

**Emergency Communication  
District of Ector County**

**Financial Statements**  
September 30, 2012 and 2011



**Johnson Miller & Co.**  
*Certified Public Accountants*  
*A Professional Corporation*

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# Emergency Communication District of Ector County

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## **Independent Auditors' Report**

To the Board of Managers  
Emergency Communication District of Ector County  
Odessa, Texas

We have audited the accompanying financial statements of the Emergency Communication District of Ector County as of and for the years ended September 30, 2012 and 2011, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of September 30, 2012 and 2011, and the respective changes in financial position, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2013, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and on pages 6 through 8 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.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The schedule of general and administrative expenses (page 28), are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory section and the schedules of general and administrative expenses are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in blue ink that reads "Johnson Miller & Co., CPA's PC". The signature is written in a cursive, flowing style.

Odessa, Texas  
March 4, 2013



# **Financial Statements**

# Emergency Communication District of Ector County

## Management's Discussion and Analysis

As management of the Emergency Communication District of Ector County (the "District"), we offer a narrative overview and analysis of the financial activities of the District for the fiscal years ended September 30, 2012 and 2011 as required by governmental accounting standards. This discussion with the details of the annual audit is intended to help managers more completely understand the past, current and future financial condition of the District.

### **Financial Highlights**

- Net assets of the District at the close of the 2011-2012 fiscal year-end were \$2,569,114 as compared to \$2,965,679 at the close of the 2010-2011 fiscal year. This decrease in net assets of \$396,565 in 2012 is higher than net loss of \$111,574 in 2011 fiscal year-end. The total liabilities of the District were \$1,104,026 at the close of the 2011-2012 fiscal year as compared to \$686,717 at the close of the 2011 fiscal year. Increase in liabilities is due primarily to post-employment benefits obligation as identified under actuary studies complying with GASB 45.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: enterprise fund financial statements and notes to the financial statements.

### **Financial Statements**

The District maintains only an enterprise fund and reports financial statements similar to a private-sector business. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The statement of net assets presents information on all of the District's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

The financial statements can be found on pages 9 through 11 of this report.

# Emergency Communication District of Ector County

## Management's Discussion and Analysis

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to financial statements can be found on pages 12 through 26 of this report.

### Overall Financial Position

In the fiscal year 2011-2012 the 9-1-1 service fees were \$0.51 for residential customers, \$1.06 for businesses and \$1.56 for PBX trunks. The rates for wireless and nomadic VoIP remain at \$0.50 per month. (A flat rate was adopted by the Board of Managers in August 2007 so that the 9-1-1 service fees would not automatically change when the incumbent local exchange carrier adjusted their base rates.)

Current Assets of \$2,916,864 include cash in the checking account, investment funds in TexPool and TexStar, and CD; and receivable 9-1-1 service fees for payments due but not remitted before September 30, 2012.

Property and Equipment includes our office equipment and furniture, the 2007 Toyota minivan, and data processing equipment. Total property and equipment assets at September 30, 2012 were \$1,061,438 – a \$29,566 increase from the previous year primarily due to identification of software not previously stated as line item in this section.

The total 9-1-1 service fees for the fiscal year 2011-2012, were \$1,096,063 a 1.85% decrease from the previous fiscal year. Wireless revenues were up 0.1%, while wireline and VoIP revenues decreased 7.9%. Prepay wireless and Prepay cards increased 12.2%.

Investment income was up 207.136% for the fiscal year 2011-2012 as interest rates remained low through the fiscal year. With a major change in investment strategy that involved investment in general obligation bonds per Investment Policy in fiscal year 2010-2011, bond maturity directly attributed to this significant increase. Overall revenue continues to exceed basic operating expenses, and reserve funds remain available for planned non-recurring charges and contingencies.

The District had no outstanding debt at the end of the current fiscal year.

# Emergency Communication District of Ector County

## Management's Discussion and Analysis

### **Budget**

The total amount budgeted for the fiscal year 2011-2012 was \$941,217. There was one budgetary amendments made to the original budget during the current fiscal year to account for an increase in office lease space. The budget is for internal use as Enterprise Fund reporting does not reflect budget to actual comparisons.

