



**NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS
DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

Executive Director
Mike Eastland



Deputy Executive Director
Monte Mercer, CPA
NCT 9-1-1 Program Director
Christy Williams

***PREPARED BY
NORTH CENTRAL TEXAS COUNCIL OF GOVERNMENTS
DEPARTMENT OF ADMINISTRATION***

Molly Rendon, Director of Administration
Randy Richardson, CPA, Assistant Director of Finance
Norman Marquart, Fiscal Manager



NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT

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September 30, 2021

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INTRODUCTORY SECTION



North Central Texas Emergency Communications District





The Board of Managers
North Central Texas Emergency Communications District
Arlington, Texas

March 9, 2022

Members of the Board of Managers:

The Annual Financial Report of the North Central Texas Emergency Communications District (NCT9-1-1, 'the District') for the fiscal year ended September 30, 2021, is hereby submitted. This report was prepared for the District by the North Central Texas Council of Governments (the NCTCOG) Department of Administration as Fiscal Agent for the District. The District is presented as a discretely presented component unit of the NCTCOG Annual Financial Report (AFR). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the NCTCOG's Administration management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is organized in a manner designed to fairly present the financial position and results of operations of the District as measured by the financial activity of its General Fund. We believe that all disclosures necessary to enable the reader to gain the maximum understanding of the District's financial affairs have been included.

The Annual Financial Report includes the Management Discussion and Analysis (MD&A) within the financial section immediately following the independent auditor's report. The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

The Financial Section described above is prepared in accordance with Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) and other professional associations as applicable.

Organizational Profile

The District was created pursuant to Chapter 772, Subchapter H, of the Texas Health and Safety Code as amended by the 84th Legislature, through passage of resolutions by County Commissioners Courts and City Councils within the District service area. The District began operations on December 3, 2018.

Texas Health and Safety Code Sec. 772.609 established that the North Central Texas Council of Governments (NCTCOG, COG or Agency) shall be the fiscal and administrative agent on behalf of the District. District bylaws Article IV Administration 4.1 states the Executive Director of the North Central Texas Council of Governments (NCTCOG) shall serve as the Executive Director of the District and be

empowered to employ and compensate professional staff to perform duties of the District, which shall remain employees of the North Central Texas Council of Governments for all purposes.

The District is a political subdivision of the State of Texas. Its purpose is to carry out essential governmental functions related to the provisioning of emergency communications services. The District is engaged in the planning, implementation, and maintenance of an emergency 9-1-1 system for more than 40 Public Safety Answering Points within its 9-1-1 service area.

The District service area consists of Collin, Ellis, Erath, Hood, Hunt, Johnson, Kaufman, Navarro, Palo Pinto, Parker, Rockwall, Somervell, and Wise counties, as well as the Dallas County cities of Balch Springs, Cockrell Hill, Sachse, Seagoville, and Wilmer.

The District is governed by a Board of Managers (Board), consisting of elected officials. Each member county may have one Board member, with the exception of the largest county by population. The Board may be comprised of a maximum of 19 members.

The County Judge of each member county has responsibility to notify the District of their Board member appointment, except that each member city in Collin County with a PSAP shall be responsible for notifying of its Board member's appointment and the member cities in Dallas County shall be responsible for mutually agreeing to and notifying of their Board member's appointment. Each Board member's term of office is two years. Terms are staggered with half of the initial Board serving a one-year initial term.

Economic Condition and Outlook

The District's regional population increased by approximately 61,739 (3.55%) persons during 2021 for a July 2021 total estimated population of 1.8 million.

The overall State population increased by 1.31%.

District Current Year Accomplishments and Next Years Outlook

The primary focus for the North Central Texas Emergency Communications District (NCT9-1-1 or the District) during 2021 was maintaining a consistent level of service for our customers while continuing to operate in a hybrid office environment. To increase transparency between teams during this time, the program implemented measures that will continue after the pandemic is over. One of these is bi-weekly technology project update meetings. These allow members from all teams to be briefed on the latest technology projects, as well as initiatives on the horizon. The Leadership Team also began including team updates in the weekly electronic newsletter. This serves to help staff feel more connected. The updates serve a practical purpose as well. It allows staff to speak up if they have a special interest in a topic, a skillset that may benefit a project, or another project that needs to be considered when planning.

While continuing to work within a limited projects budget, NCT9-1-1 undertook several initiatives during the year to improve services for the population we serve:

Staff collaborated on the deployment of the District's first cloud-based dispatch mapping solution which was procured during the previous year. The implementation was completed virtually which presented staff with several obstacles as they worked through isolation and lack of face-to-face meetings. This phase cost \$126,000, during the fiscal year and is in the process of being finalized.

