



CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS ADVISORS

February 7, 2020

Mr. Jeffrey Hill
Austin County Emergency
Communications District
842 W. Main
Bellville, Texas 77418

Dear Mr. Hill:

In planning and performing our audit of the financial statements of Austin County Emergency Communications District for the year ended September 30, 2019, we considered its internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

During our audit we became aware of various matters that are opportunities for strengthening internal control and operating efficiency:

Cash Receipts

There are currently limited controls over cash received in the office. While the individual documenting the receipt of cash does not make the cash deposit, we recommend that the receipts be totaled and compared to the deposit by the individual making the deposit.

This letter does not affect our report dated February 7, 2020 on the September 30, 2019 financial statements of Austin County Appraisal District.

Sincerely,

SEIDEL SCHROEDER

By: Michele Kohring Kwiatkowski
Michele Kohring Kwiatkowski, CPA
Audit Partner

February 7, 2020

To the Board of Directors
Austin County Emergency Communications District

We have audited the financial statements of the governmental activities and each major fund of Austin County Emergency Communications District for the year ended September 30, 2019, and have issued our report thereon dated February 7, 2020. Professional standards require that we provide you with information related about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated July 3, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Austin County Emergency Communications District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following material misstatements detected as a result of audit procedures were corrected by management:

	<u>General Fund</u>
Net change in fund balance for the year ended September 30, 2019	\$ 97,296
Adjustments:	
Accounts receivable	2,267
Accounts payable	(3,284)
Net effect of adjustments	<u>(1,017)</u>
Net change in fund balance, as adjusted, for the year ended September 30, 2019	<u>\$ 96,279</u>

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 7, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination

of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the schedule of changes in net pension liability and related ratios, and the schedule of contributions, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restrictions on Use

This information is intended solely for the use of the Board of Directors and management of Austin County Emergency Communications District and is not intended to be, and should not be, used by anyone other than these specified parties.

Seidel Schwarz

AUSTIN COUNTY EMERGENCY

COMMUNICATIONS DISTRICT

Financial Statements

with

Independent Auditor's Report

September 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Austin County Emergency Communications District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Austin County Emergency Communications District, (the "District") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 and each major fund of the Austin County Emergency Communications District as of September 30, 2019, and the respective changes in financial position, and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

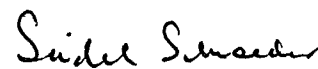
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, and the schedule of contributions on pages 3 through 7 and pages 26 through 27, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Brenham, Texas
February 7, 2020



Austin County Emergency Communications District
842 W. Main St.
P.O. Box 911
Bellville, TX 77418
979-865-1911

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Governmental Accounting Standards Board Statement 34 requires that management of the District present an analysis and discussion of the financial activities of the District.

Management will attempt to give a brief overview of the finances of the District.

Financial Highlights

In 2019, net position increased by \$83,182 resulting from total revenues of \$306,513 less expenses of \$223,331. In 2018, net position increased by \$8,620 resulting from total revenues of \$303,913 less expenses of \$295,293.

As of September 30, 2019, the District's total assets were \$686,392 of which \$58,692 were capital assets. Its liabilities were \$16,220. As of September 30, 2018, the District's total assets were \$604,672 of which \$73,902 were capital assets. Its liabilities were \$15,304.

The District had net position as of September 30, 2019 of \$677,196 of which \$55,054 was the net investment in capital assets. The District had net position as of September 30, 2018, of \$594,014 of which \$67,893 was the net investment in capital assets.

Overview of the Financial Statements

The District's basic financial statements consist of government-wide financial statements, fund financial statements and the notes to the financial statements.

The government-wide financial statements, which are comprised of the Statement of Net Position and the Statement of Activities, include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using full accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The fund financial statements are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash. The fund financial statements have a short-term focus and help you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's activities.

