

Emergency Communication District of Ector County

Financial Statements September 30, 2015 and 2014



JOHNSON, MILLER & CO. CPA's PC
Certified Public Accountants A Professional Corporation

An Independent Member of BDO Alliance USA

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Emergency Communication District of Ector County (the "District") as of and for the years ended September 30, 2015 and 2014, 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.

Auditors' 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 District as of September 30, 2015 and 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 6 to the financial statements, in 2015, the District adopted new accounting guidance prescribed by the GASB #68 for its pension plan – a cost – sharing multiple employer defined benefit pension plan. Because GASB #68 implements new measurement criteria and reporting provisions, significant information has been added to the financial statements. Note 6 and the required supplementary schedules disclose the District’s net pension liability and deferred outflows and inflows of resources related to the District’s pension plan. Note 1 discloses the adjustment to the District’s beginning net position. Opinion is not modified with hat respect to the matter.

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 7 through 9, the Schedule of Changes in Net Pension Asset and Related Ratios, page 30, and the Schedule Employer Contribution page 31, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The schedule of general and administrative expenses (page 28) is presented for purposes of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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.

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 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.

Johnson Miller & Co., CPAs PC

Odessa, Texas
March 3, 2016

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, 2015 and 2014 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 2014-2015 fiscal year-end were \$3,595,225 as compared to \$3,131,589 at the close of the 2013-2014 fiscal year. This increase of \$463,636 is from net income of \$312,3281 and \$151,255 is from the restatement due to implementation of GASB 68. Net income is higher than the 2013-2014 fiscal year by \$68,469. The total liabilities of the District were \$1,176,407 at the close of the 2014-2015 fiscal year as compared to \$1,142,007 at the close of the 2013-2014 fiscal year. Increase 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 10 through 12 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 13 through 26 of this report.

Overall Financial Position

At the start of fiscal year 2014-2015 the 9-1-1 service fees were \$0.63 for residential customers, \$1.71 for businesses and \$1.71 for PBX trunks. The rates for wireless and nomadic VoIP remain at \$0.50 per month. On July 11, 2012 the Board of Managers approved an amended tariff fee set at 3% of current base rate (Board is authorized by set up to 6% by Section 772.314 Texas Health and Safety Code).

Current Assets of \$3,563,209 include cash in the checking account, investment funds in TexPool, TexStar, and Logic, and CDs; and receivable 9-1-1 service fees and interest for payments due but not remitted before September 30, 2015.

Property and Equipment includes our office equipment and furniture, two vehicles, and data processing equipment. Total property and equipment assets at September 30, 2015 were \$1,866,448 – a \$668,493 increase from the previous year primarily due to purchase of new building for District offices.

The total 9-1-1 service fees for the fiscal year 2014-2015, were \$1,335,313 a 0.026% decrease from the previous fiscal year.

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.

Budget

The total amount budgeted for the fiscal year 2014-2015 was \$1,622,089. The budget is for internal use as Enterprise Fund reporting does not reflect budget to actual comparisons.

Financial Outlook

There is one minor 911 equipment upgrade expected within the next year. This is in the form of a new Records Management System (RMS) for the 911 system. Anticipation of a full 911 system replacement from the current legacy equipment to an IP (Internet Protocol) system is expected within five years.

Emergency Communication District of Ector County

Management's Discussion and Analysis

Total 911 service fee revenues are expected to begin a slow and steady decline in the near future. As the national economy remains sluggish in 2015-2016 and the decline in oilfield related activities, we can expect 911 service fee revenue to decline as recent population growth trends decline. Additionally, primary TELCO's continue to make aggressive efforts to move customers from traditional phone service to cable or VoIP related services. This will be seen in future revenue loss in one category and increases in another as the service providers continue to exchange service types.

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 two 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, 703 N. Hancock Ave., Odessa, Texas 79761.