Staff coordinated another successful annual 9-1-1 Early Adopter Summit which invites 9-1-1 visionaries around the country to collaborate, share ideas, and hear the latest innovations in the industry. However,

despite the reinstatement of travel restrictions for several of our attendees, the planning committee was able to transition to a virtual event with less than six weeks to plan and execute.

The Data Team continues to lead the initiative to implement Real Time Text (RTT) in the region. Following the pilot during FY2020, staff worked with vendors and wireless providers to continue towards full implementation, making many modifications along the way. The team had to walk a largely unknown path as they sent requests to each of the wireless carriers to implement the service.

NCT9-1-1 recognizes that good mental health is vital to our telecommunicators, and the Operations Team rebranded our training to be centered around the wellness of our people. While not easy or fast, the team also hosted hybrid Regional Telecommunicator Academies (RTA #10 and RTA #11), which graduated a total of 28 new telecommunicators. These academies included necessary safety precautions and persevered through several COVID-related interruptions.

In addition, the Operations Team worked for several months to overcome roadblocks from multiple avenues to become a FEMA-certified IPAWS Alerting Agency in order to inform the public of 9-1-1 service interruptions.

The GIS Team completed a 3D mapping pilot with a local university. While many in our industry focus on problems with federal Z-axis requirements and telecommunicators receiving actionable data, this team worked to identify and test potential solutions.

The Technology Team executed renewals to extend our current Next Generation Core Services provider at a cost of \$820,000. The team also made several upgrades/replacements to improve the experience for our telecommunicators. These include replacing one-third of the existing genovation keypads for \$15,000, with new stream deck devices which act as a shortcut, or speed dial, for the telecommunicator. They also replaced one-third of the ECC position monitors for \$46,500. The team will continue to replace an additional third over the next two years. An end-of-life SD-WAN, which is a virtualized service that connects and extends our network over the large geographical distance covered by our region, was replaced for \$119,000.

Our focus extends beyond service to our constituents via 9-1-1 call delivery. Staff responded to victims of Hurricane Ida by sending a TERT team and adopting ECCs and sending care packages. The NCT9-1-1 staff also worked with Tarrant County 9-1-1 to collect over 2,700 items for those in need in our communities this holiday season and many of them volunteered at the local food bank.

Over the previous year, several potential opportunities for funding developed. NCT9-1-1 has been funded solely through the 9-1-1 service fee in the past and the grant world is largely new to our program. A Next Generation NG9-1-1 Fund which includes \$150,000,000 has been allocated to Texas. These funds are in a state NG911 account and must be fully dispersed to the districts, municipalities and regional planning commissions by December 2022 and spent by December 2024. NCT9-1-1 is working through the Texas 9-1-1 Alliance to apply for an allocation from this funding.

The district continues to make enhancements to our planning processes which allows us to better project financial needs over the next several years. We improve this process each year and this past year revealed true value to this practice. Our strategic plan has a “roadmap” outlining projects for the next five

years. Having this in place allowed us to quickly pull needed information to submit for the grant funding. It also assured that all the projects we requested were well thought out and necessary for the implementation of Next Generation 9-1-1. We have project plans available that will allow us to move through planning and procurement at a rapid pace to meet the grant timeline requirements.

Factors Affecting Financial Condition

NCTCOG is the fiscal and administrative agent for the District, in accordance with Sec. 772.609 of the Health and Safety Code. As the Fiscal Agent, the District utilizes NCTCOG financial systems. As a recipient of federal, state, and local government financial assistance, NCTCOG is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. Internal controls are subject to periodic evaluation by management. NCTCOG staff continues to evaluate internal controls and implement recommendations to strengthen controls and minimize risk.

In developing and evaluating the Council's accounting system, consideration is given to the adequacy of internal control. Internal control is designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability or assets. The concept of reasonable assurance recognized that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. It is believed that NCTCOG's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The District's annual budget is a management tool that assists in analyzing financial activities during the fiscal year. The annual budget is reviewed and adopted by the Board of Managers prior to the beginning of the fiscal year. The approved annual budget is used as a control device for the General Fund. The District's fiscal year 2021 budget is funded with expected collections from Wireless and Landline emergency communications fees collected from telephone providers in the District's operating area. Opportunities for any new funding will be presented to the Board of Managers for consideration.

Other Information

Independent Audit

NCTCOG, as fiscal and administrative agent for the District, is responsible for the arrangement of an independent audit of the District's financial records as part of the NCTCOG audit in accordance with generally accepted auditing standards. NCTCOG is required by its bylaws to have an annual audit comprised of the fiscal records, and all transactions by a certified public accountant selected by and responsible to NCTCOG's Executive Board. In conjunction with the NCTCOG annual independent audit, a separate and distinct audit report is completed by the selected NCTCOG audit firm for the District financial transactions. Whitley Penn was selected and awarded a five (5) year contract to perform the NCTCOG financial audits beginning in Fiscal Year 2018.

Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated services of the District staff. Appreciation is expressed to those who assisted and contributed to its preparation. The Board of Managers is also commended for their interest and support in planning and conducting the financial operations of the District in a responsible and progressive manner.

Acknowledgment is also given to the representatives of Whitley Penn LLP for their invaluable assistance in producing the final document.

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Mike Eastland
Executive Director

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Monte Mercer, CPA
Deputy Executive Director

DocuSigned by:

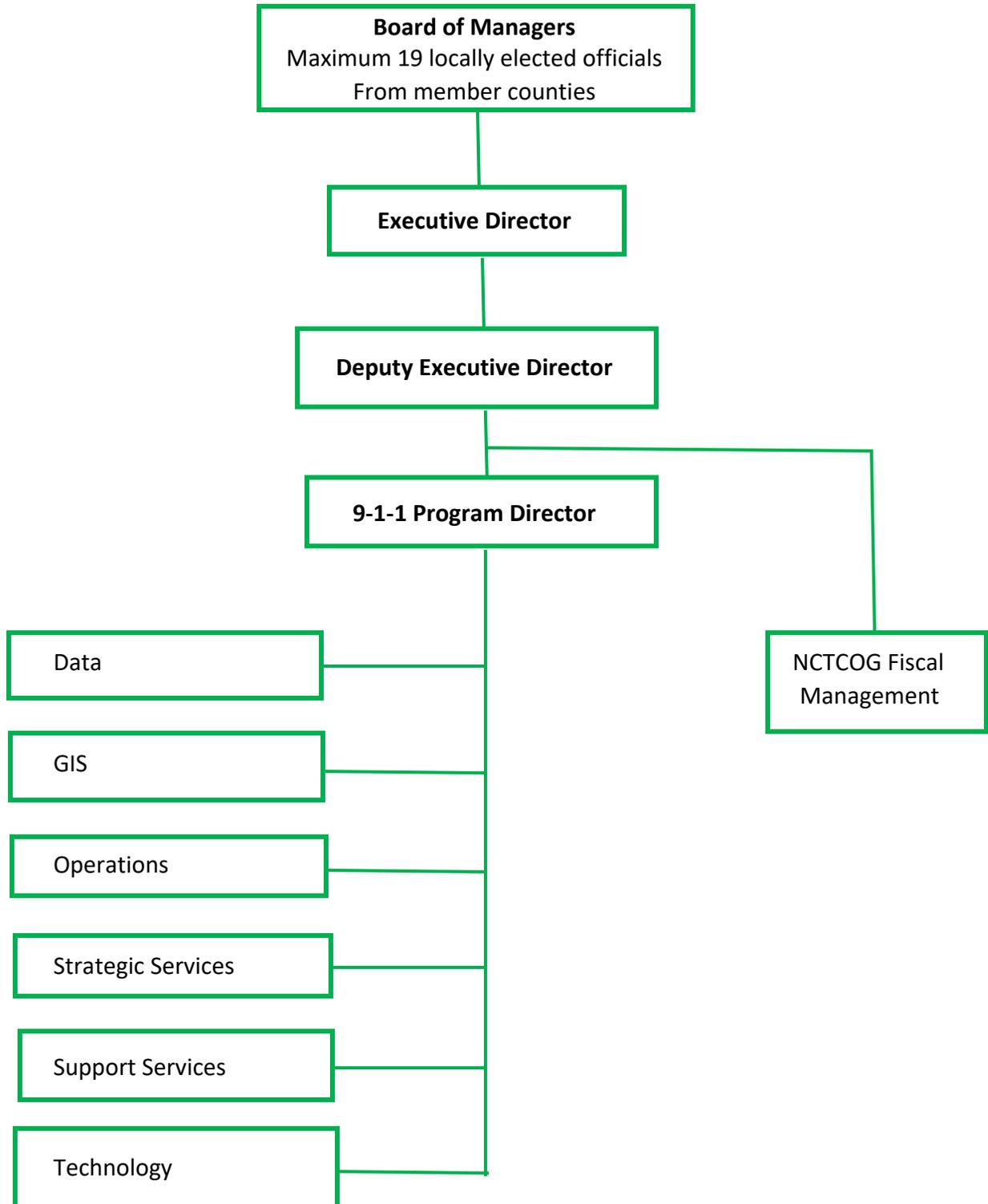
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Christy Williams
NCT 9-1-1 Program Director

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Molly Rendon
Director of Administration

Organizational Chart

North Central Texas Emergency Communications District



NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT

2021 – 2022 BOARD OF MANAGERS

| | |
|--|---|
| <u>Board President</u> Sheriff Roger Deeds Hood County | |
| <u>Board Vice-President</u> Councilmember Jeff Hodges City of Prosper | <u>Board Secretary</u> Judge Hal Richards Kaufman County |