### **Financial Outlook**

No significant 9-1-1 equipment upgrades are expected within the next year. Dependent upon the City of Odessa's position in regards to accepting new SMS technology within their PSAP and Ector County's participation with the City of Odessa in CAD operations, there is the possibility of two minor system upgrades within the next two years.

Total 9-1-1 service fee revenues are expected to remain steady in the near future despite the slow economy. The effects of this are being offset by an increase in wireline tariff fees which will take effect during the November 2012 billing cycle for wireline and VoIP carriers. As the national economy remains sluggish in 2013, we can expect 9-1-1 service fee revenue to remain strong with this tariff adjustment.

The District is working with the other Texas 9-1-1 entities to monitor regulatory and legislative issues and to assure that funding issues are addressed as the traditional 9-1-1 service fees are impacted by new technology. The District also continues to build reserve funds to assure revenue shortfalls will not impact 9-1-1 service, while funding remedies are identified.

The District continues working with local entities for the maintenance of a county-wide aerial photograph system (Pictometry orthos) which provide timely and accurate aerial maps of the community for the next five years.

### **Request for Information**

Questions concerning any of the information provided in this report or request for additional information should be addressed to the Executive Director, Emergency Communication District of Ector County, 700 N. Grant Ave., Suite 100, Odessa, Texas 79761.

# Emergency Communication District of Ector County

## Statements of Net Assets

<b>September 30,</b>	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 57,049	152,886
Accounts receivable	39,254	53,840
Interest receivable	20	665
Investments	2,820,541	2,633,374
<b>Total current assets</b>	<b>2,916,864</b>	<b>2,840,765</b>
<b>Investments</b>	<b>94,685</b>	<b>-</b>
<b>Property and Equipment</b>		
Data processing equipment	873,159	876,109
Automotive	17,874	17,874
Furniture and fixtures	90,517	90,517
Office equipment	13,150	13,770
Leasehold improvements	33,602	33,602
Software	33,136	-
<b>Total property and equipment</b>	<b>1,061,438</b>	<b>1,031,872</b>
Less accumulated depreciation	(399,847)	(220,241)
<b>Net property and equipment</b>	<b>661,591</b>	<b>811,631</b>
<b>Total assets</b>	<b>\$ 3,673,140</b>	<b>3,652,396</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 34,119	217,264
Accrued liabilities	9,742	10,096
<b>Total current liabilities</b>	<b>43,861</b>	<b>227,360</b>
<b>Long-Term Liability</b>		
Net other postemployment benefits obligation	1,060,165	459,357
<b>Total liabilities</b>	<b>1,104,026</b>	<b>686,717</b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	661,591	811,631
Unrestricted	1,907,523	2,154,048
<b>Total net assets</b>	<b>2,569,114</b>	<b>2,965,679</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,673,140</b>	<b>3,652,396</b>

*See accompanying notes to these financial statements.*

# Emergency Communication District of Ector County

## Statements of Revenues, Expenses and Changes in Net Assets

<b><i>Years Ended September 30,</i></b>	<b>2012</b>	<b>2011</b>
<b>Revenues:</b>		
Emergency service fees	\$ <b>1,096,063</b>	1,116,388
<b>Expenses:</b>		
General and administrative	<b>1,497,110</b>	1,233,684
Operating loss	<b>(401,047)</b>	(117,296)
<b>Non-Operating Revenues:</b>		
Investment income	<b>10,515</b>	10,736
Unrealized loss on investments	<b>(6,033)</b>	(5,014)
Net loss	<b>(396,565)</b>	(111,574)
<b>Net assets, beginning of year</b>	<b>2,965,679</b>	3,077,253
<b>Net assets, end of year</b>	<b>\$ 2,569,114</b>	2,965,679