Emergency Communication District of Ector County

Statements of Net Position

September 30,	2015	2014
ASSETS		
Current Assets		
Cash	\$ 147,869	158,627
Accounts receivable	55,663	58,190
Interest receivable	-	167
Investments	3,359,677	3,467,816
Total current assets	3,563,209	3,684,800
Investments	239,902	238,246
Property and Equipment		
Building	535,494	-
Data processing equipment	843,159	843,159
Automotive	73,957	47,775
Furniture and fixtures	98,465	98,465
Office equipment	13,150	13,150
Leasehold improvements	140,419	33,602
Software	161,804	161,804
Total property and equipment	1,866,448	1,197,955
Less accumulated depreciation	(1,072,039)	(847,405)
Net property and equipment	794,409	350,550
Other Asset	1,030	-
Net Pension Asset	131,469	-
Total assets	\$ 4,730,019	4,273,596
DEFERRED OUTFLOW OF RESOURCES		
Contributions subsequent to measurement date	\$ 25,164	-
Investment earnings	13,718	-
Difference between expected and actual experience	2,731	-
Total deferred outflow of resources	\$ 41,613	-
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	\$ 6,804	14,635
Accrued liabilities	11,197	11,187
Total current liabilities	18,001	25,822
Long-Term Liability		
Net other postemployment benefits obligation	1,158,406	1,116,185
Total liabilities	1,176,407	1,142,007
NET POSITION		
Invested in capital assets, net of related debt	794,409	350,550
Unrestricted	2,800,816	2,781,039
Total net position	\$ 3,595,225	3,131,589

See accompanying notes to these financial statements.

Emergency Communication District of Ector County

Statements of Revenues, Expenses and Changes in Net Position

<i>Years Ended September 30,</i>	2015	2014
Revenues:		
Emergency service fees	\$ 1,335,313	1,335,656
Expenses:		
General and administrative	1,043,428	1,092,474
Operating income	291,885	243,182
Non-Operating Revenues:		
Pension income	21,827	-
Investment income	3,931	2,257
Loss on disposal of assets	(6,952)	-
Unrealized (loss) gain on investments	1,690	(1,527)
Net income	312,381	243,912
Net position, beginning of year	3,131,589	2,887,677
Cumulative effect of change in accounting principle (Note 1)*	151,255	-
Net position, beginning of year-as restated	3,282,844	2,887,677
Net position, end of year	\$ 3,595,225	3,131,589

See accompanying notes to these financial statements.

- * In accordance with the provisions of Government Accounting Standards Board Statement No. 68, the District has elected to present the cumulative effect of the implementation of the statement all in fiscal year 2015 Statement of Revenues, Expenses and Changes in Net Position. Since audited beginning balances for defined inflows of resources and deferred outflows of resources related pensions required to properly restate the FY2014 financial statements, the restatement will be made directly to the beginning net position in the FY2015 financial statements as a cumulative effect of a change in accounting principle.

Emergency Communication District of Ector County

Statements of Cash Flows

Years Ended September 30,	2015	2014
Cash flows from operating activities:		
Cash received from telephone fee	\$ 1,337,840	1,327,147
Cash paid for operating expenses	(430,059)	(563,949)
Cash paid to employees	(217,685)	(204,000)
Cash paid to the city-Call Taker Salaries and GIS Project Funding	(110,000)	(55,000)
Net cash provided by operating activities	580,096	504,198
Cash flows from investing activities:		
Purchase of investments	(641,827)	(646,075)
Proceeds from sale and maturities of investments	750,000	82,500
Investments income received	4,098	2,240
Purchase of property and equipment	(702,095)	(32,948)
Cash paid for deposit	(1,030)	-
Net cash used in investing activities	(590,854)	(594,283)
Net (decrease) increase in cash	(10,758)	(90,085)
Cash at beginning of year	158,627	248,712
Cash at end of year	\$ 147,869	158,627
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 291,885	243,182
Adjustments		
Decrease (increase) in accounts receivable	2,527	(8,509)
Decrease in accounts payable	(7,831)	(17,610)
Increase in accrued liabilities	10	641
Other postemployment benefits expense	42,221	28,043
Depreciation expense	251,284	258,451
Total adjustments	288,211	261,016
Net cash provided by operating activities	\$ 580,096	504,198

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 Position.
 - (2) Statement of Revenues, Expenses and Changes in Fund Net Position.
 - (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 position reports all financial and capital resources of the District and is presented in an “asset plus deferred outflow minus liabilities minus deferred inflows equal net position” format with net position reported in the order of relative liquidity. Also, position 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.

Cash

For purposes of the cash flow statement, the District considers highly liquid instruments, which have an original maturity of three months or less to be cash equivalents.