Condensed Financial Information

Governmental Activities		
	2018	2019
Current and Other Assets	\$ 524,778	\$ 624,374
Net pension asset	5,992	3,326
Capital Assets	73,902	58,692
<u>Total Assets</u>	604,672	686,392
Deferred outflows of resources	4,777	7,024
Other Liabilities	11,467	14,997
Long-term Liabilities	3,837	1,223
<u>Total Liabilities</u>	15,304	16,220
Deferred inflows of resources	132	-
Net Position:		
Invested in Capital Assets, net of related debt	67,893	55,054
Unrestricted	526,121	622,142
<u>Total Net Position</u>	\$ 594,014	\$ 677,196

	Year Ended September 30, 2018	Year Ended September 30, 2019
Revenues		
Program Revenues:		
Customer Land Lines Assessments	\$ 146,990	\$ 144,888
Customer Cellular Assessments	151,770	152,964
Interest Earned	4,070	6,310
Miscellaneous	1,083	2,351
<u>Total Revenue</u>	<u>303,913</u>	<u>306,513</u>
Expenses		
Operations	172,907	95,114
Rural Addressing	5,656	3,870
Administration and Support	116,586	123,784
Loss on disposal of asset	-	474
Debt Service- Interest	144	89
<u>Total Expenses</u>	<u>295,293</u>	<u>223,331</u>
Change in Net Position	8,620	83,182
Beginning Net Position	585,394	594,014
Ending Net Position	<u>\$ 594,014</u>	<u>\$ 677,196</u>

FINANCIAL ANALYSIS

As indicated by the Statement of Activities, revenues exceeded expenses by \$83,182. Some categories that show relatively significant variations will be addressed.

The revenue for land lines decreased by \$2,102 from September 30, 2018 to 2019. The revenue was below budget by \$6,372 mainly due to the customer decline in the number of land lines.

Total expenses in 2019 were \$223,331, a decrease of \$71,964 from September 30, 2018. Operations expenses decreased by \$77,793 from September 30, 2018 to 2019 due to less depreciation expense. Administration and support increased by \$7,198 from September 30, 2018 to 2019 due to out-of-state travel and training expenses.

Expenditures for 2019 were \$93,179 less than budget mainly due to the third employment position budgeted for but not used.

CAPITAL ASSETS

The District owns capital assets in the form of office buildings, storage building, computer hardware and software, furniture and fixtures and automobiles. In 2019, capital assets had a value after depreciation of \$58,692. In September 30, 2018, capital assets had a value after depreciation of \$73,902.

DEBT

A lease agreement accounted for as a capital lease in the amount of \$3,638 was the debt obligation as of September 30, 2019. Lease agreements accounted for as capital leases in the amount of \$6,009 were the debt obligations as of September 30, 2018.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Funding for the District is a process that is prescribed in the Health and Safety Chapter 772.304.

Potential use of retained funds by the District is to update office equipment and PSAP's computer and software.

A final designation for the funds is for disaster recovery. This would allow the District to continue operations in the event of an unforeseen disaster.

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Statement of Net Position and
Governmental Funds Balance Sheet
September 30, 2019

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 419,149	\$ -	\$ 419,149
Certificates of deposit	170,745	-	170,745
Accounts receivable	21,782	-	21,782
Interest receivable	388	-	388
Prepaid expenses	-	12,310	12,310
Net pension asset	-	3,326	3,326
Capital assets, net of accumulated depreciation	-	58,692	58,692
Total Assets	<u>612,064</u>	<u>74,328</u>	<u>686,392</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	-	7,024	7,024
LIABILITIES			
Accounts payable	12,582	-	12,582
Lease payable due in one year	-	2,415	2,415
Noncurrent liabilities			
Lease payable due in more than one year	-	1,223	1,223
Total Liabilities	<u>12,582</u>	<u>3,638</u>	<u>16,220</u>
FUND BALANCE/NET POSITION			
Fund balance:			
Unassigned	<u>599,482</u>	<u>(599,482)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 612,064</u>		
Net position:			
Net investment in capital assets		55,054	55,054
Unrestricted		<u>622,142</u>	<u>622,142</u>
Total net position		<u>\$ 677,196</u>	<u>\$ 677,196</u>

The notes to the financial statements are an integral part of this statement.

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
 Reconciliation of the Balance Sheet to the Statement of Net Position
 Governmental Funds
 September 30, 2019

Fund Balances - total governmental funds		\$ 599,482
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:</p>		
Governmental capital assets	\$ 557,748	
Less accumulated depreciation	<u>(499,056)</u>	58,692
<p>Long term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds.</p>		
		(3,638)
<p>Prepaid items benefit future periods and are included as an asset on the Statement of Net Position.</p>		
		12,310
<p>Net pension assets and deferred outflows are not receivable in the current period and, therefore, are not reported in the governmental funds.</p>		
		10,350
Net Position of Governmental Activities		\$ 677,196

The notes to the financial statements are an integral part of this statement.