*See accompanying notes to these financial statements.*

# Emergency Communication District of Ector County

## Statements of Cash Flows

<b>Years Ended September 30,</b>	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities:</b>		
Cash received from telephone fee	\$ 1,110,649	1,116,265
Cash paid for operating expenses	(604,981)	(262,014)
Cash paid to employees	(181,644)	(183,983)
Cash paid to the city-Call Taker Salaries and GIS Project Funding	(110,000)	(110,000)
Net cash provided by operating activities	214,024	560,268
<b>Cash flows from investing activities:</b>		
Purchase of investments	(1,795,010)	(310,732)
Proceeds from sale and maturities of investments	1,510,010	606,250
Investments income received	8,275	6,526
Purchase of property and equipment	(33,136)	(942,025)
Net cash used in investing activities	(309,861)	(639,981)
Net decrease cash	(95,837)	(79,713)
Cash at beginning of year	152,886	232,599
<b>Cash at end of year</b>	<b>\$ 57,049</b>	<b>152,886</b>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</b>		
<b>Operating Loss</b>	<b>\$ (401,047)</b>	<b>(117,296)</b>
<b>Adjustments</b>		
Decrease (increase) in accounts receivable	14,586	(123)
(Decrease) increase in accounts payable	(183,145)	173,622
(Decrease) increase in accrued liabilities	(354)	156
Other postemployment benefits expense	600,808	361,854
Depreciation expense	183,176	142,055
Total adjustments	615,071	677,564
Net cash provided by operating activities	<b>\$ 214,024</b>	560,268

*See accompanying notes to these financial statements.*

# Emergency Communication District of Ector County

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

On November 3, 1987, a special election was held whereby the people of Ector County voted to establish an enhanced 911 system and thereby created the Emergency Communication District of Ector County (the "District").

The Financial statements of the District have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader. Pursuant to Governmental Accounting Standards Board ("GASB") Statement 20, the District has elected to apply the provisions of all GASB and Financial Accounting Standards Board ("FASB") pronouncements, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

GASB Statement 34, as amended by statement 37, requires that the basic financial statements and required supplementary information ("RSI") for special purpose governments engaged only in the business-type activities should only be the financial statements required for the enterprise funds. These governments will include:

- Management's Discussion and Analysis ("MD&A") – MD&A is RSI presented before the basic financial statements, which introduces the basic financial statements and provides an analytical overview of the government's financial activities.
- Enterprise Fund Financial Statements, consisting of :
  - (1) Statement of Net Assets.
  - (2) Statement of Revenues, Expenses and Changes in Fund Net Assets.
  - (3) Statement of Cash Flows.
- Notes to the Financial Statements.
- RSI other than MD&A, is not applicable as pension plan and health plan information is provided within the notes.

#### *Reporting Entity*

Accounting principles generally accepted in the United States of America require that this financial statement present the District (the primary government) and any component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board) and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government.

# Emergency Communication District of Ector County

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies (Continued)

#### *Reporting Entity (Continued)*

In addition, GASB Statement No. 39 states that certain organizations warrant inclusion as part of the reporting entity because of the nature and the significance of their relationship with the primary government. The District has no component units and is not a component unit of another entity.

#### *Fund Financial Statements*

The enterprise fund statement of net assets reports all financial and capital resources of the District and is presented in an “asset minus liabilities equal net assets” format with net assets reported in the order of relative liquidity. Also, assets and liabilities are presented in relative order of liquidity with liabilities which have an average maturity of more than one year separated into the amount due within one year and the amount due in more than one year.

The enterprise fund statement of activities reflects the business operations of the enhanced 911 system provided to Ector County. Operating revenues include fees charged to phone customers. Operating expenses are reported as the expense is incurred.

#### *Measurement Focus and Basis of Accounting*

The enterprise fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Exchange and exchange-like transactions in which the District gives or receives value and receives or gives equal value, that create revenues, expenses, gains, losses, assets or liabilities are recognized when the exchange occurs.

