 for \$185,500 at 4.95%, maturing June 17, 2033. This is secured by an interest in the District's ad valorem tax revenues. The balance due as of September 30, 2023, is \$175,750.

The future principal payments for these notes are as follows:

Year Ending September 30	Principal	Interest	Total
2024	\$ 342,931	\$ 132,084	\$ 475,015
2025	352,805	120,651	473,456
2026	310,510	108,936	419,446
2027	320,982	97,431	418,413
2028	330,348	86,700	417,048
2029-2033	1,459,474	285,570	1,745,044
2034-2038	702,852	113,574	816,426
2039-2043	517,974	19,416	537,390
Total	\$ 4,337,876	\$ 964,362	\$ 5,302,238

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2023

NOTE 6: 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 250%) 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 2022 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, 2022, was as follows:

Members	Dec. 31, 2022	Dec. 31, 2021
Number of inactive employees entitled to but not yet receiving benefits	13	13
Number of active employees	25	21
Average monthly salary:	\$4,955	\$3,993
Average age:	35.80	36.53
Average length of service in years:	5.65	5.87
Inactive Employees (or their Beneficiaries) Receiving Benefits		
Number of benefit recipients:	2	1
Average monthly benefit:	\$203	\$79

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2023

NOTE 6: PENSION PLAN – continued

Net Pension Liability

The District's net pension liability was measured as of December 31, 2022, 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, 2022, 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** 2.50%
- 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** 7.60%
- 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, 2023

NOTE 6: 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 2023 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 ⁽¹⁾	Geometric Real Rate of Return ⁽²⁾
US Equities	Dow Jones US Total Stock Market Index	11.50%	4.95%
Global Equities	MSCI World (net) Index	2.50%	4.95%
International Equities – Developed Markets	MSCI World Ex USA (net) Index	5.00%	4.95%
International Equities – Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.95%
Investment-Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.40%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	3.39%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.95%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽³⁾	4.00%	7.60%
REIT Equities	67% FTSE NAREIT Equity REITs Index +33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽⁵⁾	25.00%	7.95%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	2.90%
Cash Equivalents	90-Day U.S. Treasury	2.00%	0.20%

(1) Target asset allocation adopted at the March 2023 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.3% per Cliffwater's 2023 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, 2023

NOTE 6: PENSION PLAN – continued

Net Pension Liability / (Asset)

Net Pension Liability / (Asset)	December 31, 2022	December 31, 2021
Total pension liability	\$981,039	\$432,283
Fiduciary net position	693,372	534,641
Net pension liability / (asset)	287,667	(102,358)
Fiduciary net position as a % of total pension liability	70.68%	123.68%
Pensionable covered payroll ⁽¹⁾	\$1,336,438	\$850,181
Net pension liability as a % of covered payroll	21.52%	(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 ⁽²⁾	7.60%	7.60%
Long-term expected rate of return, net of investment expense ⁽²⁾	7.60%	7.60%
Municipal bond rate ⁽³⁾	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, 2023

NOTE 6: 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, 2021	\$432,283	\$534,641	\$(102,358)
<i>Changes for the year:</i>			
Service cost	101,456		101,456
Interest on total pension liability ⁽¹⁾	40,301		40,301
Effect of plan changes ⁽²⁾	349,668		349,668
Effect of economic/demographic gains or losses	64,395		64,395
Effect of assumptions changes or inputs	0		0
Refund of contributions	(5,136)	(5,136)	0
Benefit payments	(1,928)	(1,928)	0
Administrative expenses		(406)	406
Member contributions		93,551	(93,551)
Net investment income		(46,695)	46,695
Employer contributions		93,551	(93,551)
Other ⁽³⁾	0	25,794	(25,794)
Balances as of December 31, 2022	\$981,039	\$693,372	\$287,667

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

⁽²⁾ Reflected plan changes adopted effective in 2023.

⁽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 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	\$1,234,534	\$981,039	\$784,394
Fiduciary Net Position	693,372	693,372	693,372
Net pension liability/(asset)	\$541,162	\$287,667	\$91,022

Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2023

NOTE 6: PENSION PLAN – continued

As of September 30, 2023, 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	\$13,761	\$67,016
Changes of assumption	449	31,448
Net difference between projected and actual earnings	0	40,938
Contributions made subsequent to measurement date	N/A	260,730
Totals	\$14,210	\$400,132

The \$260,730 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:

2024	\$16,318
2025	17,593
2026	17,641
2027	28,870
2028	9,872
Thereafter(1)	34,898

(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, 2023, the District reported a payable of \$36,412 for the outstanding amount of employer and employee contributions to the pension plan required for the year ended September 30, 2023.

