

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT No. 3

AUDITED FINANCIAL STATEMENTS

AND SUPPLEMENTAL SCHEDULES

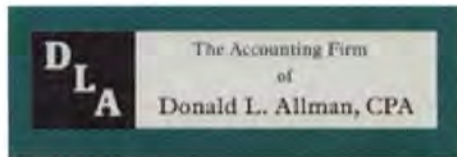
AND INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT No. 3

TABLE OF CONTENTS

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Statement of Net Assets	11
Statement of Activities	12
Balance Sheet – Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Notes to Financial Statements	17- 26
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) General Fund	27
Notes to Required Supplementary Information	28
<i>Government Auditing Standards</i> Report on Internal Control over Financial Reporting and on Compliance and Other Matters—with No Material Weaknesses, Significant Deficiencies, or Reportable Instances of Noncompliance or Other Matters Identified	29-30



Donald L. Allman, CPA, PC
205 E. University Ave., Ste. 165
Georgetown, Texas 78626
Phone: 512-422-3700
Fax: 512-240-5460
Email: dallman@donallmancpa.com

Independent Auditor's Report

To the Board of Directors
Williamson County Emergency Services District No. 3

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Williamson County Emergency Services District No. 3 as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Williamson County ESD No. 3 as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 – 9 and 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Donald L. Allman, CPA

Georgetown, Texas
December 8, 2014

**WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Our discussion and analysis of the Williamson County Emergency Services District No. 3's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2014. Please review it in conjunction with the transmittal letter and the District's basic financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

Total net assets decreased \$44,799 which represents a decrease from 2014.

The District expended \$23,106 on computers during fiscal year ending September 30, 2014. These expenditures were all made from reserve funds with no additional financing, which led to the cash balances and unrestricted fund balance decreasing, but capital assets and net assets invested in capital assets fund balance increasing.

The District had \$1,763,378 in expenses related to governmental activities with \$1,770,213 in program revenues to cover the cost of these programs. The excess revenues were kept to increase the cash balance and unrestricted net assets.

USING THIS ANNUAL REPORT

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

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

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

Reporting the District's Most Significant Funds Major Funds

Fund Financial Statements -General

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

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

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the financial statements can be found on pages 17-25 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents budget to actual statements and schedules which can be found on pages 26-27 of this report.

THE DISTRICT AS A WHOLE

The District's total net assets changed from a year ago, decreasing from \$2,732,188 to \$2,687,389. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District's governmental activities.

Table 1
Summary of Net Assets

	2014	2013	\$ Change	% Change
Cash and Current Assets	\$ 1,290,056	\$ 1,307,441	\$ (17,385)	-1.3%
Property Taxes Receivables	17,036	9,485	\$ 7,551	79.6%
Capital Assets	2,895,094	3,050,399	(155,305)	-5.1%
Total Assets	\$ 4,202,186	\$ 4,367,325	\$ (165,139)	-3.8%
Current Liabilities	\$ 265,972	\$ 256,247	\$ 9,725	3.8%
Long-Term Obligations	1,248,825	1,379,250	(130,425)	-9.5%
Total Liabilities	\$ 1,514,797	\$ 1,635,497	\$ (120,700)	-7.4%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$ 1,515,844	\$ 1,532,550	\$ (16,706)	-1.1%
Restricted	1,137,220	1,117,871	19,349	1.7%
Unrestricted	34,325	81,767	(47,442)	-58.0%
Total Net Assets	\$ 2,687,389	\$ 2,732,188	\$ (44,799)	-1.6%

Net assets of the District's activities decreased 1.6% or \$44,799. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased from \$81,767 to \$34,325 by the end of fiscal year 2014. However, additions to capital assets were paid for from reserves with no additional incurred debt, which caused the decrease in unrestricted net assets and also the increase in net assets invested in capital assets, net of related debt.

Table 2 compares the 2014 change in net assets to the 2013 change in net assets.

