

AUSTIN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

Financial Statements

with

Independent Auditors' Report

September 30, 2015

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, 2015, and have issued our report thereon dated March 3, 2016. 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 March 3, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by 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 the year ended September 30, 2015. 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.

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. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

	General Fund
	<u> </u>
Net change in fund balance for the year ended September 30, 2015	\$ (70,841)
Adjustments:	
Customer charges and cellular fees	3,827
Administrative expenses	1,189
Operating expenses	(2,345)
Proceeds of long term debt	207,714
Capital outlay	(203,875)
Debt service	(2,940)
Net effect of adjustments	<u>3,570</u>
Net change in fund balance, as adjusted, for the year ended September 30, 2015	<u>\$ (67,271)</u>

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 March 3, 2016.

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.

Page 3

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.

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.



Brenham, Texas

March 3, 2016

TABLE OF CONTENTS

<u>Introductory Section</u>	<u>Page</u>
Title page	
Table of Contents	
<u>Financial Section</u>	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Statement of Net Position and Governmental Funds Balance Sheet	8
Reconciliation of the Balance Sheet to the Statement of Net Position	9
Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	11
Statement of Revenues, Expenditures, and Change in Fund Balance - Actual and Budget – Governmental Funds	12
Notes to Combined Financial Statements	13
<u>Other Information</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21



CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS ADVISORS

INDEPENDENT AUDITORS' 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, 2015, 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, 2015, 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 on pages 3-7 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 March 3, 2016, 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 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
March 3, 2016





AUSTIN COUNTY
EMERGENCY COMMUNICATIONS DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

Expenditures for 2015 fiscal year exceeded revenues by a total of \$67,271. Expenditures for 2014 fiscal year exceeded revenues by a total of \$51,607.

In 2015, net position decreased by \$181,029 resulting from total revenues of \$295,881 less expenses of \$316,443 and other financing uses of \$160,467. In 2014, net position decreased by \$56,567 resulting from total revenues of \$242,437 and expenses of \$299,004.

In 2015, the District's total assets were \$782,997 of which \$404,878 were capital assets as of September 30, 2015. Its liabilities were \$221,108. In 2014, the District's total assets were \$754,448 of which \$316,599 were capital assets as of September 30, 2014. Its liabilities were \$11,532.

The District had net position as of September 30, 2015 of \$561,889 of which \$193,623 was the net investment in capital assets. The District had net position as of September 30, 2014 of \$742,916 of which \$310,767 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 and liabilities 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

	<u>12 Month Ended</u> <u>September 30, 2014</u>	<u>12 Month Ended</u> <u>September 30, 2015</u>
Current and Other Assets	\$ 437,849	\$ 378,119
Capital Assets	<u>316,599</u>	<u>404,878</u>
<u>Total Assets</u>	754,448	782,997
Other Liabilities	7,992	117,279
Long-term Liabilities	<u>3,540</u>	<u>103,829</u>
<u>Total Liabilities</u>	11,532	221,108
Net Assets:		
Net investment in capital assets	310,767	193,623
Restricted	-	-
Unrestricted	<u>432,149</u>	<u>368,266</u>
<u>Total Net Assets</u>	742,916	561,889
Revenues		
Program Revenues:		
Customer Land Lines Fees	92,531	147,620
Customer Cellular Fees	143,155	142,941
Interest Earned	5,076	3,868
Miscellaneous	<u>1,675</u>	<u>1,452</u>
<u>Total Revenue</u>	242,437	295,881
Expenses		
Operations	177,401	203,039
Rural Addressing	2,819	615
Administration and Support	117,848	108,243
Loss on disposal of fixed asset	-	160,467
Debt Service- Interest	<u>936</u>	<u>4,546</u>
<u>Total Expenses</u>	299,004	476,910
Change in Net Assets	(56,567)	(181,029)
Ending Net Assets	\$ 742,916	\$ 561,889

FINANCIAL ANALYSIS

There is a requirement of an analysis of the adopted budget and the actual budget. As indicated by the Statement of Revenues, Expenditure and Changes in Fund Balance, expenses exceeded revenues by \$67,271. Some categories that show relatively significant variations will be addressed.