NOTE 7: 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.

Non-spendable - 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, 2023

NOTE 7: FUND BALANCE CLASSIFICATION – continued

Restricted - Amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - Amounts that can only be used for specific purpose pursuant to approval by formal action by the Board. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved 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 non-spendable, restricted, or committed.

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

The detail of the fund balance is included in the Governmental Funds Balance Sheet on page 10.

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, 2023, the District has not adopted a minimum fund balance policy.

The Health & Safety Code has established that the Board of Commissioners as being the highest official body authorized to assign fund balance amounts for specific purposes. This authorization or removal of such authorization is generally achieved by a resolution of the Board.

NOTE 8: 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	\$6,578,536
Accumulated Depreciation	<u>(1,702,975)</u>
	<u>\$4,875,561</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	\$400,132
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Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2023

NOTE 8: 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	\$10,279
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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	\$350,996
Due after one year	4,399,976

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	\$14,210
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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	\$77,660
Adjustment for Pension Liability/Asset	390,025
Change in Deferred Inflows/Outflows related to Pension	<u>(336,369)</u>
	\$131,316

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	\$(321,993)
Depreciation Expense	367,464

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	\$(326,176)
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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	\$469
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Williamson County Emergency Services District #5
Notes to the Basic Financial Statements
For the Year Ended September 30, 2023

NOTE 8: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
AND GOVERNMENT-WIDE STATEMENTS – continued

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	\$(237,741)
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In the statement of activities, only the gain or loss on the sale of equipment is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the equipment less any accumulated depreciation.

Gain/(Loss) from disposal of assets	\$4,000
Proceeds from sale of asset	(25,252)

NOTE 9: 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 will free internet service. The term of the agreement is for 30 years and is expected to begin during the fiscal year ending September 30, 2024.

NOTE 10: 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 11: SUBSEQUENT EVENT

On January 19, 2024, the District purchased property for the future construction of a fire station for \$809,159. This purchase was financed with a loan in the amount of \$800,000 at an interest rate of 5%, maturing in January 2044.

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, 2023

	Budget		Actual Amounts	Variance Favorable/ (Unfavorable)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 1,493,172	\$ 1,955,436	\$ 1,977,656	22,220
Sales taxes	1,600,000	1,600,000	1,991,991	391,991
Fire Recovery	15,000	15,000	13,395	(1,605)
Interest Income	-	-	28,322	28,322
Plan Review & Inspections	30,200	30,200	52,227	22,027
Interlocal Agreements	20,000	20,000	12,232	(7,768)
Miscellaneous	100	100	683	583
Grants/Contributions	-	-	39,287	39,287
TOTAL REVENUES	\$ 3,158,472	\$ 3,620,736	\$ 4,115,793	495,057
EXPENDITURES/EXPENSES				
Personnel Expense	\$ 2,164,566	\$ 2,480,645	\$ 2,467,190	13,455
Supplies-Fleet	137,700	121,500	82,812	38,688
Supplies-Emergency Equipment	46,042	49,800	68,940	(19,140)
Maintenance	88,100	110,860	78,588	32,272
Professional Fees	153,000	183,000	136,581	46,419
Office Expense/Postage	7,300	7,300	6,827	473
Information Technology	52,500	55,368	51,527	3,841
Insurance	147,500	142,785	105,208	37,577
Appraisal District & Tax Collector Fees	9,000	13,300	13,093	207
Utilities	52,250	51,650	46,841	4,809
Communications	19,000	20,500	10,788	9,712
Miscellaneous	18,750	32,350	10,543	21,807
Personal Protective Equipment	44,000	65,200	64,527	673
Professional Development	39,000	42,895	40,803	2,092
Uniforms	29,300	29,300	25,992	3,308
Capital Outlay	15,000	750,000	321,993	428,007
Debt Issue Costs	-	-	-	-
Debt Service:				
Principal	304,850	327,355	326,176	1,179
Interest	129,128	139,822	139,704	118
TOTAL EXPENDITURES/EXPENSES	\$ 3,456,986	\$ 4,623,630	\$ 3,998,133	625,497
Excess (Deficiency) of Revenues Over Expenditures	<u>(298,514)</u>	<u>(1,002,894)</u>	<u>117,660</u>	<u>- 1,120,554</u>
OTHER FINANCING SOURCES/(USES):				
Financing Proceeds	\$ -	\$ -	\$ 237,741	\$ 237,741
Proceeds from Sale of Asset	-	-	25,252	25,252
Total Other Financing Sources/(Uses):	\$ -	\$ -	\$ 262,993	\$ 262,993
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES and OTHER SOURCES/(USES)	(298,514)	(1,002,894)	380,653	1,383,547
Net Change in Fund Balance	\$ (298,514)	\$ (1,002,894)	\$ 380,653	
Beginning of the year			<u>2,131,423</u>	
End of the year			<u>\$ 2,512,076</u>	