Nonexchange transactions are transactions in which the District gives or receives value without receiving or giving equal value exchange, that result in revenues, expenses, gains, losses, assets or liabilities are recognized in accordance with GASB No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended by GASB Statement No. 33, *Accounting and Financial Reporting for Certain Shared Nonexchange Revenues*. The treatment of nonexchange transactions is grouped in four classes based upon the principle characteristics of the transaction and reported according to those characteristics.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principle ongoing operations. The principle operation of the District is to provide enhanced 911 emergency services to the citizens of Ector County. Operating expenses include the cost of service, administrative and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

# Emergency Communication District of Ector County

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies (Continued)

#### *Property and Equipment*

The District's capitalization policy is to capitalize all assets with a cost greater than \$3,000 and a normal useful life of more than one year. The District's property and equipment is recorded at cost, or if donated to the District, at fair market value at time of the donation. The cost of property and equipment is depreciated over the estimated useful lives of 3 to 10 years. Depreciation is computed using the straight-line method for financial purposes. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

#### *Investments*

The District's investment policies are governed by states statutes. Allowable investments for the District include CD's, obligations of the U. S. and its agencies and other political subdivisions, mutual funds, and eligible investment pools. The District participated in TexPool and TexStar, investment services for public funds, and they also invested in municipal securities and CD's. The District's investments are stated at market value, except for interest-earning investment contracts and external investment pools. For cash flow purposes, investments with a maturity of less than three months when purchased are considered to be cash equivalents.

The District utilizes the following methods and assumptions for the years ended September 30, 2012:

1. Market value is based on quoted market prices as of the valuation.
2. The District held investments in an external investment pool that was not SEC registered. TexPool is an investment pool that provides investment services for public funds and the State Comptroller of Public Accounts exercises oversight responsibility over TexPool. The fair value of the District's portion in the pool is the same as the value of the pool shares. TexPool is a 2a7-like external investment pool and is rated "AAAm" by Standard and Poor's.
3. TexStar is administered by First Southwest Asset Management, Inc., and JP Morgan-Chase. TexStar is a local government investment pool created under the Inter local Act and is rated AAAM by Standard and Poor's. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas Public Funds Investment Act. Texstar uses amortized cost rather than fair value to report net assets to complete share prices. Accordingly, the fair value of the position in TexStar is the same as the value of TexStar shares.

# Emergency Communication District of Ector County

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies (Continued)

#### *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### *Recently Issued Accounting Pronouncements*

##### *GASBS No. 57*

GASB Statement 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, was issued in December 2009. GASB No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. GASB No. 57 establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total members and by the agent multiple-employer OPEB plans in which they participate. GASB No. 57 also clarifies the requirements of GASB No.'s 43 and 45 related to the coordination of the timing and frequency of OPEB measurements by agent employers and the agent multiple-employer OPEB plans in which they participate. These requirements apply to all state and local governmental agent multiple-employer OPEB plans that are administered as trusts, or equivalent arrangements, and to state and local governmental employers that participate in such plans.

An agent employer with fewer than 100 total plan members in its individual-employer OPEB plan may elect to base its reported actuarial information on measurement calculations in accordance with the alternative measurement method, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which the employer participates.

Agent multiple-employer OPEB plans, who are required to obtain an actuarial valuation for purposes of measuring the actuarially determined information to be reported in the schedules of required supplementary information and related disclosures per GASB No. 43, can meet these reporting requirements by reporting aggregated individual-employer OPEB plan information determined by actuarial evaluations or measurements using the alternative method for individual-employer OPEB plans that are eligible.

# Emergency Communication District of Ector County

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies (Continued)

#### *Recently Issued Accounting Pronouncements (Continued)*

##### *GASBS No. 57 (Continued)*

If actuarially determined information about an agent employer's individual OPEB plan also is included in aggregated information reported by the agent multiple-employer OPEB plan, then the agent employer should obtain actuarial valuations of its individual-employer OPEB plan at least as frequently as is required for the agent multiple-employer OPEB plan in which it participates. The agent multiple-employer OPEB plan and each of its participating employers should obtain actuarial valuations as of the same actuarial valuation date.

