

AUSTIN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

Financial Statements

with

Independent Auditor's Report

September 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Austin County Emergency Communications District

Opinions

We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, and the schedule of contributions on pages 4 through 6 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.

Brenham, Texas
September 6, 2024

Seidel Schuster



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

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2022

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 2022, net position decreased by \$91,614 resulting from total revenues of \$301,153 less expenses of \$392,767. In 2021, net position increased by \$39,381 resulting from total revenues of \$312,176 less expenses of \$272,795.

As of September 30, 2022, the District's total assets were \$1,405,660 of which \$47,931 were capital assets. Its liabilities were \$688,931. As of September 30, 2021, the District's total assets were \$1,618,817 of which \$50,383 were capital assets. Its liabilities were \$810,796.

The District had net position as of September 30, 2022 of \$723,673 of which \$66,064 was the net investment in capital assets. The District had net position as of September 30, 2021, of \$815,287 of which \$17,808 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

	2021	2022
Current and Other Assets	\$ 806,654	\$ 666,841
Net pension asset	1,463	11,340
Capital Assets	50,383	47,931
Right of use leased asset, net of amortization	760,317	679,548
<u>Total Assets</u>	1,618,817	1,405,660
Deferred outflows of resources	8,398	16,734
Other Liabilities	149,381	174,850
Long-term Liabilities	661,415	514,081
<u>Total Liabilities</u>	810,796	688,931
Deferred inflows of resources	1,133	9,790
Net Position:		
Invested in Capital Assets, net of related debt	17,808	66,064
Unrestricted	797,479	657,609
<u>Total Net Position</u>	\$ 815,287	\$ 723,673
	Year Ended September 30, 2021	Year Ended September 30, 2022
Revenues		
Program Revenues:		
Customer Land Lines Assessments	\$ 137,147	\$ 121,727
Customer Cellular Assessments	164,375	169,747
Interest Earned	6,887	5,648
Miscellaneous	3,767	4,031
<u>Total Revenue</u>	312,176	301,153
Expenses		
Operations	93,845	177,049
Rural Addressing	2,822	3,893
Administration and Support	175,947	173,312
Debt Service- Interest	181	38,513
<u>Total Expenses</u>	272,795	392,767
Change in Net Position	39,381	(91,614)
Beginning Net Position	775,906	815,287
Ending Net Position	\$ 815,287	\$ 723,673

FINANCIAL ANALYSIS

As indicated by the Statement of Activities, expenses exceeded revenues by \$94,812 as of September 30, 2022, total assets decreased by \$213,157 and total liabilities decreased by \$121,865 from September 30, 2021 to 2022. Some categories that show relatively significant variations will be addressed.

Total expenses in 2022 were \$392,767, an increase of \$119,972 from September 30, 2021. Operations expenses increased by \$83,204 and Debt service interest expense increased by \$38,332 from September 30, 2021 to 2022 primarily due to an increase in expenses related to the hardware refresh in 2021.

Current and other assets in 2022 were \$666,841, a decrease of \$139,813 from September 30, 2021 and right of use leased assets, net of amortization, were \$679,548 in 2022, a decrease of \$80,769 from September 30, 2021 primarily due to the amortization of the hardware refresh equipment.

Long-term liabilities in 2022 were \$514,081, a decrease of \$147,334 from September 30, 2021 primarily due to paydowns on the finance lease for the hardware refresh.

Revenue was less than budget by \$947 primarily due to the decrease in the number of customer land lines. The expenditures exceeded budget by \$39,405 due to higher repairs, telecommunication expenses, office expenses, payroll and employee benefits.

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 2022, capital assets had a value after depreciation of \$47,931. In September 30, 2021, capital assets had a value after depreciation of \$50,383. There were no significant additions in 2022.

DEBT

Two lease agreements accounted for as finance leases in the amount of \$514,081 were the debt obligation as of September 30, 2022. Lease agreements accounted for as finance leases in the amount of \$661,415 were the debt obligations as of September 30, 2021.