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

	Year Ended December 31									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability										
Service cost	101,456	92,948	67,171	57,308	19,185	17,677	12,952	16,088	18,202	N/A
Interest on total pension liability	40,301	30,211	21,181	16,009	7,364	5,488	2,778	2,131	723	N/A
Effect of plan changes	349,668	-	-	-	44,933	-	(215)	(1,239)	-	N/A
Effect of assumption changes or inputs	-	13,426	27,226	-	-	(785)	-	166	-	N/A
Effect of economic/demographic (gains) or losses	64,395	(8,378)	1,757	(5,364)	6,534	1,296	6,518	(8,041)	17	N/A
Benefit payments/refunds of contributions	(7,064)	(949)	(13,001)	(14,897)	(4,134)	-	-	-	-	N/A
Net change in total pension liability	548,756	127,258	104,334	53,056	73,882	23,676	22,033	9,105	18,943	N/A
Total pension liability, beginning	432,285	305,027	200,693	147,637	73,755	50,079	28,046	18,943	-	N/A
Total pension liability, ending (a)	981,041	432,285	305,027	200,693	147,637	73,755	50,079	28,046	18,943	N/A
Fiduciary Net Position										
Employer contributions	93,551	59,513	59,895	34,049	11,418	7,353	8,708	7,224	7,060	N/A
Member contributions	93,551	59,513	60,279	47,669	19,901	12,900	10,793	8,757	8,558	N/A
Investment income net of investment expenses	(46,695)	85,581	20,584	18,017	(1,251)	8,308	2,407	(178)	62	N/A
Benefit payments/refunds of contributions	(7,064)	(949)	(13,001)	(14,897)	(4,134)	-	-	-	-	N/A
Administrative expenses	(406)	(289)	(240)	(150)	(88)	(56)	(26)	(18)	(6)	N/A
Other	25,794	3,435	3,191	2,315	818	271	1,349	(2)	-	N/A
Net change in fiduciary net position	158,731	206,804	130,708	87,003	26,664	28,776	23,231	15,783	15,673	N/A
Fiduciary net position, beginning	534,642	327,838	197,130	110,127	83,463	54,687	31,456	15,673	-	N/A
Fiduciary net position, ending (b)	693,373	534,642	327,838	197,130	110,127	83,463	54,687	31,456	15,673	N/A
Net pension liability / (asset), ending = (a) - (b)	287,668	(102,357)	(22,811)	3,563	37,510	(9,708)	(4,608)	(3,410)	3,270	N/A
Fiduciary net position as a % of total pension liability	70.68%	123.68%	107.48%	98.22%	74.59%	113.16%	109.20%	112.16%	82.74%	N/A
Pensionable covered payroll	1,336,438	850,181	861,123	680,979	497,513	322,512	269,821	218,921	213,948	N/A
Net pension liability as a % of covered payroll	21.52%	-12.04%	-2.65%	0.52%	7.54%	-3.01%	-1.71%	-1.56%	1.53%	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
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%
2021	28,417	59,895	(31,478)	861,123	7.0%
2022	24,145	59,513	(35,368)	850,181	7.0%
2023	54,928	93,551	(38,623)	1,336,438	7.0%

Williamson County Emergency Services District No. 5
Notes to the Schedule of Employer Contributions
For the year ending September 30, 2023

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	0.4 (based on contribution rate calculated in 12/31/2022 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. 2022: New investment return and inflation 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. 2022: No changes in plan provisions were reflected in the Schedule.

**Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.*