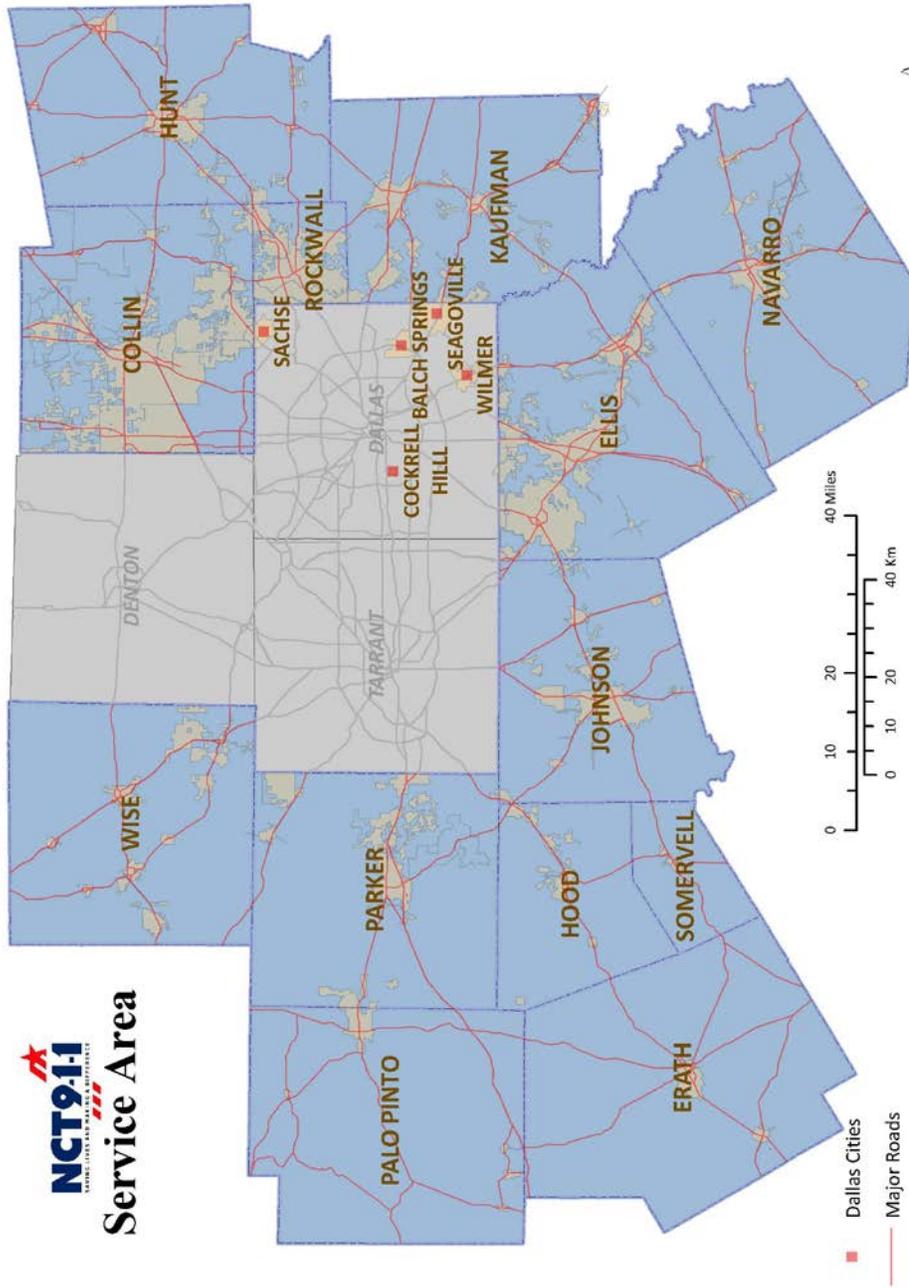
Members

| | |
|--|---|
| Sheriff N. Lane Akin Wise County | Mayor Pro Tem Jennfer Berthiaume City of Murphy |
| Councilmember Chris Schulmeister City of Allen | Judge Danny Chambers Somervell County |
| Sheriff Matt Coates Erath County | Judge Kerry Crews Hunt County |
| Sheriff Terry Garrett Rockwall County | Judge Shane Long Palo Pinto County |
| Commissioner Eddie Perry Navarro County | Councilmember Frederick Frazier City of McKinney |
| Commissioner Darrell Hale Collin County | Vacant City of Frisco |
| Commissioner Randy Stinson Ellis County | Commissioner Mike White Johnson County |
| Mayor Pro Tem Jeff Bickerstaff Dallas County Cities | Judge Pat Deen Parker County |