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 2 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, TexStar, and Logic 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 year ended September 30, 2015:

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)

Investments (Continued)

4. The Local Government Investment Cooperative (“LOGIC”) is an AAA rated local government pool created by local government officers. LOGIC is administered by First Southwest Asset Management, Inc. and JPM Morgan-Chase. LOGIC operates in a manor consistent with SEC’s rule 2a& of the investment act of 1940. LOGIC utilized amortized cost rather than fair value on reporting net assets to computer share prices. The fair value of the position in LOGIC is the same as the value of LOGIC.

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.

Prior Year Restatements

Beginning net position as of October 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date*.

Beginning net position	\$	3,131,589
Prior period adjustment – implementation of GASB 68:		
Net pension asset (measurement date as of December 31, 2014)		122,892
Deferred outflows-contribution subsequent to the measurement date		28,363
Beginning net position as restated	\$	3,282,844

Recently Issued Accounting Pronouncements

GASBS No. 69

GASB Statement 69, *Government Combinations and Disposals of Government Operations*, was issued in January 2013. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfer of operations. The provisions of Statement 69 are effective for financial statements for reporting beginning after December 15, 2013, and should be applied on a prospective basis. Early application is encouraged.

Emergency Communication District of Ector County

Notes to Financial Statements

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, 2014, the District had the following investment and maturities:

Investment Type	Fair Value	Maturities (in Years)		
		Less Than 1	1-5	5-10
TexPool	\$ 1,365,998	1,365,998	-	-
Certificates of Deposit	480,077	240,175	239,902	-
TexStar	1,253,262	1,253,262	-	-
Logic	500,242	500,242	-	-
Total	\$ 3,599,579	3,359,677	239,902	-

From time to time, the District may have cash balances which exceed federally insured limits. The District has not experienced any losses in these accounts and believes it is not exposed to any credit risk.

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.

Emergency Communication District of Ector County

Notes to Financial Statements

2. Deposits and Investments (Continued)

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.

3. Capital Assets

Capital asset activity for the year ended September 30, 2015 was as follows:

	Beginning Balance	Additions	Retirements/ Adjustments	Ending Balance
Capital assets being depreciated:				
Building	\$ -	535,494	-	535,494
Data processing equipment	843,159	-	-	843,159
Automotive	47,775	26,182	-	73,957
Furniture and fixtures	98,465	-	-	98,465
Office equipment	13,150	-	-	13,150
Leasehold improvements	33,602	140,419	(33,602)	140,419
Software	161,804	-	-	161,804
Total assets, being depreciated	\$ 1,197,955	702,095	(33,602)	1,866,448
Less accumulated depreciation for:				
Building	\$ -	(17,850)	-	(17,850)
Data processing equipment	(629,911)	(165,140)	-	(795,051)
Automotive	(29,834)	(11,217)	-	(41,051)
Furniture and fixtures	(40,833)	(8,422)	-	(49,255)
Office equipment	(13,150)	-	-	(13,150)
Leasehold improvements	(26,650)	(1,170)	26,650	(1,170)
Software	(107,027)	(47,485)	-	(154,512)
Total accumulated depreciation	\$ (847,405)	(251,284)	26,650	(1,072,039)
Total capital assets, net	\$ 350,550	450,811	(6,952)	794,409

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 July 2012, the board reset the rate at 3% of the current base rate which equated to \$.63 for residential customers, \$1.71 for business and trunks. 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 2015 and 2014 was .5816% and 0.5509%, respectively. For fiscal years ended September 30, 2015 and 2014, total fees of \$1,335,313 and \$1,335,656, 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 \$5,200 per month. Wireless expenses accounted for about \$20,000 and \$21,000 in expenses during the years ended September 30, 2015 and 2014, respectively. The fiscal year 2015 costs were approximately \$11,000 overall regarding wireless maintenance expenses from only one company.

6. Defined Benefit Pension Plan

Plan Description

All full time employees of the District are provided with pensions through the TCDRS – a cost-sharing multiple employer defined benefit pension plan administered by the Texas County and District Retirement System (TCDRS). Article 33 of the State Statutes grants the authority to establish and amend the benefit terms to the TCDRS Board of Trustees (TCDRS Board). TCDRS issues a publicly available financial report that can be obtained at www.tcdrs.org.