Revenue for cellular fees in 2014 was \$143,155. In 2015, revenue for cellular fees shows a budget amount of \$140,000 and an actual amount of \$142,941. The overage on this is mainly due to the fact that there are more cellular phones in use and we cannot predict the amounts that will be sent in for cellular fees. The revenue for land lines increased by \$55,089 from 2014 to 2015. This increase is mainly due to an increase in fees and number of land lines.

Total expenses in 2015 were \$476,910, an increase of \$177,906 over 2014. This increase includes the loss of \$160,467 on disposal of the old PSAP equipment. Operations expenses increased by \$25,638 from 2014 to 2015. This increase includes \$9,225 for building foundation repair and a payment to the Sheriff's office for PSAP maintenance for \$20,000. Administration and support decreased by \$9,605 from 2014 to 2015. Payroll increased by \$6,081 due to pay increases and an additional part time employee.

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 2015, capital assets had a value after depreciation of \$404,878. In 2014, capital assets had a value after depreciation of \$316,599.

DEBT

Lease agreements accounted for capital leases in the amount of \$211,255 were the debt obligations as of September 30, 2015. A lease agreement accounted for as a capital lease in the amount of \$5,832 was the debt obligation as of September 30, 2014.

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, 2015

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 142,137	\$ -	\$ 142,137
Certificates of deposit	206,164	-	206,164
Accounts receivable	20,086	-	20,086
Interest receivable	388	-	388
Prepaid expenses	-	9,344	9,344
Capital assets, net of accumulated depreciation	-	404,878	404,878
Total Assets	\$ 368,775	\$ 414,222	\$ 782,997
 LIABILITIES			
Accounts payable	\$ 5,956	\$ -	\$ 5,956
Accrued interest payable	-	3,898	3,898
Lease payable due in one year	-	107,425	107,425
Noncurrent liabilities			
Lease payable due in more than one year	-	103,829	103,829
Total Liabilities	5,956	215,152	221,108
 FUND BALANCE/NET POSITION			
Fund balance:			
Unassigned	362,819	(362,819)	-
Total liabilities and fund balance	\$ 368,775		
Net position:			
Net investment in capital assets		193,623	193,623
Unrestricted		368,266	368,266
Total net position		\$ 561,889	\$ 561,889

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, 2015

Fund Balances - total governmental funds		\$ 362,819
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:

Governmental capital assets	\$ 651,624	
Less accumulated depreciation	<u>(246,746)</u>	404,878

Long term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds.	(215,152)
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Prepaid items benefit future periods and are included as an asset on the Statement of Net Position	9,344
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Net Position of Governmental Activities	<u><u>\$ 561,889</u></u>
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The notes to the financial statements are an integral part of this statement.

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Statement of Activities and
Governmental Fund Revenues, Expenditures, and
Changes in Fund Balance
For the Year Ended September 30, 2015

	General Fund	Adjustments	Statement of Activities
Revenue:			
Customer land line fees	\$ 147,620	\$ -	\$ 147,620
Customer cellular fees	142,941	-	142,941
Interest earned	3,868	-	3,868
Miscellaneous	1,452	-	1,452
Total revenues	<u>295,881</u>	<u>-</u>	<u>295,881</u>
Expenditures:			
Current:			
Operations:			
Cellular phone companies	2,029	(82)	1,947
ANI / ALI network and services	31,480	-	31,480
DIR T1- Line	6,048	-	6,048
Equipment maintenance and repairs	28,629	(1,260)	27,369
Miscellaneous	15,127	(4,578)	10,549
Depreciation	-	105,646	105,646
Rural addressing expenses	615	-	615
Support for Sealy Police Department	20,000	-	20,000
Administration and support:			
Payroll	75,381	-	75,381
Insurance	9,884	(1,363)	8,521
Office building expense	4,322	-	4,322
Office supplies	1,223	-	1,223
Professional fees	5,050	-	5,050
Miscellaneous	7,734	-	7,734
Depreciation	-	6,012	6,012
Capital outlay	361,918	(361,918)	-
Debt service - principal and other long-term liabilities	2,292	(2,292)	-
Debt service - interest	648	3,898	4,546
Total expenditures	<u>572,380</u>	<u>(255,938)</u>	<u>316,443</u>
Total expenditures over revenue	(276,499)	255,938	(20,562)
Other financing sources (uses)			
Gain(loss) on disposal of capital asset	1,514	(161,981)	(160,467)
Other payable proceeds	207,714	(207,714)	-
Total other financing sources (uses)	<u>209,228</u>	<u>(369,695)</u>	<u>(160,467)</u>
Net change in fund balance	(67,271)	(113,758)	-
Change in net position	-	-	(181,029)
Fund balance/net position:			
Beginning of the year	430,090	312,825	742,918
End of the year	<u>\$ 362,819</u>	<u>\$ 199,068</u>	<u>\$ 561,889</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, 2015