Table 2
Summary of Changes in Net Assets for 2014
Compared With 2013 Activity

	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>	<u>% Change</u>
Program Revenues:				
Property Taxes	\$ 1,484,973	\$ 1,404,841	\$ 80,132	5.7%
Other Revenues	267,735	223,927	43,808	19.6%
Grant Revenues	8,972	78,410	(69,438)	-88.6%
Interest Income	8,533	8,808	(275)	-3.1%
Total Revenues	<u>\$ 1,770,213</u>	<u>\$ 1,715,986</u>	<u>\$ 54,227</u>	<u>3.2%</u>
Program Expenses:				
General Government	\$ 1,763,378	\$ 1,603,736	\$ 159,642	10.0%
Interest on L/T Debt	51,634	44,990	6,644	14.8%
Total Expenses	<u>\$ 1,815,012</u>	<u>\$ 1,648,726</u>	<u>\$ 166,286</u>	<u>10.1%</u>
Net Assets				
Increase / (Decrease)	<u>\$ (44,799)</u>	<u>\$ 67,260</u>	<u>\$ (112,059)</u>	<u>-1.2%</u>

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General Government	\$ 1,763,378	\$ 1,603,736	\$ 1,763,378	\$ 1,603,736
Int of L/T Debt	51,634	44,990	51,634	44,990
Total Expenses	<u>\$ 1,815,012</u>	<u>\$ 1,648,726</u>	<u>\$ 1,815,012</u>	<u>\$ 1,648,726</u>

The increase in general government expenses from 2013 to 2014 of \$159,642 can be attributed to increases in the growth of the WCESD # 3 service area. Interest on long-term debt increased \$6,644 due to new loans being refinanced, lower interest rates will benefit WCESD # 3 in the long term.

THE DISTRICT'S FUND'S

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

	2014	2013	\$ Change	% Change
Capital Assets	\$ 1,515,844	\$ 1,532,550	\$ (16,706)	-1.1%
Restricted	1,137,220	1,117,871	19,349	1.7%
Unrestricted	34,325	81,767	(47,442)	-58.0%
Total Governmental Balances	\$ 2,687,389	\$ 2,732,188	\$ (44,799)	-1.6%

The 1.1% decrease in Capital Assets net of related debt balance is due to capital asset additions being paid with unrestricted funds rather than financed with debt. Restricted net assets increased \$19,349 due to increasing balances in reserved cash accounts.

The 58% decrease in the Unrestricted fund balance can be attributed to the purchase of capital assets with unrestricted funds rather than being financed with debt. All \$23,106 of capital assets purchased were paid for in full rather than financed.

Table 5 presents a summary of governmental fund revenues for the 2013 fiscal year and the amounts and percentages of increases and decreases in relation to the prior year.

**Table 5
Total Governmental Fund Revenues**

Revenue Source	2014	% of Total	Increase or (Decrease) Over 2013	% Increase / (Decrease)
Property taxes	1,484,973	83.9%	80,132	5.7%
Other Income	267,735	15.1%	43,808	19.6%
Grant Income	8,972	0.5%	(69,438)	-88.6%
Investment Income	8,533	0.5%	(275)	-3.1%
Total	\$ 1,770,213	100.0%	\$ 54,227	3.2%

The 5.7% increase in Property Tax revenues is primarily due to increases in the property tax base, the tax rate did not change. Other income increased 19.6% and Grant income decreased 88.6%.

The 3.1% decrease in investment earnings is primarily due to decreasing interest rates and less investments in interest-bearing accounts. Interest rates decreased slightly, and continue to stay low, and did not fluctuate significantly during the year.

The 0.8% increase in other income is primarily due to increases in reimbursements and refunds

Table 6 presents the General Fund budget and the difference between the original budget and final budget for fiscal year 2013. Table 7 discusses the variance between the final budget and the actual results for the year.