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. An additional use of retained 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, 2022

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 450,598	\$ -	\$ 450,598
Certificates of deposit	179,219	-	179,219
Accounts receivable	23,812	-	23,812
Accrued interest receivable	388	-	388
Prepaid expenses	-	12,824	12,824
Right of use leased asset, net of amortization	-	679,548	679,548
Net pension asset	-	11,340	11,340
Capital assets, net of accumulated depreciation	-	47,931	47,931
Total Assets	654,017	751,643	1,405,660
 DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	-	16,734	16,734
 LIABILITIES			
Accounts payable	16,591	-	16,591
Accrued expenses	10,925	-	10,925
Finance lease liability, due in one year	-	147,334	147,334
Noncurrent liabilities			
Finance lease liability, due in more than one year	-	514,081	514,081
Total Liabilities	27,516	661,415	688,931
 DEFERRED INFLOWS OF RESOURCES			
Deferred amounts related to pensions	-	9,790	9,790
 FUND BALANCE/NET POSITION			
Fund balance:			
Unassigned	626,501	(626,501)	-
Total liabilities and fund balance	\$ 654,017		
Net position:			
Net investment in capital assets		66,064	66,064
Unrestricted		657,609	657,609
Total net position		\$ 723,673	\$ 723,673

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, 2022

Fund Balances - total governmental funds		\$ 626,501
<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	\$ 555,747	
Less accumulated depreciation	<u>(507,816)</u>	47,931
Right of use leased assets and liabilities are reflected on the Statement of Net Position		18,133
Prepaid items benefit future periods and are included as an asset on the Statement of Net Position.		12,824
Net pension asset and deferred outflows are not receivable and deferred inflows are not payable in the current period and, therefore, are not reported in the governmental funds.		18,284
Net Position of Governmental Activities		<u>\$ 723,673</u>

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, 2022

	General Fund	Adjustments	Statement of Activities
Revenue:			
Customer land line assessments	\$ 121,727	\$ -	\$ 121,727
Customer cellular assessments	169,747	-	169,747
Interest earned	5,648	-	5,648
Miscellaneous	4,031	-	4,031
Total revenues	<u>301,153</u>	<u>-</u>	<u>301,153</u>
Expenditures:			
Current:			
Operations:			
ANI / ALL network and services	77,895	-	77,895
Equipment maintenance and repairs	19,215	(300)	18,915
Miscellaneous	337	82	419
Depreciation and amortization	-	79,820	79,820
Rural addressing expenses	3,893	-	3,893
Administration and support:			
Payroll	103,709	-	103,709
Retirement	13,732	(9,556)	4,176
Insurance	28,087	(185)	27,902
Office building expense	180	-	180
Office supplies	16,016	(4,974)	11,042
Professional fees	16,070	-	16,070
Miscellaneous	3,671	-	3,671
Depreciation and amortization	-	6,562	6,562
Capital outlay	3,160	(3,160)	-
Debt service:			
Principal retirement	131,477	(131,477)	-
Interest	38,513	-	38,513
Total expenditures	<u>455,955</u>	<u>(63,188)</u>	<u>392,767</u>
Excess/(deficiency) of revenue over/(under) expenditures	(154,802)	63,188	(91,614)
Fund balance/net position:			
Beginning of the year	781,303	33,984	815,287
End of the year	<u>\$ 626,501</u>	<u>\$ 97,172</u>	<u>\$ 723,673</u>

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, 2022

Net changes in Fund Balances - total governmental funds		\$ (154,802)
<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 and amortized over their estimated useful lives:</p>		
Less current year depreciation and amortization	(86,382)	
Fixed asset additions	<u>3,160</u>	
		(83,222)
<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>		
		131,477
<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>		
		14,933
Change in Net Position of Governmental Activities		<u>\$ (91,614)</u>