At the measurement date, December 31, 2014, pension expense was as follows:

Service cost	\$	35,780
Interest on total pension liability		82,076
Effect of plan changes		-
Administrative expenses		914
Member contributions		(15,065)
Expected investment return net of investment expenses		(93,642)
Recognition of deferred inflows/outflows of resources		
Recognition of economic/demographic gains or losses		683
Recognition of investment gains or losses		3,429
Other		(332)
Pension expense		\$ 13,843

Emergency Communication District of Ector County

Notes to Financial Statements

6. Defined Benefit Pension Plan (Continued)

As of September 30, 2015, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	2,731
Net difference between projected and actual earnings	-	13,718
Contributions made subsequent to measurement date	-	25,164

\$25,164 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2015		\$ 4,112
2016		4,112
2017		4,112
2018		4,113
2019		-
Thereafter		-
Total		\$ 16,449

Plan Information

At December 31, 2014, the District had 3 current and 4 former employees and one retiree participating in the Plan.

Emergency Communication District of Ector County

Notes to Financial Statements

6. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The actuarial assumptions that determine the total pension liability as of December 31, 2014, were based on the results of an actuarial expense study for the period January 1, 2009 – December 31, 2012, except where required to be different by GASB 68.

Valuation date	December 31, 2013	December 31, 2014
Measurement date	December 31, 2013	December 31, 2014
Reporting date	September 1, 2014	August 31, 2015

Following are key assumptions used in the valuation:

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry age normal
Asset Valuation method	
smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3%
Salary increases	3.5% wage inflation, 1.4% merit increases
Investment rate of return	8.10%
Cost of living adjustments	Cost-of-living adjustments for Emergency Communication District of Ector County not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost of living adjustment is included in the funding valuation.
Retirement Age	Deferred members are assumed to retire at the later of : (1) age 60 or (2) earliest retirement eligibility. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Turnover	New employees are assumed to replace retired members and have similar entry ages.
Mortality	<p>Depositing members: The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.</p> <p>Service retirees, beneficiaries and non-depositing members: The RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.</p> <p>Disabled retirees: RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.</p>

Emergency Communication District of Ector County

Notes to Financial Statements

6. Defined Benefit Pension Plan (Continued)

Long-term rate of investment return and target allocation

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2015 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2009 – December 31, 2013 for more details.

Asset Class	Benchmark	Target Allocation(1)	Geometric Real Rate of Return (Expected minus Inflation) (2)
US Equities	Dow Jones U.S. Total Stock Market Index	16.50%	5.35%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index(3)	12.00%	8.35%
Global Equities	MSCI World (net) Index	1.50%	5.65%
International Equities - Developed	50% MSCI World Ex USA (net) + 50% MSCI World ex USA 100% Hedged to USD (net) Index	11.00%	5.35%
International Equities - Emerging	50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index	9.00%	6.35%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.55%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.75%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	5.00%	5.54%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.80%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	6.75%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.00%
Commodities	Bloomberg Commodities Index	2.00%	-0.20%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index(4)	3.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.15%

(1) Target asset allocation adopted at the April 2015 TCDRS Board meeting.

(2) Geometric real rates of return in addition to consumed inflation of 1.7%, per Cliff water's 2015 capital market assumptions.

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Emergency Communication District of Ector County

Notes to Financial Statements

6. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 8.10 percent.

Sensitivity Analysis

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.10 percent) or 1-percentage-point higher (9.10 percent) than the current rate.

		1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$	1,202,858	1,095,584	1,002,978
Fiduciary net position		1,227,053	1,227,053	1,227,053
Net pension liability/(asset)	\$	(24,195)	(131,469)	(224,075)

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	\$	82,605
Interest on net OPEB obligation		50,228
Adjustment to annual required contribution		(45,527)
Annual OPEB cost (expense)		87,306
Contributions made		45,085
Increase in net OPEB obligation		42,221
Net OPEB obligation-beginning of year		1,116,185
Net OPEB obligation-end of year	\$	1,158,406

Emergency Communication District of Ector County

Notes to Financial Statements

7. **Post Employment Healthcare Benefits (Continued)** The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the two preceding fiscal years were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/13	69,314	60.0%	1,088,142
9/30/14	68,193	59.0%	1,116,185
9/30/15	87,306	52.0%	1,158,406

Funded Status and Funding Progress—As of September 30, 2015, the actuarial accrued liability for benefits was \$1,038,384, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$218,280, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 476 percent.

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
9/30/2013	\$ -	849,426	849,426	-	189,586	448 %
9/30/2014	-	823,585	823,585	-	203,292	405 %
9/30/2015	-	1,038,384	1,038,384	-	218,280	476 %

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.

Emergency Communication District of Ector County

Notes to Financial Statements

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

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, 2015 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.