Table 6
Original and Final Budget
Budgeted Amounts

	<u>Original</u>	<u>Final</u>	<u>Variance</u>
Revenues:			
Property Taxes	\$ 1,481,597	\$ 1,481,597	\$ -
Grant Income	-	-	-
Interest Income	8,000	8,000	-
General Reserve Personnel	78,702	78,702	-
Other Income	178,000	178,000	-
Total Revenues	<u><u>\$ 1,746,299</u></u>	<u><u>\$ 1,746,299</u></u>	<u><u>\$ -</u></u>
Expenditures:			
Current:			
General Government	\$ 1,551,564	\$ 1,551,564	\$ -
Capital Outlay	-	-	-
Debt Service	194,735	194,735	-
Total Expenditures	<u><u>\$ 1,746,299</u></u>	<u><u>\$ 1,746,299</u></u>	<u><u>\$ -</u></u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Original versus Final Budget			

There were no material differences between original and final budgeted amounts for 2014.

Table 7
Final Budget Versus Actual Results
General Fund

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Property Taxes	\$ 1,481,597	\$ 1,484,973	\$ 3,376
Grant Income	-	8,972	8,972
Interest Income	8,000	8,533	533
General Reserve	78,702	-	(78,702)
Other Income	178,000	267,735	89,735
Total Revenues	<u>\$ 1,746,299</u>	<u>\$ 1,770,213</u>	<u>\$ 23,914</u>

Final Budget Versus Actual Results

Expenditures:

Current:

General Government	\$ 1,551,564	\$ 1,763,378	\$ (211,814)
Capital Outlay	-	23,106	(23,106)
Debt Service	194,735	190,234	4,501
Total Expenditures	<u>\$ 1,746,299</u>	<u>\$ 1,976,718</u>	<u>\$ (230,419)</u>

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

Expenditures	<u>\$ -</u>	<u>\$ (206,505)</u>	<u>\$ (206,505)</u>
---------------------	--------------------	----------------------------	----------------------------

Final Budget versus Actual Results

The variance in **Property Tax** revenues is due to the District increasing its overall property value due to growth and new construction.

The variance in **General Government** expenditures is due to the increase in the WCESD # 3 service area.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At year-end, the District had \$2,895,094 invested in equipment, trucks and building. This amount represents a \$155,305 net decrease over the last year, which is due to depreciation and asset additions. \$23,106 of computers were purchased in full with cash with no financing.

Debt Administration

At fiscal year-end, the District had \$1,379,249 in notes & leases payable for the building, fire trucks and fire equipment. This amount represents a net decrease of \$138,600 or a 9% decrease. The interest rates and maturity dates vary with each separate agreement. For a breakdown of the interest rates, the principal and interest payment schedules, and the maturity dates, see Note 4 of the basic financial statements. Two loans were refinanced during fiscal year 2014.

ECONOMIC FACTORS

The District operates solely in Williamson County and has since its inception. Almost 80% of the District's revenue comes from property taxes. The District's budgeting process must continue to work as closely as possible with the Williamson County Tax Assessor's office in order to meet the financial obligations of the District.

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

REQUEST FOR INFORMATION

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

Jonathan Fritz, Treasurer
Williamson County Emergency Services District # 3

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT No. 3

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2014

Assets:

Current Assets:

Cash and Cash Equivalents	\$ 1,290,056
Property Taxes Receivable	17,036
	<hr/>
Total Current Assets	\$ 1,307,092

Non-Current Assets:

Capital Assets:

Building, Equipment & Trucks, Net of Accumulated Depreciation	\$ 2,895,094
	<hr/>

Total Non-Current Assets	\$ 2,895,094
	<hr/>

Total Assets	\$ 4,202,186
	<hr/> <hr/>

Liabilities:

Current Liabilities:

Accounts Payable	\$ 13,498
Accrued Salaries	28,259
Payroll Taxes, Insurance, Deferred Revenue & Retirement Payable	93,790
Current Portion of Long-Term Debt	130,425
	<hr/>

Total Current Liabilities	\$ 265,972
	<hr/> <hr/>

Non-Current Liabilities:

Notes & Leases Payable	\$ 1,248,825
	<hr/>

Total Liabilities	\$ 1,514,797
	<hr/> <hr/>

Net Assets:

Invested in Capital Assets, Net of Related Debt	\$ 1,515,844
Restricted for Debt Service, Fire Station, Apparatus & Regular Reserve	1,137,220
Unrestricted	34,325
	<hr/>

Total Net Assets	\$ 2,687,389
	<hr/> <hr/>

See accompanying notes to the financial statements.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT No. 3