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Statement of Activities and
Governmental Fund Statement of Revenues, Expenditures, and
Changes in Fund Balance
For the Year Ended September 30, 2019

	General Fund	Adjustments	Statement of Activities
Revenue:			
Customer land line assessments	\$ 144,888	\$ -	\$ 144,888
Customer cellular assessments	152,964	-	152,964
Interest earned	6,310	-	6,310
Miscellaneous	2,351	-	2,351
Total revenues	306,513	-	306,513
Expenditures:			
Current:			
Operations:			
Cellular phone companies	1,992	-	1,992
ANI / ALI network and services	42,596	-	42,596
DIR T1- Line	7,520	-	7,520
Equipment maintenance and repairs	15,922	-	15,922
Miscellaneous	18,662	82	18,744
Depreciation	-	8,340	8,340
Rural addressing expenses	3,870	-	3,870
Administration and support:			
Payroll	75,033	-	75,033
Retirement	6,272	287	6,559
Insurance	14,606	(110)	14,496
Office building expense	6,793	-	6,793
Office supplies	1,106	-	1,106
Professional fees	5,715	-	5,715
Miscellaneous	7,687	-	7,687
Depreciation	-	6,395	6,395
Debt service - principal	2,371	(2,371)	-
Debt service - interest	89	-	89
Total expenditures	210,234	12,623	222,857
Total revenue over expenditures	96,279	(12,623)	83,656
Other financing sources (uses)			
Gain (loss) on disposal of capital asset	-	(474)	(474)
Total other financing sources (uses)	-	(474)	(474)
Net change in fund balance	96,279	(13,097)	-
Change in net position	-	-	83,182
Fund balance/net position:			
Beginning of the year	503,203	90,811	594,014
End of the year	\$ 599,482	\$ 77,714	\$ 677,196

The notes to the financial statements are an integral part of this statement.

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
 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, 2019

Net changes in Fund Balances - total governmental funds		\$ 96,279
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of these assets are depreciated over their estimated useful lives:</p>		
Less current year depreciation	(14,735)	
Loss on disposal	(474)	
	(15,209)	(15,209)
<p>Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
		2,371
<p>Expenditures reported in the statement of activities are expensed once economic performance has occurred. In the governmental funds expenditures are recognized when they are paid for.</p>		
		(259)
Change in Net Position of Governmental Activities		\$ 83,182

The notes to the financial statements are an integral part of this statement.

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	Original	Final		
Revenue:				
Customer land line assessments	\$ 151,260	\$ 151,260	\$ 144,888	\$ (6,372)
Customer cellular assessments	150,900	150,900	152,964	2,064
Interest earned	4,200	4,200	6,310	2,110
Miscellaneous	1,105	1,105	2,351	1,246
Total revenues	<u>307,465</u>	<u>307,465</u>	<u>306,513</u>	<u>(952)</u>
Expenditures:				
Current:				
Operations:				
Cellular phone companies	3,000	3,000	1,992	(1,008)
ANI/ALI network and services	41,200	41,200	42,596	1,396
DIR T1 Line	7,200	7,200	7,520	320
Equipment maintenance and repairs	21,200	21,200	15,922	(5,278)
Miscellaneous	17,330	17,330	18,662	1,332
Rural addressing	4,700	4,700	3,870	(830)
Administration and support:				
Payroll	119,172	119,172	75,033	(44,139)
Retirement	9,984	9,984	6,272	(3,712)
Insurance	23,927	23,927	14,606	(9,321)
Office building expense	6,850	6,850	6,793	(57)
Office supplies	2,370	2,370	1,106	(1,264)
Professional fees	6,250	6,250	5,715	(535)
Miscellaneous	8,230	8,230	7,687	(543)
Miscellaneous support	25,000	25,000	-	(25,000)
Capital outlay	7,000	7,000	-	(7,000)
Debt service - principal	-	-	2,371	2,371
Debt service - interest	-	-	89	89
Total expenditures	<u>303,413</u>	<u>303,413</u>	<u>210,234</u>	<u>(93,179)</u>
Net change in fund balance	4,052	4,052	96,279	92,227
Beginning fund balance	<u>503,203</u>	<u>503,203</u>	<u>503,203</u>	<u>-</u>
Ending fund balance	<u><u>\$ 507,255</u></u>	<u><u>\$ 507,255</u></u>	<u><u>\$ 599,482</u></u>	<u><u>\$ 92,227</u></u>

The notes to the financial statements are an integral part of this statement.