The provisions of GASB No. 57 related to the use of the alternative measurement method became effective upon issuance. Those provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011.

The District implemented GASB No. 54 during the prior period.

##### *GASBS No. 65*

GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, was issued March 2012. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

##### *GASBS No. 66*

GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, was issued March 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

# Emergency Communication District of Ector County

## Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

*Recently Issued Accounting Pronouncements (Continued)*

*GASBS No. 66 (Continued)*

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

**2. Deposits and Investments**

As required by GASB Statement No. 40, *Deposit and Investment Risk Disclosure – an Amendment of GASB Statement No. 3*, investments included in assets whose use on limited and long-term investments are categorized by investment type. As of September 30, 2012, the District had the following investment and maturities:

Investment Type	Fair Value	Maturities (in Years)		
		Less Than 1	1-5	5-10
TexPool	<b>\$ 1,569,764</b>	<b>1,569,764</b>	-	-
Certificates of Deposit	<b>94,685</b>	-	<b>94,685</b>	-
TexStar	<b>1,250,777</b>	<b>1,250,777</b>	-	-
<b>Total</b>	<b>\$ 2,915,226</b>	<b>2,820,541</b>	<b>94,685</b>	-

The District's cash on deposit of \$57,049 and \$152,886 at September 30, 2012 and 2011, respectively, was entirely covered by federal depository insurance.

# Emergency Communication District of Ector County

## Notes to Financial Statements

### 2. Deposits and Investments (Continued)

#### *Investment Rate Risk*

The investment portfolio is designed to attain a reasonable rate of return throughout budgetary and economic cycles, taking into account the District's investment risk constraints, cash flow requirements, and state (Public Funds Investment Act) and federal laws that may restrict the placement of District funds. Investments are limited to terms of 730 days.

#### *Credit Risk*

All investments of the District meet the guidelines of the Public Funds Investment Act of the State of Texas and are restricted to : (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (4) other obligations, the principal, and interest which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, state or United States or their respective instrumentalities; (5) Certificates of Deposit if the Certificate Deposit is issued by state or national bank domiciled in this state, or savings bank domiciled in this state, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or secured by obligations that are described by Section 2256.009(a) of the Public Funds Investment Act of the State of Texas, including mortgage-backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal of the certificates but excluding those mortgage-backed securities of the nature described by Section 2256.009(b); (6) mutual funds; and (7) eligible investment pools.

#### *Concentration of Credit Risk*

It is the policy of the District to diversify its portfolio as necessary to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of investments.

# Emergency Communication District of Ector County

## Notes to Financial Statements

### 3. Capital Assets

Capital asset activity for the year ended September 30, 2012 was as follows:

	Beginning Balance	Additions	Retirements/ Adjustments	Ending Balance
Capital assets being depreciated:				
Data processing equipment	\$ 876,109	-	2,950	873,159
Automotive	17,874	-	-	17,874
Furniture and fixtures	90,517	-	-	90,517
Office equipment	13,770	-	620	13,150
Leasehold improvements	33,602	-	-	33,602
Software	-	33,136	-	33,136
Total assets, being depreciated	\$ 1,031,872	33,136	3,570	1,061,438
Less accumulated depreciation for:				
Data processing equipment	\$ (167,441)	(165,140)	2,950	(329,631)
Automotive	(15,789)	(2,085)	-	(17,874)
Furniture and fixtures	(17,422)	(7,627)	-	(25,049)
Office equipment	(13,770)	-	620	(13,150)
Leasehold improvements	(5,819)	(6,943)	-	(12,762)
Software	-	(1,381)	-	(1,381)
Total accumulated depreciation	\$ (220,241)	(183,176)	3,570	(399,847)
Total capital assets, net	\$ 811,631	(150,040)	-	661,591