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net Revenue and Change in Net Assets Primary Governmental Activities</u>
Governmental Activities:			
General Government	\$ 1,763,378	\$ 1,752,708	\$ (10,670)
Interest on Long-Term Debt	51,634	-	(51,634)
Total Governmental Activities	<u>\$ 1,815,012</u>	<u>\$ 1,752,708</u>	<u>\$ (62,304)</u>
	General Revenues:		
	Unrestricted Interest Earnings		\$ 8,533
	Grant Revenues		<u>8,972</u>
	Total General Revenues		\$ 17,505
	Change in Net Assets		\$ (44,799)
	Net Assets - Beginning		<u>2,732,188</u>
	Net Assets - Ending		<u><u>\$ 2,687,389</u></u>

See accompanying notes to the financial statements.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT No. 3

BALANCE SHEET – GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014

	<u>General</u>	<u>Reserved for Fire Station, Apparatus, & Debt Service</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and Cash Equivalents	\$ 152,836	\$ 1,137,220	\$ 1,290,056
Property Taxes Receivable	17,036	-	17,036
Total Assets	\$ 169,872	\$ 1,137,220	\$ 1,307,092
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ 13,498	\$ -	\$ 13,498
Accrued Salaries	28,259	-	28,259
Payroll Taxes, Insurance & Retirement Payable	20,839	-	20,839
Total Liabilities	\$ 62,596	\$ -	\$ 62,596
Fund Balances			
Reserved for Debt Service	\$ -	\$ 1,137,220	\$ 1,137,220
Unassigned	107,276	-	107,276
Total Fund Balances	\$ 107,276	\$ 1,137,220	\$ 1,244,496
Total Liabilities and Fund Balances	\$ 169,872	\$ 1,137,220	\$ 1,307,092

See accompanying notes to financial statements.

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET
ASSETS OF GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2014**

Total fund balance – total governmental funds	\$ 1,244,496
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.	\$ 2,895,094
The current portion of leases payable for capital assets is not included in governmental activities due to capital assets not being included in governmental activities.	\$ (130,425)
Deferred tax revenues	\$ (72,951)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	\$ (1,248,825)
Net assets of governmental activities	<u>\$ 2,687,389</u>

See accompanying notes to financial statements.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT No. 3

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

SEPTEMBER 30, 2014

	<u>General</u>	<u>Fire Station, Apparatus Debt Service</u>	<u>Total Governmental Funds</u>
<u>Revenues:</u>			
Property Taxes	\$ 1,236,587	\$ 232,688	\$ 1,469,275
City of Hutto	105,435	-	105,435
Williamson County	28,329	-	28,329
Revenue Rescue	8,427	-	8,427
Grant Revenues	8,972	-	8,972
Miscellaneous	125,544	-	125,544
Interest Earnings	8,533	-	8,533
Total Revenues	<u>\$ 1,521,827</u>	<u>\$ 232,688</u>	<u>\$ 1,754,515</u>
<u>Expenditures:</u>			
Current:			
General Government	\$ 1,553,571	\$ -	\$ 1,553,571
Capital Outlay	-	23,106	23,106
Debt Service:			
Principal	-	138,599	138,599
Interest	-	51,634	51,634
Total Expenditures	<u>\$ 1,553,571</u>	<u>\$ 213,339</u>	<u>\$ 1,766,910</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (31,744)	\$ 19,349	\$ (12,395)
Transfer to Reserved Funds	\$ -	\$ -	\$ -
Net Changes in Fund Balances	\$ (31,744)	\$ 19,349	\$ (12,395)
Fund Balances - Beginning	<u>\$ 139,020</u>	<u>\$ 1,117,871</u>	<u>\$ 1,256,891</u>
Fund Balances - Ending	<u>\$ 107,276</u>	<u>\$ 1,137,220</u>	<u>\$ 1,244,496</u>

See accompanying notes to the financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balance - total governmental funds \$ (12,395)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation (178,421) exceeded capital outlays (23,106) in the current period. \$ (155,315)