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, 2022

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	Original	Final		
Revenue:				
Customer land line assessments	\$ 127,500	\$ 127,500	\$ 121,727	\$ (5,773)
Customer cellular assessments	163,400	163,400	169,747	6,347
Interest earned	7,700	7,700	5,648	(2,052)
Miscellaneous	3,500	3,500	4,031	531
Total revenues	<u>302,100</u>	<u>302,100</u>	301,153	<u>(947)</u>
Expenditures:				
Current:				
Operations:				
ANI/ALI network and services	59,900	59,900	77,895	17,995
Equipment maintenance and repairs	-	-	19,215	19,215
Miscellaneous	500	500	337	(163)
Rural addressing	3,000	3,000	3,893	893
Administration and support:				
Payroll	96,500	96,500	103,709	7,209
Retirement	5,000	5,000	13,732	8,732
Insurance	18,500	18,500	28,087	9,587
Office building expense	400	400	180	(220)
Office supplies	5,150	5,150	16,016	10,866
Professional fees	15,500	15,500	16,070	570
Miscellaneous	2,600	2,600	3,671	1,071
Capital outlay	26,500	26,500	3,160	(23,340)
Debt service - principal	183,000	183,000	131,477	(51,523)
Debt service - interest	-	-	38,513	38,513
Total expenditures	<u>416,550</u>	<u>416,550</u>	<u>455,955</u>	<u>39,405</u>
Excess/(deficiency) of revenue over/(under) expenditure	(114,450)	(114,450)	(154,802)	(40,352)
Beginning fund balance	<u>781,303</u>	<u>781,303</u>	<u>781,303</u>	<u>-</u>
Ending fund balance	<u>\$ 666,853</u>	<u>\$ 666,853</u>	<u>\$ 626,501</u>	<u>\$ (40,352)</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, 2022

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 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

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Notes to Financial Statements
September 30, 2022

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 is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, the governmental activities are presented using the "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the "current financial resources" measurement focus is used. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available expendable financial resources during a given period. These funds use fund balance as its measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Notes to Financial Statements
September 30, 2022

accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

D. Capital assets

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

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 live 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

When capital assets are disposed of, the cost and related accumulated depreciation are removed from the accounts and the appropriate gain or loss is recognized.

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.

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Notes to Financial Statements
September 30, 2022

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.

F. Restricted assets

Amounts in governmental funds which are legally identified for specific purposes by contractual obligation are reflected as restricted assets. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, restricted resources are used first to fund the expense.

G. 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. Fund balance is further classified as nonspendable, restricted, committed, assigned, and/or unassigned.

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Notes to Financial Statements
September 30, 2022

3. Capital assets

A summary of changes in capital assets for the year ended September 30, 2022 follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Depreciable assets:				
Autos	\$ 25,388	\$ -	\$ -	\$ 25,388
Building	72,182	-	-	72,182
Equipment	75,889	3,160	-	79,049
Furniture & Fixtures	12,697	-	-	12,697
Hardware & Software	366,431	-	-	366,431
Total at historical cost	<u>552,587</u>	<u>3,160</u>	<u>-</u>	<u>555,747</u>
Less accumulated depreciaton for:				
Autos	25,388	-	-	25,388
Building	32,406	1,773	-	34,179
Equipment	66,092	3,029	-	69,121
Furniture & Fixtures	11,887	810	-	12,697
Hardware & Software	366,431	-	-	366,431
Total accumulated depreciation	<u>502,204</u>	<u>5,612</u>	<u>-</u>	<u>507,816</u>
Total capital assets, being depreciated, net	<u>\$ 50,383</u>	<u>\$ (2,452)</u>	<u>\$ -</u>	<u>\$ 47,931</u>

Depreciation expense was charged to governmental functions as follows:

Operations	\$ 1,403
Administrative and support	4,209
Total Governmental Activities	<u>\$ 5,612</u>

4. Leases

The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide funds financial statements. Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term and (3) lease payments.

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and any purchase option price that the District is reasonably certain to exercise.

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Notes to Financial Statements
September 30, 2022

6. 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 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 9.15% for the calendar year 2021. 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.

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Notes to Financial Statements
September 30, 2022

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	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	1

Net Pension Asset

The District's Net Pension Asset (NPA) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Position Asset was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

	December 31, 2021	December 31, 2020
Discount rate	7.60%	7.60%
Long-term expected rate of return, net of investment expense	7.60%	7.60%

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.7% per year for a career 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 2021 information for a 10 year time horizon.