Net changes in Fund Balances - total governmental funds		\$ (67,271)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>The disposal of capital assets with a remaining value in excess of proceeds results in a loss in the Statement of Activities</p>		
	(161,981)	
<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>		
Expenditures for capital assets	\$ 361,918	
Less current year depreciation	<u>(111,658)</u>	250,260
<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>		
		2,291
<p>Expenditures reported in the statement of activities are expensed when they are paid for. In the Governmental funds expenditures are recognized once economic performance has occurred.</p>		
		3,386
<p>Proceeds of long-term debt are other financing sources in the general fund, but the proceeds increase the long-term liabilities in the statement of Net Position.</p>		
		(207,714)
Change in Net Position of Governmental Activities		\$ (181,029)

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, 2015

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Over (Under)
	Original	Final		
Revenue:				
Customer land line fees	\$ 182,500	\$ 182,500	\$ 147,620	\$ (34,880)
Cellular fees	140,000	140,000	142,941	2,941
Interest earned	4,500	4,500	3,868	(632)
Miscellaneous	1,975	1,975	1,452	(523)
Total revenues	<u>328,975</u>	<u>328,975</u>	<u>295,881</u>	<u>(33,094)</u>
Expenditures:				
Current:				
Operations:				
Cellular phone companies	3,000	3,000	2,029	(971)
ANI/ALI network and services	29,050	29,050	31,480	2,430
DIR T1 Line	9,080	9,080	6,048	(3,032)
Equipment maint. and repairs	28,805	25,671	28,629	2,958
Miscellaneous	18,261	16,668	15,127	(1,541)
Rural addressing	5,250	1,415	615	(800)
Support for Sealy Police Department	-	20,000	20,000	-
Administration and support:				
Payroll	82,741	81,106	75,381	(5,725)
Insurance	11,022	11,022	9,884	(1,138)
Office building expense	9,513	9,513	4,322	(5,191)
Office supplies	1,660	1,660	1,223	(437)
Professional fees	5,350	5,100	5,050	(50)
Miscellaneous	37,975	29,767	7,734	(22,033)
Capital outlay	142,279	140,934	361,918	220,984
Debt service - principal and other long-term liabilities	-	-	2,291	2,291
Debt service - interest	-	-	648	648
Total expenditures	<u>383,986</u>	<u>383,986</u>	<u>572,380</u>	<u>188,394</u>
Total expenditures over revenue	(55,011)	(55,011)	(276,499)	(221,488)
Other financing sources (uses)				
Sale of capital assets	-	-	1,514	1,514
Other payable proceeds	-	-	207,714	207,714
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>209,228</u>	<u>209,228</u>
Net change in fund balance	(55,011)	(55,011)	(67,271)	(12,260)
Beginning fund balance	<u>430,090</u>	<u>430,090</u>	<u>430,090</u>	<u>-</u>
Ending fund balance	<u>\$ 375,079</u>	<u>\$ 375,079</u>	<u>\$ 362,819</u>	<u>\$ (12,260)</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, 2015

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 nonexchange 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

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Notes to Financial Statements
September 30, 2015

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, 2015

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, 2015

F. Fund equity

Government-wide statements

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt – 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 *nonspendable* 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, 2015

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.

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, 2015, 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.