District Management Staff

| | | |
|---|---|--|
| Executive Director R. Michael Eastland | Deputy Executive Director Monte Mercer | 9-1-1 Program Director Christy Williams |
| Strategic Services Jessie Shadowens-James | Technology Clay Dilday | Operations Jason Smith |
| Data LeAnna Russell | GIS Rodger Mann | Support Services Hilaria Perez |
| NCTCOG Director of Administration Molly Rendon | NCTCOG Fiscal Management Norman Marquart | |

NCT9-1-1
EMERGENCY SERVICES
Service Area



- Dallas Cities
- Major Roads
- NCT9-1-1 Cities
- Service Area

By NCT9-1-1 GIS Team
 For questions, contact 911GISTeam@nctcog.org
 Projection: NAD 1983 StatePlane Texas - FIPS 4202 (feet)
 Note: Only cities covered by NCT9-1-1 are shown.



FINANCIAL SECTION



North Central Texas Emergency Communications District



INDEPENDENT AUDITOR'S REPORT

To the Board of Managers
North Central Texas Emergency Communications District
Arlington, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund information of North Central Texas Emergency Communications District (the "District"), a component unit of North Central Texas Council of Governments (the "Council") as of and for the year ended September 30, 2021, 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

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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.

To the Board of Managers
North Central Texas Emergency Communications District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of the District, as of September 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 10 and budgetary comparison information on pages 36 to 38 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 Council's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2022 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 District's internal control over financial reporting and compliance.

Whitley Penn LLP

Fort Worth, Texas
February 24, 2022



MANAGEMENT'S DISCUSSION AND ANALYSIS



NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

As management of the North Central Texas Emergency Communications District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2021. This is the 3rd year of operations for the District. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - v of this report.

Financial Highlights

- District's assets exceeded liabilities at the close of the most recent fiscal year by \$5,287,707 (*net position*). Of this amount of \$4,398,461 (unrestricted net position) may be used to meet the District's ongoing obligations to creditors and service implementation, of which \$3,071,918 is assigned for capital replacement.
- The District's total net position increased \$146,532 primarily due to revenues exceeding expenditures by \$2,016,124 for the fiscal year. This increase was offset by depreciation expense on assets totaling \$1,869,593 for the current fiscal year.
- The portion of net position invested in capital assets total \$889,246 and is primarily due to transfer of assets from NCTCOG to the District at creation in accordance with Texas Health and Safety Code 772.622. (See note K).
- The District's General Fund reported an ending fund balance of \$4,398,461, an increase of \$2,016,124 in comparison with the prior year. A portion of these funds totaling \$4,101,918 are available for spending at the District's discretion. \$3,071,918 is assigned for capital replacement. The remaining \$296,543 of fund balance is committed for current obligations.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include two components: 1) government-wide financial statements, which include the fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. *The government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

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

NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Fund Financial Statements. 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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District currently only utilizes a General Fund.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains one governmental fund (General Fund). Information is presented as one fund in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 and 13 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-33 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplemental information*. Required supplemental information can be found on pages 34-38 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, total assets exceeded liabilities by \$5,287,707 at the close of the most recent fiscal year. This is the third year of operations for the District. Following is a summary of the Government-wide Statement of Net Position:

NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

COMPARATIVE SCHEDULE OF NET POSITION

Governmental Activities

September 30, 2021 and 2020

| | 2021 | 2020 |
|--------------------------------|---------------------|---------------------|
| Current and other assets | \$ 4,807,562 | \$ 3,775,337 |
| Capital assets | 889,246 | 2,758,838 |
| Total Assets | 5,696,808 | 6,534,175 |
| Other liabilities | 367,501 | 1,326,967 |
| Deferred inflows of resources | 41,600 | 66,033 |
| Net Position | | |
| Investment in capital assets | 889,246 | 2,758,838 |
| Unrestricted | | |
| Committed | 296,543 | 380,617 |
| Assigned - capital replacement | 3,071,918 | 951,720 |
| Unassigned | 1,030,000 | 1,050,000 |
| Total Unrestricted | 4,398,461 | 2,382,337 |
| Total Net Position | \$ 5,287,707 | \$ 5,141,175 |

A portion of the District's net position, 889,246, (17%), reflects its investment in capital assets (e.g., equipment).

Unrestricted net position of \$4,398,461 (83%) may be used to meet the District's ongoing obligations to creditors and for service implementation. Unrestricted net position increased \$2,016,124(85%) from prior year. This unrestricted net position will provide the District operating and capital replacement reserves.

NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION

Governmental Activities

For the Years Ended September 30, 2021 and 2020

| | 2021 | 2020 |
|-------------------------------------|---------------------|---------------------|
| Revenues | | |
| 9-1-1 Service Fees | \$ 10,853,085 | \$ 10,424,891 |
| Local Contributions & Other Income | 12,032 | 29,286 |
| Total Revenue | <u>10,865,117</u> | <u>10,454,176</u> |
| Expenses | | |
| Staff Costs | 4,222,034 | 4,329,247 |
| NCTCOG Fiscal Agent Costs | 279,349 | 277,132 |
| Cost of Operations | 3,836,119 | 3,664,384 |
| Local Government Reimbursements | 511,491 | 545,531 |
| Depreciation | 1,869,593 | 3,007,970 |
| Total Expenses | <u>10,718,586</u> | <u>11,824,264</u> |
| | | |
| Increase (decrease) in net position | 146,531 | (1,370,088) |
| Net position - beginning | 5,141,176 | 6,511,263 |
| Net position - ending | <u>\$ 5,287,707</u> | <u>\$ 5,141,175</u> |

Significant components of the net position activity are as follows:

Governmental activities total revenues are comprised of the following components:

- Emergency communication service fees are collected from fees imposed on telephone service providers. Service fee revenue increased \$428,195 or 4% from fiscal year 2020. This is the primary revenue for the District's operation. There are two (2) separate type of fees collected:
 - Wireless – These are collected on wireless phones and prepaid phones. The telephone providers submit the fees to the Texas Comptroller. The fees are distributed to the separate 9-1-1 districts within Texas based on the relative percentage of the population of each District compared to the entire state. The District's percentage of total State population increased in fiscal year 2021. State population increased 1.31% in fiscal year 2021. Current year revenue totaled \$9,152,824 or 84% of total service fees collected. This is an increase of \$581,303 from fiscal year 2020. The change is due to a 3% increase in wireless receipts to the State. The District's population percentage of the State increased 3% in the fiscal year.
 - Landline – These fees are sent directly to the District by the telephone providers located within our region. The current year revenue totaled \$1,700,261 or 16% of total service fees collected. This is a decrease of \$153,109 from fiscal year 2020. Use of landline phones continue to decrease. This trend should continue. There was \$26,000 of fiscal year 2019 assessments collected in fiscal year 2021. These receipts were from the first months of

NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

operation for the District. The telephone providers originally remitted the funds to the Comptroller.

- Local contributions are funds collected by various sources for special events or projects. This is not a significant portion of the District's revenue.

Governmental activities total expenses include operating expenses totaling \$8,848,993 and depreciation expense totaling \$1,869,593. Operating expenses increased \$32,699 from fiscal year 2020. Key elements of the operating expenses are as follows:

- Staff costs which primarily include salaries and fringe benefits and other costs to provide programmatic support totaled \$4,222,034 in fiscal year 2021. This was a decrease of \$107,213 or 2.5% as compared to fiscal year 2020 primarily due to less cost reimbursement to Texas 9-1-1 Alliance in fiscal year 2021 totaling \$58,437. Additionally travel and employee development was less in fiscal year 2021 due to COVID travel restriction.
- NCTCOG was established as the fiscal agent for the District in December 2018 (See Note E on pages 28-29 of this report). These costs include accounting, legal and marketing costs for the District. NCTCOG fiscal agent costs for the year totaled \$279,349. This is an increase of \$2,217 or 1% as compared to fiscal year 2020.
- Cost of operations are direct operating costs for the District totaling \$3,836,119. These costs primarily include data network, equipment and software support and maintenance, and contract services. This is an increase of \$171,735 or 5% as compared to fiscal year 2020. Key elements of this category include:
 - Network security upgrades
 - Decrease in contract services costs for strategic services in fiscal year 2021.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financial requirements. In particular, *unassigned fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$4,398,461, an increase of \$2,016,124 or 85% as compared with the prior year. Approximately 96% of this total (\$4,101,918) is available for spending at the District's discretion. The General Fund is the chief operating fund of the District. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to total fund expenditures. Assigned and unassigned fund balance (\$4,101,918) represents approximately 46% of total governmental fund expenditures of \$8,843,172. The remainder of fund balance (\$296,543) is reserved to indicate that it is not available for use because it has already been committed to liquidate contracts and purchase orders of the prior period along with future project obligations.

NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

General Fund Budgetary Highlights

During the year there was no need for any amendments to increase either the original estimated revenues or original budgeted expenditures. The District budget provided for a fund balance increase totaling \$100,630, actual fund balance increase for the year totaled \$2,016,124 (see supplementary information). This increase is due to higher wireless revenue than expected and lower expenditures than planned primarily due to the following:

- Total staff costs were below end of year targets by \$566,887 or 12% due to the following:
 - Two (2) positions unfilled during the year.
 - Training and travel restrictions due the COVID pandemic.
 - Less fleet costs than planned due to COVID restrictions.
 - Texas 911 Alliance reimbursement was less than planned.
- Cost of operations expenditures were below end of year targets by \$777,466 or 17%. This was primarily due to lower contract services costs. The District made a concerted effort to keep these costs low to develop a fund balance for operating and capital expenditure reserves.