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Notes to Financial Statements
September 30, 2022

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	3.80%
Global Equities	MSCI World (net) Index	2.50%	4.10%
International Equities - Developed	MSCI World Ex USA (net) Index	5.00%	3.80%
International Equities - Emerging	MSCI Emerging Markets (net) Index	6.00%	4.30%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	1.77%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.25%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	4.50%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.10%
Master Limited Partnerships	Alerian MLP Index	2.00%	3.85%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	5.10%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	25.00%	6.80%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.55%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-1.05%
		<u>100.00%</u>	

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances as of December 31, 2020	\$ 68,764	\$ 70,227	(1,463)
Changes for the year:			
Service cost	9,556	-	9,556
Interest on total pension liability	5,875	-	5,875
Effect of economic/demographic gains or losses	(431)	-	(431)
Effect of assumptions changes or inputs	99	-	99
Benefit payments	(2,067)	(2,067)	-
Administrative expenses	-	(50)	50
Member contributions	-	3,745	(3,745)
Net investment income	-	16,181	(16,181)
Employer contributions	-	4,895	(4,895)
Other	-	206	(206)
Balances as of December 31, 2021	<u>\$ 81,796</u>	<u>\$ 93,136</u>	<u>\$ (11,340)</u>

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Notes to Financial Statements
September 30, 2022

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 7.6%, 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 (6.6%) or 1-percentage-point higher (8.6%) than the current rate:

	1% Decrease in Discount Rate (6.6%)	Current Discount Rate (7.6%)	1% Increase in Discount Rate (8.6%)
Total pension liability	\$ 96,264	\$ 81,796	\$ 69,883
Fiduciary net position	93,136	93,136	93,136
Net pension liability (asset)	\$ 3,128	\$ (11,340)	\$ (23,253)

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

For the year ended September 30, 2022, the District recognized pension expense of \$4,176.

At September 30, 2022, 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	\$ 428	\$ 124
Changes of assumptions	-	4,102
Net difference between projected and actual earnings	9,362	-
Contributions made subsequent to measurement date	-	12,508
	<u>\$ 9,790</u>	<u>\$ 16,734</u>

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Notes to Financial Statements
September 30, 2022

An amount of \$12,508 related to contributions subsequent to measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. 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:	
2022	\$ (1,662)
2023	(2,220)
2024	(1,722)
2025	(1,570)
2026	547
Thereafter	1,063
	<u>\$ (5,564)</u>

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,					
	2021	2020	2019	2018	2017	2016
Total Pension Liability						
Service Cost	\$ 9,556	\$ 11,610	\$ 11,410	\$ 11,162	\$ 10,610	\$ 6,295
Interest on total pension liability	5,875	4,769	3,544	2,419	1,390	250
Effect of assumption changes or inputs	99	5,148	-	-	-	5
Effect of economic/demographic (gains) or losses	(431)	(28)	(29)	57	133	-
Changes of assumptions	-	-	-	-	20	-
Benefit payments, including refunds of employee contributions	(2,067)	-	-	-	-	-
Net change in total pension liability	13,032	21,499	14,925	13,638	12,153	6,550
Total pension liability - beginning	68,764	47,266	32,341	18,703	6,550	-
Total pension liability - ending (a)	\$ 81,796	\$ 68,764	\$ 47,266	\$ 32,341	\$ 18,703	\$ 6,550
Plan Fiduciary Net Position						
Contributions - employer	\$ 4,895	\$ 6,384	\$ 6,361	\$ 6,173	\$ 6,008	\$ 9,212
Contributions - employee	3,745	4,884	4,930	4,834	4,643	2,604
Net investment income	16,181	5,515	5,846	(337)	1,922	-
Administrative expense	(50)	(51)	(41)	(29)	(16)	-
Other	206	339	394	330	143	179
Net change in plan fiduciary net position	22,909	17,070	17,491	10,972	12,700	11,995
Plan fiduciary net position - beginning	70,227	53,157	35,667	24,695	11,995	-
Plan fiduciary net position - ending (b)	\$ 93,136	\$ 70,227	\$ 53,157	\$ 35,667	\$ 24,695	\$ 11,995
Net pension liability (asset) - ending (a) - (b)	\$ (11,340)	\$ (1,463)	\$ (5,892)	\$ (3,326)	\$ (5,992)	\$ (5,445)
Plan fiduciary net position as a percentage of total pension liability	113.86%	102.13%	112.46%	110.28%	132.04%	183.13%
Covered employee payroll	53,499	69,771	70,432	69,054	66,330	37,198
Net pension liability as a percentage of covered employee payroll	-21.20%	-2.10%	-8.36%	-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)						
	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution Contributions in relation to the actuarially determined contributions	\$ 11,180	\$ 4,895	\$ 6,384	\$ 6,353	\$ 6,173	\$ 6,008	\$ 3,371
Contribution deficiency (excess)	4,992	4,895	6,384	6,361	6,173	6,008	9,212
Covered employee payroll	\$ 96,400	\$ 53,499	\$ 69,771	\$ 70,432	\$ 69,054	\$ 66,330	\$ 37,198
Contributions as a percentage of covered employee payroll	6.4%	9.2%	9.2%	9.0%	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 (level percentage of pay)
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19.1 years (based on contribution rate calculated in 12/31/2020 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary increases	Varies by age and service. 4.7% average over career including inflation.
Investment rate of return	7.50%, net of 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	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule.