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

Property taxes not collected	\$ 15,698
Less: Prior year	<u>(31,386)</u>
	\$ (15,688)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. \$ 138,599

Changes in net assets of governmental activities \$ (44,799)

See accompanying notes to the financial statements.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Government-wide and fund financial statements

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

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 31 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

Fund Accounting

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

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

The District reports the following major governmental funds:

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

Revenues – Exchange and Non-Exchange Transactions

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

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Expenses/Expenditures

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

C. Cash and Cash Equivalents

Cash and equivalents include all highly-liquid investments with a maturity of three months or less at the date of purchase. During 2013-2014, cash and cash equivalents accounts were limited to Union State Bank General, SAFER Payroll, and Payroll Funds and Union State Bank Regular reserve, Apparatus reserve, Fire Station reserve and Debt Service reserve. The District at times has an amount in its depository account that exceeds the maximum amount secured by the Federal Deposit Insurance Corporation. Union State Bank collateralizes deposits by pledging securities in the District's name.

D. Restricted Assets

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

E. Interfund Transactions

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

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

F. Capital Assets

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

G. Reservations of Fund Balance

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

H. Net Assets

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

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

J. Accrued Liabilities

The District reports accrued liabilities on the statement of net assets. The District reports accounts payable of \$13,498, accrued salaries & wages of \$28,259 and payroll taxes payable, health insurance and retirement of \$20,839 during 2013-14.

NOTE 2 – TAX REVENUES

The District's tax revenue is collected by County of Williamson, Texas, (the County) under the provisions of a tax collection agreement signed November, 1999. Under the agreement, the County is responsible for making the calculations necessary for the District to comply with the statutory requirements for setting tax rates as specified in Chapter 26 of the Texas Property Tax Code and collecting the appropriate tax. The County periodically remits the collected taxes to the District. The agreement may be terminated by either party on written notice, but neither party has expressed an interest in terminating the agreement. The County provides the District with written reports necessary to keep the District advised of all financial information affecting the District. The District pays the County for its tax collection activity in four equal quarterly payments, which totaled \$14,728 USD for 2013-2014. The amount is determined by the County based on an amount per each parcel of taxable property, or account taxable by the District. The tax rate for WCESD # 3 for 2014 is \$.10 per \$100 valuation of property. The M&O rate for WCESD # 3 was 0.086629 and the I&S rate was 0.013371, the total adjusted original tax roll was \$1,484,973 on \$14,849,733 valuation. Property taxes receivable at 9/30/14 total \$17,036, with \$6,268 being current and \$4,366 being delinquent, and \$6,403 in rollbacks.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 3 – CASH AND CASH EQUIVALENTS

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

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

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

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

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

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

A. Deposits

At year-end the carrying amount of the District's deposits was \$1,290,056 and the bank balance was \$1,271,670. Federal depository insurance coverage totals \$250,000. The deposits were classified as category 1, collateralized, as defined by GASB Statement 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements. Securities pledged as collateral for Williamson County Emergency Services District No. 3 at September 30, 2014 totaled \$2,065,308 for excess collateralization in the amount of \$1,043,638.

NOTE 4 - GENERAL FIXED ASSETS

A summary of changes in general fixed assets for the year ended September 30, 2014:

	Fire Station 1	CWICS Trunking System	Apparatus & Trucks	Radio Equipment	Computers & Furniture	Totals
10/1/2013	2,033,086	159,504	1,497,945	189,856	29,543	3,909,934
Additions	-	-	-	-	23,106	23,106
Deletions	-	-	-	-	-	-
9/30/2013	2,033,086	159,504	1,497,945	189,856	52,649	3,933,040
Land						\$ 192,853
Less:						
Acc. Depr.	\$ 425,636	\$ -	\$ 673,549	\$ 107,161	\$ 24,463	\$ 1,230,809
Total, Net	<u>\$ 1,607,450</u>	<u>\$ 159,504</u>	<u>\$ 824,396</u>	<u>\$ 82,695</u>	<u>\$ 28,186</u>	<u>\$ 2,895,084</u>