### 4. Enhanced Emergency Phone Service

The District had authorized AT&T to collect an emergency service fee of 4.6% of the basic service rate charged to all classes of phone customers each month, beginning May 1988. Effective March 1, 2008, the Board of Managers adopted flat rates so that 9-1-1 service fees would not automatically change when the incumbent local exchange carrier adjusted their base rates. These flat rates were \$.51 for residential customers, \$1.06 for businesses, \$1.56 for PBX trunks and \$.50 for wireless and nomadic VoIP. In fiscal year ended September 30, 1997, the District also started collecting a service fee on cellular phones and from local exchange carriers. During the year ended September 30, 1999, the CSEC began collecting these fees on cellular phones. The fees are dispersed based on population. The District's ratio for fiscal years ended 2012 and 2011 was 0.5491%. For fiscal year ended September 30, 2012 and 2011, total fees of \$1,096,063 and \$1,116,388, respectively, have been earned. During the year ended September 30, 2012, the State began collecting fees on prepay wireless and cards purchased from retail outlets, and passes the funds over to the CSEC for distribution in a manner identical to wireless fee distribution.

# Emergency Communication District of Ector County

## Notes to Financial Statements

- 5. Enhanced Universal Emergency Number Service** In March, 1990, the District entered into a service application for Enhanced Universal Emergency Number Service with AT&T Telephone Company. The Enhanced 9-1-1 Service includes all police and fire agencies of the participating jurisdictions. The application is not specific as to other terms, such as ownership of equipment, length of the agreement, etc. Management elected to treat the application for the Enhanced 9-1-1 Service as an operating lease and expensed the installation charge. In May 2011, the District entered into a new agreement with AT&T. During fiscal year 2011, the District purchased the equipment which was previously leased under the 1990 agreement. Monthly charges under the new agreement are approximately \$5,500 per month. Wireless expenses accounted for about \$24,000 and \$23,000 in expenses during the years ended September 30, 2012 and 2011, respectively. The fiscal year 2012 costs were approximately \$16,000 overall regarding wireless maintenance expenses from only one company.

**6. Employee Retirement Benefits**

*Plan Description*

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide 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 586 nontraditional defined benefit pension 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, with the options available in the Texas state statutes governing TCDRS ("TCDRS ACT"). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when their sum of their age and years equals 75 or more. Members are vested after 8 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 employee-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, disability 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.

# Emergency Communication District of Ector County

## Notes to Financial Statements

### 6. Employee Retirement Benefits (Continued)

#### *Funding Policy*

The employer has elected the annually determined contribution rate ("ADCR") plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 18.06% for the months of the accounting years in 2012. The contribution rate payable by the employee members for the calendar year 2012 is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

#### *Annual Pension Cost*

For the employer's accounting years ended September 30, 2012 and 2011, the annual pension costs for the TCDRS plan for its employees were \$32,348 and \$31,686, respectively, and the actual contributions were \$32,348 and \$31,686, respectively.

The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2011 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4 percent. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2011 was 12.3 years.

# Emergency Communication District of Ector County

## Notes to Financial Statements

**6. Employee Retirement Benefits (Continued)** *Annual Pension Cost (Continued)*

**Actuarial Valuation Information**

Actuarial valuation Date	12/31/2009	12/31/2010	12/31/2011
Actuarial Cost Method	Entry age	Entry age	Entry age
Amortization Method of payroll, Open	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period in years	20.0	12.7	12.3
Asset valuation method	SAF: 10-yr Smoothed value ESF: Fund value	SAF: 10-yr Smoothed value ESF: Fund value	SAF: 10-yr Smoothed value ESF: Fund value
Actuarial assumptions:			
Investment return <sup>1</sup>	8.00%	8.0 %	8.00%
Projected salary increases <sup>1</sup>	5.40%	5.40%	5.40%
Inflation	3.50%	3.50%	3.50%
Cost-of-living adjustments	0.00%	0.00%	0.00%

<sup>1</sup> Includes inflation at stated rate

**Trend Information  
For the Retirement Plan for the Employees of the District**

Accounting Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2008	\$ 22,471	100%	-
9/30/2009	27,034	100%	-
9/30/2010	24,278	100%	-
9/30/2011	31,686	100%	-
9/30/2012	32,348	100%	-