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 \$5,028 and \$14,856, respectively. If the member was over 65, the premium for a single and married member annually was \$4,632 and \$9,660, respectively, each.

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

Emergency Communication District of Ector County

Notes to Financial Statements

- 8. Commitments and Contingencies** The District had an operating lease for lease of their office space. Operating lease payments during the fiscal year ended September 30, 2015 and 2014, were \$60,419 and \$60,202, respectively. The lease ended on September 30, 2015.
- 9. Subsequent Events** The District has evaluated subsequent events through March 3, 2016, the date the financial statements were issued.

Supplementary Information

Emergency Communication District of Ector County

Schedule of General and Administrative Expenses

<i>Years Ended September 30,</i>	2015	2014
Communication equipment rental	\$ 122,922	107,813
Salaries	217,685	204,000
Donation to the City of Odessa-Calltaker Salaries	110,000	55,000
Other postemployment benefits expense	42,221	28,043
Group insurance	85,600	82,439
Pension contribution	35,669	187,690
Transportation/memberships	28,009	25,181
Office rent	60,419	60,202
Advertising	4,072	5,690
Accounting services	7,562	8,857
Depreciation	251,284	258,451
Professional services	13,401	21,152
Tuition and training	14,115	8,931
Payroll tax	9,971	9,252
Repair and maintenance	2,953	4,739
Telephone	3,610	3,789
Small equipment and furniture	1,603	3,912
Insurance	9,336	6,625
Office supplies	2,949	2,971
Automotive maintenance and allowance	7,633	7,599
Postage	303	138
Utilities	9,267	-
Longevity pay	2,844	-
Total general and administrative expenses	\$ 1,043,428	1,092,474

Required Supplementary Information

Emergency Communication District of Ector County

Schedule of Changes in Net Pension Asset and Related Ratios

	Year Ended December 31:									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total Pension Liability										
Service costs	\$ 35,780	N/A								
Interest on total pension liability	82,076									
Effect of plan changes	-	N/A								
Effect of assumption changes or inputs	-	N/A								
Effect of economic/demographic (gains) or losses	3,414	N/A								
Benefit payments/refunds of contributions	(42,027)	N/A								
Net changes in total pension asset	79,243	N/A								
Total pension asset, beginning	1,016,341	N/A								
Total pension asset, ending (a)	1,095,584	N/A								
Fiduciary Net Position										
Employer contributions	38,869	N/A								
Member contributions	15,065	N/A								
Investment income net of investment expenses	76,495	N/A								
Benefit payments/refunds of contributions	(42,027)	N/A								
Administrative expenses	(914)	N/A								
Other	332	N/A								
Net changes in fiduciary net position	87,820	N/A								
Fiduciary net position, beginning	1,139,233	N/A								
Fiduciary net position, ending (b)	1,227,053	N/A								
Net pension liability / (asset), ending= (a) – (b)	\$ (131,469)	N/A								
Fiduciary net position as a % of total pension asset	112%	N/A								
Pensionable covered payroll	\$ 215,219	N/A								
Net pension asset as a % of covered payroll	(61.09)%	N/A								

Emergency Communication District of Ector County

Schedule of Employer Contributions

Year Ending December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽¹⁾	Actual Contribution As a % of Covered Payroll
2005	Not Available	Not Available	Not Available	Not Available	Not Available
2006	22,546	22,546	-	159,564	14.1%
2007	22,118	22,118	-	157,088	14.1%
2008	22,685	22,685	-	168,537	13.5%
2009	27,994	27,994	-	208,131	13.5%
2010	23,882	23,882	-	160,176	14.9%
2011	33,524	33,524	-	185,626	18.1%
2012	30,130	32,103	(1,973)	177,756	18.1%
2013	34,947	185,558	(150,610)	196,886	94.2%
2014	20,101	38,869	(18,767)	215,219	18.1%

(1) Payroll is calculated based on contributions as reported to TCDRS.



JOHNSON, MILLER & CO., CPA's PC

Certified Public Accountants

A Professional Corporation

An Independent Member of BDO Alliance USA

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, 2015 and 2014 and for the years then ended, and have issued our report thereon dated March 3, 2016.

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 3, 2016



**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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Emergency Communication District of Ector County (the "District"), as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 3, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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, 2015 and 2014, no instances of noncompliance were noted.

Purpose of this Report

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

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 3, 2016