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Notes to Financial Statements
September 30, 2015

3. Capital assets

A summary of changes in capital assets for the year ended September 30, 2015 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Depreciable assets:				
Autos	\$ 4,787	\$ 25,388	\$ (4,787)	\$ 25,388
Building	61,706	9,225	-	70,931
Equipment	454,605	2,499	(282,369)	174,735
Furniture & Fixtures	7,026	-	-	7,026
Hardware & Software	<u>198,568</u>	<u>324,806</u>	<u>(149,830)</u>	<u>373,544</u>
Total at historical cost	<u>726,692</u>	<u>361,918</u>	<u>(436,986)</u>	<u>651,624</u>
Less accumulated depreciaton for:				
Autos	4,787	3,808	(4,787)	3,808
Building	18,884	1,633	-	20,517
Equipment	249,281	54,079	(159,705)	143,655
Furniture & Fixtures	7,026	-	-	7,026
Hardware & Software	<u>130,115</u>	<u>52,138</u>	<u>(110,513)</u>	<u>71,740</u>
Total accumulated depreciation	<u>410,093</u>	<u>111,658</u>	<u>(275,005)</u>	<u>246,746</u>
Total capital assets, being depreciated, net	<u>\$ 316,599</u>	<u>\$ 250,259</u>	<u>\$ (161,981)</u>	<u>\$ 404,878</u>

Depreciation expense was charged to governmental functions as follows:

Operations	\$ 105,646
Administrative and support	<u>6,012</u>
Total Governmental Activities	<u>\$ 111,658</u>

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Notes to Financial Statements
September 30, 2015

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 \$10,650, the fair value of the leased asset at the inception of the lease. Accumulated depreciation on the copier totaled \$8,165 at September 30, 2015. The lease payable is due in monthly installments of \$245 through January 2017 and cannot be terminated early.

The District entered into a lease agreement to finance the acquisition of dispatch equipment at the Austin County Sheriff's Department and Sealy Police Department to be used as a backup for the Sheriff's office dispatch equipment. The equipment is recorded at \$315,805 the fair value of the asset at the inception of the agreement and qualifies as a capital lease. Accumulated depreciation on the dispatch equipment totaled \$26,317 at September 30, 2015. The agreement consists of three payments with the first payment of \$108,091 being made at lease inception during the year ending September 30, 2015. The two remaining payments will be due October 2015 and October 2016.

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, 2015.

Fiscal year ending September 30		
2016	\$	111,642
2017		109,645
		221,287
Less amount representing interest		(10,033)
Present value of future minimum lease payments		211,254
Less current portion		107,425
Total present value of long-term portion of minimum lease payments	\$	103,829

AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Notes to Financial Statements
September 30, 2015

5. Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Copier	\$ 5,832	\$ -	\$ 2,292	\$ 3,540	\$ 2,621
Dispatch equipment	-	207,714	-	207,714	104,805
Long-Term Liabilities	<u>\$ 5,832</u>	<u>\$ 207,714</u>	<u>\$ 2,292</u>	<u>\$ 211,254</u>	<u>\$ 107,425</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.



CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS ADVISORS

INDEPENDENT AUDITORS' 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 the financial statements of the governmental activities of the Austin County Emergency Communications District, (the "District") as of and for the year ended September 30, 2015, which collectively comprise the Austin County Emergency Communications District's basic financial statements and have issued our report thereon dated March 3, 2016. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting 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 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. We consider the deficiency 2015-001 described in the accompanying schedule of findings and responses to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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
March 3, 2016



AUSTIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2015

2015-001 Segregation of duties

Condition and Criteria: Accounting duties are not adequately segregated. The executive director or her assistant opens the mail, prepares and makes deposits, and records cash receipts and disbursements. As an offsetting control, neither of these individuals has signature authority and two Board members' signatures are required on all disbursements. Additionally, the bank reconciliations are reviewed by the board elected Treasurer, and then presented to the board at the board meetings.

Recommendation: We recommend that the dual signature requirement and the review of reconciliations continue to be performed. In addition, we recommend that the treasurer signoff on the bank statement to indicate approval of bill pay disbursements done online. Once the executive director position is filled, the District should determine if duties could be segregated or additional checks and balances could be implemented.

Response: The District intends to continue these procedures and will assess the feasibility of segregating duties.