**Schedule of Funding Progress for the Retirement Plan  
For the Employee of the District**

Valuation Date	Value of Assets (a)	Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ration (a/b)	Covered Payroll (c)	Of Covered Payroll ((b-a)/c)
12/31/2005	\$ 385,711	447,220	61,509	86.25%	158,569	38.79%
12/31/2006	462,167	504,592	42,425	91.59%	159,564	26.59%
12/31/2007	529,174	577,795	48,621	91.59%	157,088	30.95%
12/31/2008	557,895	644,012	86,117	86.63%	168,537	51.10%
12/31/2009	416,700	503,879	87,179	82.70%	208,131	41.89%
12/31/2010	457,647	561,154	103,507	81.55%	160,176	64.62%
12/31/2011	511,243	621,797	110,554	82.22%	185,626	59.56%

# Emergency Communication District of Ector County

## Notes to Financial Statements

- 7. Post Employment Healthcare Benefits** Plan Description—In addition to providing pension benefits, the District provides certain healthcare benefits for retired employees. Substantially all of the District’s employees may become eligible for those benefits if they are considered retired under TCDRS and the District rules and requirements.

Funding Policy—The District is obligated to pay for all the employee/retiree’s healthcare benefits and all of the dependents. Although obligated, the district has adopted a pay as you go policy.

Annual OPEB Cost and Net OPEB Obligation—The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$	183,682
Net OPEB obligation at beginning of year		459,357
Interest on net OPEB obligation		20,671
Adjustment to annual required contribution		(26,986)
Annual OPEB cost (expense)		636,724
Contributions made		(35,916)
Increase in net OPEB obligation		600,808
Net OPEB obligation-beginning of year		459,357
Net OPEB obligation-end of year		\$ 1,060,165

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 and the two preceding fiscal years were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/10	116,033	15.96%	97,503
9/30/11	396,469	8.73%	459,357
9/30/12	636,724	5.64%	1,060,165

Funded Status and Funding Progress—As of September 30, 2012, the actuarial accrued liability for benefits was \$1,180,067, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$181,896, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 649 percent.

# Emergency Communication District of Ector County

## Notes to Financial Statements

7. **Post Employment Healthcare Benefits (Continued)** The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### Schedule of Funding Progress for the Retiree Health Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Simplified Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/2010	\$ -	1,002,633	1,002,633	-	167,245	599 %
9/30/2011	-	1,273,908	1,273,908	-	178,421	714 %
9/30/2012	-	1,180,067	1,180,067	-	181,896	649 %

Methods and Assumptions—Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

A discount rate of 4.50% was used. A general price inflation of 3.00% was assumed in addition, the Projected Unit Credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at September 30, 2012 was thirty years.

Retirement age for active employees—Based on the historical average retirement age for the covered group, active plan members were assumed to retire at the first subsequent year in which the member would qualify for benefits.

# Emergency Communication District of Ector County

## Notes to Financial Statements

**7. Post Employment  
Healthcare Benefits  
(Continued)**

Marital status—Assumption of marital status of active employees has been incorporated in the acceptance probability for spousal coverage using this approach. The percentage of future retired plan members taking spousal coverage was assumed at 100%. For active employees, spouses' genders were assumed to be opposite to the members' genders and females were assumed three years younger than their spouses. Covered spouse data was collected for the current retired plan members as of the valuation date, and were assumed to remain unchanged until the assumed death of the spouse.

Mortality—Life expectancies were based on the RP2000 Generational Combined Healthy Male and Female Mortality tables.

Turnover—Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to the periods the present value of total benefits to be paid.

Healthcare cost trend rate—The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services.

Health Insurance premiums—October 2011, health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid. In 2011, the premiums for a single and married member annually, under age 65 was \$4,932 and \$14,568, respectively. If the member was over 65, the premium for a single and married member annually was \$4,452 and \$9,384, respectively, each.

Payroll growth rate—The expected long-term payroll growth rate was assumed to equal the rate of inflation.