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Notes to Financial Statements
September 30, 2019

1. Summary of significant accounting policies

The accompanying financial statements include all funds of Austin County Emergency Communications District. The accounting policies of Austin County Emergency Communications District conform to generally accepted accounting principles. The following is a summary of the more significant policies:

A. Reporting entity

The Austin County Emergency Communications District is incorporated as a political subdivision under the laws of the State of Texas and, as such, is exempt from federal and state taxation. The District was formed pursuant to a county wide election in 1987 at which the qualified electorate approved its formation. The District is governed by a seven-member Board of Directors, two of which are appointed by Austin County, two by the municipalities of the County, one by the Austin County Firefighters Association and one by the Austin County Sherriff's Department. The seventh member is a non-voting member from AT&T. The District has no taxing authority and exists solely to provide emergency communications to the citizens of Austin County. The District is subject to regulation issued by the Public Utility Commission, and the Commission of State Emergency Communications. Due to the normal changing legal environments, regulations may change that would impact the District's operations.

B. Basis of presentation

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental activities and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District has no business-type activities.

Fund Financial Statements

Fund financial statements of the reporting entity are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Notes to Financial Statements
September 30, 2019

comprise its assets, liabilities, fund equity, revenues, and expenditures, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

C. Measurement focus and basis of accounting

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, the governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded 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 the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when 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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. Penalties and interest, and miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include payments on general long-term debt which are recognized when due.

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Notes to Financial Statements
September 30, 2019

D. Capital assets

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets valued at historical cost, except for donated fixed assets which are recorded at their estimated fair value at the time of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful life using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows.

Autos	5 years
Buildings	15 to 40 years
Equipment	5 to 10 years
Furniture and Fixtures	5 to 10 years
Hardware and Software	3 to 10 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

E. Budgets and Budgetary Accounting

Budgets are generally adopted on a basis consistent with GAAP. The legal level of budgetary control is each general ledger account. Therefore, a budget amendment is required to increase the appropriations for any general ledger account.

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Notes to Financial Statements
September 30, 2019

F. Fund equity

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 improvement of those assets.
- 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 “invested in capital assets, net of related debt.”

Fund statements

Governmental fund equity is classified as fund balance.

Classification of fund balances

The *non-spendable* fund balance includes the portion of net resources that cannot be spent because of their form or because they must be maintained intact. Resources not in spendable form include supplies inventories and prepaid items, long-term advances to other funds net of deferred interest revenue, long-term receivable net of deferred interest revenue, nonfinancial assets held for resale, and unrealized change in the fair value of investments.

Some resources are spendable but are legally or contractually required to be maintained intact. Such resources include the principal of an endowment.

The *restricted* fund balance includes net resources that can be spent only for the specific purposes stipulated by constitution, external resource providers (creditors, grantors, contributors), laws and regulations of other governments, or through enabling legislation. The enabling legislation authorizes the District to assess, levy, charge or otherwise mandate payment of resources from

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Notes to Financial Statements
September 30, 2019

external resource providers; those resources can be used only for the specific purposes stipulated in the legislation.

The *committed* fund balance includes spendable net resources that can only be used for specific purposes pursuant to constraints imposed by formal Board actions, no later than the close of the fiscal year. Those constraints remain binding unless removed or changed in the same manner employed to previously commit those resources.

The *assigned* fund balance includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Such intent should be expressed by the Board or its designated officials to assign amounts to be used for specific purposes, but are neither restricted nor committed. Constraints imposed on the use of assigned amounts can be removed with no formal Board actions. The assigned fund balance is only reported in the General Fund.

The *unassigned* fund balance represents spendable net resources that have not been restricted, committed, or assigned to specific purposes.

Spending Prioritization in Using Available Resources

When both restricted resources and other resources (i.e., committed, assigned, and unassigned) can be used for the same purpose, the District budget considers restricted resources to be spent first.

When committed, assigned, and unassigned resources can be used for the same purpose, the flow assumption in the District's budget is to spend in the sequence of committed resources first, assigned second, and unassigned last.

G. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deduction from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit term. Investments are reported at

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Notes to Financial Statements
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fair value.

2. Deposits with financial institutions

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the District's deposits may not be returned to it. The District does not have a depository policy for custodial risk. As of September 30, 2019, deposits of the District are insured or collateralized with securities held by the District, its agent, or by the pledging financial institution's trust department or agent in the name of the District.