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 5 – GENERAL LONG-TERM DEBT

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

Note payable to Union State Bank, dated January, 2013, in the amount of \$1,418,993, annual payments of \$130,872, due March 1st, including interest at 3.13%, secured by building.	\$ 1,202,084
---	--------------

Note payable to Union State Bank dated June 12, 2013 in the amount of \$185,888, monthly payments of \$3,098, matures June 12, 2018 secured by Pierce Pumper fire truck.	\$ 177,165
--	------------

Total	<u>\$ 1,379,249</u>
-------	---------------------

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 5 – GENERAL LONG-TERM DEBT (Continued)

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

<u>Due Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	93,247	37,625	130,872
2016	96,071	34,802	130,873
2017	99,173	31,700	130,873
2018	102,277	28,595	130,872
2019	105,478	25,394	130,872
Thereafter	705,838	79,395	785,233
Total	\$ 1,202,084	\$ 237,511	\$ 1,439,595

<u>Due Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 37,176	\$ -	\$ 37,176
2016	37,176	-	37,176
2017	37,176	-	37,176
2018	37,176	-	37,176
2019	28,461	-	28,461
Total	\$ 177,165	\$ -	\$ 177,165

NOTE 6 – CONTINGENCIES & SUBSEQUENT EVENTS

As of September 30, 2014, the District did not have any material pending litigation or potential non-disclosed liabilities.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT No. 3

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property Taxes	\$ 1,481,597	\$ 1,481,597	\$ 1,469,275	\$ (12,322)
Other Income	178,000	178,000	267,735	89,735
Grant Income	-	-	8,972	8,972
General Reserve SAFER	78,702 #	78,702 #		
Interest Earnings	8,000	8,000	8,533	533
Total Revenues	<u>\$ 1,746,299</u>	<u>\$ 1,746,299</u>	<u>\$ 1,754,515</u>	<u>\$ 86,918</u>
Expenditures:				
Current:				
General Government	\$ 1,551,564	\$ 1,551,564	\$ 1,553,571	\$ (2,007)
Capital Outlay	-	-	23,106	(23,106)
Debt Service	194,735	194,735	190,233	4,502
Total Expenditures	<u>\$ 1,746,299</u>	<u>\$ 1,746,299</u>	<u>\$ 1,766,910</u>	<u>\$ (20,611)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,395)</u>	<u>\$ (12,395)</u>
Revenues and Other	\$ -	\$ -	\$ (12,395)	
Fund Balances - Beginning	<u>\$ 1,256,891</u>	<u>\$ 1,256,891</u>	<u>\$ 1,256,891</u>	
Fund Balances - Ending	<u>\$ 1,256,891</u>	<u>\$ 1,256,891</u>	<u>\$ 1,244,496</u>	

Investment in Capital Assets, Net of Related Debt	\$ 1,515,844
Deferred Revenue	\$ (72,951)
GAAP Basis Fund Balance	<u>\$ 2,687,389</u>

The investment in capital assets of \$1,515,844 and the deferred revenue of \$(72,951) are needed to reconcile the budgetary balances with GAAP basis accounting.

See accompanying notes to the financial statements.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT No. 3

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgetary Process

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

1. Estimated Resources

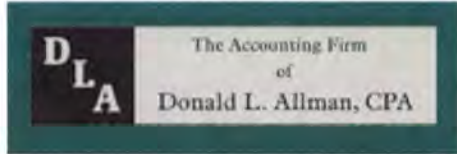
As part of the District's budgetary process, the Board approves the official estimated resources. The official estimated resources state the projected revenue for the District. The estimated revenue is calculated from information from the Williamson County Appraisal District. The budget is not revised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

2. Appropriations

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

3. Budgetary Basis of Accounting

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



Donald L. Allman, CPA, PC
205 E. University Ave., Ste. 165
Georgetown, Texas 78626
Phone: 512-422-3700
Fax: 512-240-5460
Email: dallman@donallmancpa.com

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

To the Board of Directors
Williamson County ESD # 3

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Williamson County ESD # 3 as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise Williamson County ESD # 3's basic financial statements, and have issued our report thereon dated December 8, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Donald L. Allman, CPA, PC

Georgetown, TX
December 8, 2014