**8. Commitments and  
Contingencies**

The District has an operating lease for lease of their office space. Operating lease payments during the fiscal year ended September 30, 2012 and 2011, were \$58,547 and \$14,169, respectively.

Year Ended September 30,	Operating Lease
2013	\$ 56,675
2014	56,675
2015	56,675
2016	-
	\$ 170,025

# Emergency Communication District of Ector County

## Notes to Financial Statements

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- 9. Subsequent Events** The District has evaluated events subsequent to the date of the statement of net assets (September 30, 2011 through March 4, 2013) and concluded that no significant subsequent events have occurred that require recognition in the financial statements or disclosure in the notes to financial statements.

## **Supplementary Information**

# Emergency Communication District of Ector County

## Schedule of General and Administrative Expenses

<i>Years Ended September 30,</i>		<b>2012</b>	2011
Communication equipment rental	\$	<b>146,051</b>	123,350
Salaries		<b>176,244</b>	178,583
Donation to the City of Odessa-Calltaker Salaries		<b>110,000</b>	110,000
Other postemployment benefits expense		<b>600,808</b>	361,854
Group insurance		<b>76,982</b>	79,642
Pension contribution		<b>32,348</b>	31,686
Transportation/memberships		<b>35,088</b>	30,259
Office rent		<b>58,547</b>	51,323
Advertising		<b>10,164</b>	10,581
Accounting services		<b>8,416</b>	7,825
Depreciation		<b>183,176</b>	142,055
Professional services		<b>15,125</b>	13,154
Tuition and training		<b>8,654</b>	9,854
Payroll tax		<b>7,699</b>	8,129
Repair and maintenance		<b>5,439</b>	4,794
Telephone		<b>4,186</b>	4,252
Small equipment and furniture		<b>3,131</b>	51,569
Insurance		<b>5,379</b>	2,504
Office supplies		<b>2,492</b>	3,994
Automotive maintenance and allowance		<b>6,769</b>	8,101
Postage		<b>412</b>	175
<b>Total general and administrative expenses</b>		<b>\$ 1,497,110</b>	1,233,684



**JOHNSON MILLER & CO., CPA'S**

*Certified Public Accountants*

*A Professional Corporation*

*An Independent Member of BDO USA Alliance*

Odessa, Texas  
Midland, Texas  
Hobbs, New Mexico

**Independent Auditors' Report**  
**On Compliance with the Public Funds Investment Act**

The Board of Directors  
Emergency Commission District of Ector County

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements for the Emergency Commission District of Ector County (the "District") as of September 30, 2012 and 2011 and for the years then ended, and have issued our report thereon dated March 4, 2013.

In connection with our audits, nothing came to our attention that caused us to believe that the District had failed to comply with the Public Funds Investment Act, insofar as it relates to accounting matters. However, our audits were not directed primarily toward obtaining knowledge of such noncompliance.

The report is intended solely for the information and use of the Board of Directors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

*Johnson Miller & Co., CPA's PC*

Odessa, Texas  
March 4, 2013



# JOHNSON MILLER & CO., CPA's

Certified Public Accountants

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An Independent Member of BDO USA Alliance

Odessa, Texas  
Midland, Texas  
Hobbs, New Mexico

**Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit Of Financial Statements Performed In  
Accordance With Government Auditing Standards**

To the Board of Managers  
Emergency Communication District of Ector County  
Odessa, Texas

We have audited the financial statements of the Emergency Communication District of Ector County (the "District"), as of and for the years ended September 30, 2012 and 2011, and have issued our report thereon dated March 4, 2013. 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**

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, 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.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**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*.

We have performed tests designed to verify the District's compliance with the requirements of the Texas Public Funds Investment Act. During the years ended September 30, 2012 and 2011, no instances of noncompliance were noted.

This report is intended solely for the information and use of management, Board of Managers, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Johnson Miller & Co., CPA's PC". The signature is written in a cursive, flowing style.

Odessa, Texas  
March 4, 2013