Capital Asset and Long-Term Liability Administration

Capital assets. The District's investment in capital assets as of September 30, 2021, totaled \$889,246 (net of accumulated depreciation). This investment in capital assets includes equipment and leasehold improvements. This investment also includes capital assets transferred from NCTCOG at District formation. Detailed information on the District's capital assets can be found in Note F.

Economic Factors and Next Year's Budgets and Rates

The District is primarily funded with emergency service fees collected by telephone providers in our region. Revenues for fiscal year 2022 are projected to total \$10,617,000 as follows:

- \$9,060,000 or (85%) projected from wireless providers. These revenues are first sent to the Texas Comptroller then distributed to the regions according to the relative percentage of their individual populations compared to the State total population.
- \$1,550,000 or (15%) projected from landline providers. Landline revenue is sent directly to the District from the telephone providers.
- \$7,000 is projected from other local sources. This includes microwave tower space rental and interest earned on investments.

The District is planning on utilizing \$597,250 of accumulated fund balance in fiscal year 2022 for new capital expenditures.

The District continues to ensure that the telephone provider fees are collected as accurately and timely as possible.

Service fee rates for wireless providers is set by the Texas Legislature. The current rate is \$.50 per line. Landline rates are set by each District with a State legislative maximum of \$.50 per line. The District's rate has been approved by the Board at the maximum of \$.50 per line.

District expenses are projected to total \$11,214,2500 for Fiscal Year 2022 resulting in a balanced budget. Salaries and fringe benefits totaling \$3,480,400 (31%) account for the largest portion of the operating budget followed by network cost totaling \$2,661,650 (24%).

NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Requests for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Administration, North Central Texas Council of Government, P.O. Box 5888, Arlington, Texas, 76005-5888. This report is also available on the District website, <https://www.nct911.org> and NCTCOG website, <https://www.nctcog.org>.

BASIC FINANCIAL STATEMENTS

NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
 STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
 SEPTEMBER 30, 2021

| | General Fund | Adjustments | Government- Wide Net Position |
|---|---------------------|--------------------|-------------------------------------|
| Assets: | | | |
| Cash and Cash Equivalents | \$ 3,777,999 | \$ - | \$ 3,777,999 |
| Receivables | 733,020 | - | 733,020 |
| Prepays and Other Assets | 296,543 | - | 296,543 |
| Capital Assets, net of accumulated depreciation | - | 889,246 | 889,246 |
| Total Assets | 4,807,562 | 889,246 | 5,696,808 |
| Liabilities: | | | |
| Payable to NCTCOG | 238,436 | - | 238,436 |
| Unearned Revenue | 129,065 | - | 129,065 |
| Total Liabilities | 367,501 | - | 367,501 |
| Deferred Inflow of Resources | 41,600 | - | 41,600 |
| Fund Balance / Net Position: | | | |
| Fund Balance | | | |
| Unrestricted | | | |
| Committed | 296,543 | (296,543) | - |
| Assigned - Capital Replacement | 3,071,918 | (3,071,918) | - |
| Unassigned | 1,030,000 | (1,030,000) | - |
| Total Unrestricted | 4,398,461 | (4,398,461) | - |
| Subtotal Fund Balance | 4,398,461 | (4,398,461) | - |
| Net Position | | | |
| Investment in Capital Assets | - | 889,246 | 889,246 |
| Unrestricted | - | 4,398,461 | 4,398,461 |
| Subtotal Net Position | - | 5,287,707 | 5,287,707 |
| Total Fund Balance / Net Position | \$ 4,398,461 | \$ 889,246 | \$ 5,287,707 |

Adjustments are for capital assets. Capital assets used in governmental activities are not financial resources and therefore, are not reported in the General Fund.

See accompanying notes to the basic financial statements.

NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

| | General Fund | Adjustments | Statement of Activities |
|---------------------------------------|--------------|-------------|----------------------------|
| Revenues | | | |
| Wireless Service Fees | \$ 9,152,824 | \$ - | \$ 9,152,824 |
| Landline Service Fees | 1,700,261 | - | 1,700,261 |
| Local Contributions & Other Income | 12,032 | - | 12,032 |
| Total Revenues | 10,865,117 | - | 10,865,117 |
| Expenditures / Expenses | | | |
| Staff Costs | 4,222,034 | - | 4,222,034 |
| NCTCOG Fiscal Agent Costs | 279,349 | - | 279,349 |
| Cost of Operations | 3,836,119 | - | 3,836,119 |
| Local Government Reimbursements | 511,491 | - | 511,491 |
| Depreciation | - | 1,869,593 | 1,869,593 |
| Total Expenditures / Expenses | 8,848,993 | 1,869,593 | 10,718,586 |
| Change in Fund Balance / Net Position | 2,016,124 | (1,869,593) | 146,531 |
| Fund Balance / Net Position | | | |
| Beginning | 2,382,337 | 2,758,839 | 5,141,176 |
| Ending | \$ 4,398,461 | \$ 889,246 | \$ 5,287,707 |