September 6, 2024

Mr. Jay Reeves
Austin County Emergency Communications District
842 W. Main
Bellville, Texas 77418

Dear Mr. Reeves:

In planning and performing our audit of the financial statements of Austin County Emergency Communications District for the year ended September 30, 2022, 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 the following matter that is an opportunity for strengthening internal control and operating efficiency:

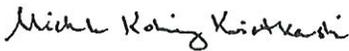
Cash Receipts

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 September 6, 2024 on the September 30, 2022 financial statements of Austin County Appraisal District.

Sincerely,

SEIDEL SCHROEDER



By: _____
Michele Kohring Kwiatkowski, CPA
Audit Partner

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, 2022, and have issued our report thereon dated September 6, 2024. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated October 18, 2022, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Austin County Emergency Communications District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope we previously communicated to you. The timing of the audit was later than planned due to the delay in receiving information.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Significant Changes to Planned Audit Strategy or Significant Risks Initially Identified

There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated as part of our audit planning communications.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Austin County Emergency Communications District is included in Note 1 to the financial statements. As described in Note 1 to the financial statements, the City changed its method of accounting for lease agreements by adopting Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of accumulated depreciation is based on management's estimate of useful lives of fixed assets. We evaluated the key factors and assumptions used to develop the accumulated depreciation in determining that is reasonable in relation to the financial statements taken as a whole.

Management's reported pension balances were determined using actuarial assumptions and other factors. We evaluated the key factors and assumptions used to develop the pension balances and have determined that they are reasonable in relation to the financial statements taken as a whole.

Management's reported leases were determined using the incremental borrowing rate and are based on the term of the lease. We evaluated the key factors and assumptions used to develop the lease balances and have determined that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Austin County Emergency Communications District's financial statements relate to its pension activities.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The attached schedule summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

	<u>General Fund</u>
Net change in fund balance for the year ended September 30, 2022	\$ (137,550)
Adjustments:	
Cash	(7,933)
Accounts receivable	196
Accounts payable	(6,190)
Payroll liabilities	(3,325)
Net effect of adjustments	<u>(17,252)</u>
Net change in fund balance, as adjusted, for the year ended September 30, 2022	<u>\$ (154,802)</u>

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated September 6, 2024.

Internal Control Related Matters

In planning and performing our audit of the basic financial statements of the Austin County Emergency Communications District as of and for the year ended September 30, 2022, in accordance with auditing standards generally accepted in the United State of America, we considered the Austin County Emergency Communications District internal control over financial reporting (internal control) as a basis for designing 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Austin County Emergency Communications District's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that have not been identified. However, as discussed below we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 over financial reporting, 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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We consider the following deficiencies in the Austin County Emergency Communications District's internal control to be material weaknesses:

Segregation of duties

The executive director and staff open the mail. The bookkeeper prepares deposits and enters them into QuickBooks. The executive director makes the deposits. The bookkeeper processes bill pay transactions, prepares checks for payment, records cash receipts and disbursements, and reconciles the bank account. As an offsetting control, none of these individuals have 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. The lack of segregation of duties could result in inaccurate financial reporting or misappropriation. We recommend that the dual signature requirement and the review of bill pay transactions, bank statements, check images and reconciliations continue to be performed.

Other Significant Matters, Findings, or Issues

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.

In the normal course of our professional association with the Austin County Emergency Communications District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operation plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Austin County Emergency Communications District's auditors.

Brenham, Texas
September 6, 2024

Seidel Schroeder