3. Capital assets

A summary of changes in capital assets for the year ended September 30, 2019 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Depreciable assets:				
Autos	\$ 25,388	\$ -	\$ -	\$ 25,388
Building	72,182	-	-	72,182
Equipment	84,269	-	(3,220)	81,049
Furniture & Fixtures	12,697	-	-	12,697
Hardware & Software	373,545	-	(7,114)	366,431
Total at historical cost	<u>568,081</u>	<u>-</u>	<u>(10,334)</u>	<u>557,748</u>
Less accumulated depreciaton for:				
Autos	19,041	5,078	-	24,119
Building	27,039	1,822	-	28,860
Equipment	67,582	5,166	(3,220)	69,528
Furniture & Fixtures	9,456	810	-	10,267
Hardware & Software	371,061	1,859	(6,639)	366,281
Total accumulated depreciation	<u>494,179</u>	<u>14,735</u>	<u>(9,859)</u>	<u>499,056</u>
Total capital assets, being depreciated, net	<u>\$ 73,902</u>	<u>\$ (14,735)</u>	<u>\$ (474)</u>	<u>\$ 58,692</u>

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Notes to Financial Statements
September 30, 2019

Depreciation expense was charged to governmental functions as follows:

Operations	\$ 8,340
Administrative and support	6,395
Total Governmental Activities	\$ 14,735

4. Capital leases payable

The District entered into a lease agreement to finance the acquisition of a copier. This lease commitment qualifies as a capital lease for accounting purposes, and therefore has been recorded at the present value of the future minimum lease payments. The copier is recorded at \$11,760, the fair value of the leased asset at the inception of the lease. Accumulated depreciation on the copier totaled \$8,036 at September 30, 2019. The lease payable is due in monthly installments of \$205 through April 2021 and cannot be terminated early.

The following is a schedule of the future minimum lease payments under the capital leases and the net present value of the net minimum lease payments at September 30, 2019.

	Fiscal year ending September 30,	
	2020	\$ 2,460
	2021	1,230
		3,690
Less amount representing interest		(52)
Present value of future minimum lease payments		3,638
Less current portion		2,415
Total present value of long-term portion of minimum lease payments		\$ 1,223

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Notes to Financial Statements
September 30, 2019

5. Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Copier	\$ 6,009	\$ -	\$ 2,371	\$ 3,638	\$ 2,415
Long-Term Liabilities	<u>\$ 6,009</u>	<u>\$ -</u>	<u>\$ 2,371</u>	<u>\$ 3,638</u>	<u>\$ 2,415</u>

6. Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

7. Retirement Plan

Plan description

The District provides retirement, disability, and death benefits for all of its employees through a nontraditional, defined benefit plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of non-traditional defined benefit plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 5 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 5 years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Notes to Financial Statements
September 30, 2019

withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The employer has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer's contribution rate was 8.94% for the calendar year 2018. The deposit rate payable by the employee members is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution may be changed by the governing body of the employer within the options available in the TCDRS Act.

Employees covered by benefit terms

At the December 31 actuarial valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	2

Net Pension Liability

The District's Net Pension Asset (NPA) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Position Asset was determined by an actuarial valuation as of that date.

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Notes to Financial Statements
September 30, 2019

Actuarial assumptions:

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

	December 31, 2018
Discount rate	8.10%
Long-term expected rate of return, net of investment expense	8.10%

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 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employment.

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 assumption and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2019 information for a 10 year time horizon.

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return
US Equities	Dow Jones U.S. Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
International Equities - Developed	MSCI World Ex USA (net) Index	10.00%	5.40%
International Equities - Emerging	MSCI Emerging Markets (net) Index	7.00%	5.90%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Associates Distressed Securities Index	2.00%	7.20%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%
		100.00%	

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Notes to Financial Statements
September 30, 2019

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances as of December 31, 2017	\$ 18,703	\$ 24,695	(5,992)
Changes for the year:			
Service cost	11,162	-	11,162
Interest on total pension liability	2,419	-	2,419
Effect of economic/demographic gains or losses	57	-	57
Administrative expenses	-	(29)	29
Member contributions	-	4,834	(4,834)
Net investment income	-	(337)	337
Employer contributions	-	6,173	(6,173)
Other	-	330	(330)
Net changes	13,638	10,971	2,667
Balances as of December 31, 2018	\$ 32,341	\$ 35,667	\$ (3,326)

Sensitivity of the net pension asset to changes in the discount rate

The following presents the pension liability of the District, calculated using the discount rate of 8.1%, as well as what the District's pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.1%) or 1-percentage-point higher (9.1%) than the current rate:

	1% Decrease in Discount Rate (7.1%)	Current Discount Rate (8.1%)	1% Increase in Discount Rate (9.1%)
Total pension liability	\$ 38,563	\$ 32,341	\$ 27,298
Fiduciary net position	35,667	35,667	35,667
Net pension liability (asset)	\$ 2,896	\$ (3,326)	\$ (8,369)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2019, the District recognized pension income of \$6,559.

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Notes to Financial Statements
September 30, 2019

At September 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 169
Changes of assumptions	-	16
Net difference between projected and actual earnings	-	2,108
Contributions made subsequent to measurement date	-	4,731

An amount of \$4,731 related to contributions subsequent to measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2019	\$ 564
2020	565
2021	471
2022	576
2023	17
Thereafter	100
	\$ 2,293

SUPPLEMENTARY INFORMATION

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Texas County & District Retirement System

*Schedule of Changes in Net Pension Liability And Related Ratios
Last 10 years
(unaudited)*

	December 31,		
	2018	2017	2016
Total Pension Liability			
Service Cost	\$ 11,162	\$ 10,610	\$ 6,295
Interest on total pension liability	2,419	1,390	250
Changes of benefit terms	-	-	-
Effect of economic/demographic (gains) or losses	57	133	5
Changes of assumptions	-	20	-
Benefit payments, including refunds of employee contributions	-	-	-
Net change in total pension liability	13,638	12,153	6,550
Total pension liability - beginning	18,703	6,550	-
Total pension liability - ending (a)	<u>\$ 32,341</u>	<u>\$ 18,703</u>	<u>\$ 6,550</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 6,173	\$ 6,008	\$ 9,212
Contributions - employee	4,834	4,643	2,604
Net investment income	(337)	1,922	-
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	(29)	(16)	-
Other	330	143	179
Net change in plan fiduciary net position	10,972	12,700	11,995
Plan fiduciary net position - beginning	24,695	11,995	-
Plan fiduciary net position - ending (b)	<u>\$ 35,667</u>	<u>\$ 24,695</u>	<u>\$ 11,995</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ (3,326)</u>	<u>\$ (5,992)</u>	<u>\$ (5,445)</u>
Plan fiduciary net position as a percentage of total pension liability	110.28%	132.04%	183.13%
Covered employee payroll	69,054	66,330	37,198
Net pension liability as a percentage of covered employee payroll	-4.82%	-9.03%	-14.64%

Notes to Schedule:

GASB 68 requires 10 fiscal years of data to be provided in this schedule. The District began participation in the 2016 plan year.

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Texas County & District Retirement System

*Schedule of Contributions
Last 10 Fiscal Years
(unaudited)*

	December 31,		
	2018	2017	2016
Actuarially Determined Contribution	\$ 6,173	\$ 6,008	\$ 3,371
Contributions in relation to the actuarially determined contributions	6,173	6,008	9,212
Contribution deficiency (excess)	-	-	(5,841)
Covered employee payroll	\$ 69,054	\$ 66,330	37,198
Contributions as a percentage of covered employee payroll	8.9%	9.1%	24.8%

Notes to Schedule of Contributions

Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of 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	19.3 years (based on contribution rate calculated in 12/31/2018 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by age and service. 4.9% average over career including inflation.
Investment rate of return	8.00%, net of administrative and investment expense, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2018: No changes in plan provisions were reflected in the Schedule.

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

Members of the Board of Directors
Austin County Emergency Communications District

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 and each major fund of the Austin County Emergency Communications District, (the "District") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Austin County Emergency Communications District's basic financial statements and have issued our report thereon dated February 7, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 over 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is to solely 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.

Brenham, Texas
February 7, 2020



AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2019

2019-001 Segregation of duties

Condition and Criteria: Accounting duties are not adequately segregated.

Cause: The executive director opens the mail and prepares and makes deposits. His assistant processes bill pay transactions, prepares checks for payment, records cash receipts and disbursements, and reconciles the bank account. As an offsetting control, neither of these individuals has signature authority and two Board members' signatures are required on all disbursements. Additionally, bill pay transactions, bank statements, check images, and bank reconciliations are reviewed by the board elected Treasurer, and then presented to the board at the board meetings.

Effect: The lack of segregation of duties could result in inaccurate financial reporting or misappropriation.

Recommendation: We recommend that the dual signature requirement and the review of bill pay transactions, bank statements, check images and reconciliations continue to be performed.

Response: The District intends to continue these procedures.