Adjustments:

General Fund reports capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

See accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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**NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
For the Fiscal Year Ended September 30, 2021**

NOTE A - GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The North Central Texas Emergency Communications District (NCT9-1-1 or the District) was created pursuant to Chapter 772, Subchapter H, of the Texas Health and Safety Code as amended by the 84th Legislature, through passage of resolutions by County Commissioners Courts and City Councils within the District's service area. The District began operations on December 3, 2018. The District is a political subdivision of the State.

Summary of Significant Accounting Policies

Texas Health and Safety Code Sec. 772.609 established that the North Central Texas Council of Governments (NCTCOG) shall be the fiscal and administrative agent on behalf of the District. District bylaws Article IV Administration 4.1 states the Executive Director of the NCTCOG shall serve as the Executive Director of the District and be empowered to employ and compensate professional staff to perform NCT9-1-1 duties, which shall remain employees of the NCTCOG for all purposes. The accounting and reporting policies of NCTCOG relating to the funds included within the accompanying basic financial statements conform in all material respects to accounting principles generally accepted in the United States of America and applicable to state and local governments.

The following significant accounting policies were applied in the preparation of the accompanying basic financial statements:

Reporting Entity

Primary Government

The North Central Texas Emergency Communications District was created on December 5, 2018. As a political subdivision of the State, NCT9-1-1 provides 9-1-1 service to more than 40 Emergency Communications Centers (ECC) across North Central Texas. The District's service area consists of Collin, Ellis, Hood, Hunt, Johnson, Kaufman, Navarro, Palo Pinto, Parker, Rockwall, Somerville, and Wise Counties, as well as the Dallas County cities of Balch Springs, Cockrell Hill, Sachse, Seagoville, and Wilmer.

The District is governed by a Board of Managers (Board), consisting of elected officials. Each member county may have one Board member, with the exception of the largest county by population, which may have up to six (6) Board members. The Board is comprised of a maximum of nineteen (19) members.

The County Judge of each member county has responsibility to notify the District of their Board member appointment with the exception of Collin County and the cities within Dallas County. The mayor of each Collin County member city makes its Board appointment and the member cities in Dallas County are responsible for mutually agreeing and making notification of Board appointment. Each Board member's term of office is two years, and the terms are staggered so that half of the Board is up for appointment each year.

**NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
For the Fiscal Year Ended September 30, 2021**

NOTE A - GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity (continued)

NCTCOG serves as the fiscal and administrative agent of the District and provides staff. All expenses for these services are reimbursed by the District.

The financial reporting entity is determined in accordance with GASB No. 14 "The Financial Reporting Entity", as amended by GASB No. 39, "Determining Whether Certain Organizations are Component Units".

The District is a discretely presented component unit of the NCTCOG. As a discretely presented component unit, the accompanying financial statements are presented as a stand-alone entity from the NCTCOG.

Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Emergency communication fees are recognized as revenue in the year for which they are billed.

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental funds and proprietary funds. The District currently reports only one major fund (General Fund). The Special Revenue fund is not material to report as a major fund. There are no proprietary funds held by the District.

Governmental funds are those funds through which most governmental functions typically are financed. The District has presented the General Fund as a major fund.

General Fund

The General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

**NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
For the Fiscal Year Ended September 30, 2021**

**NOTE A - GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

Measurement Focus and Basis of Accounting (continued)

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred. Prepaid items are accounted for under the consumption method.

The governmental fund type (General Fund) uses a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Their revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, revenues are considered available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable.

The major sources of revenue are emergency 9-1-1 fees collected from telephone providers in the District's service area according to Texas Health and Safety Code.

9-1-1 Service Fees Collected

Service fee revenue is recognized in the year for which they are billed. Service fee rates for wireless providers are determined according to the state of Texas Health and Safety Code Sec 771.0711. The current rate is \$0.50 per line. Local exchange access line (landline) rates are set by the District. Texas Health and Safety Code Sec. 772.615.(d) sets the maximum fee at \$.50 per line. The District Board of Managers have set the District landline rate at \$0.50 per line.

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District, before it has a legal claim to them, as when donations for specific activities are received before the qualifying event. In subsequent periods, when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for the unearned revenue is removed from the balance sheet and revenue is recognized.

Deferred inflows arise from long term receivables created during the startup of the District. The amounts are recognized in the periods that they are collected.

Local Contributed Cash

Contributions to special event programs from local participants and contributors are recognized as revenue when the event occurs, or expenditures are recognized for the event.

**NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
For the Fiscal Year Ended September 30, 2021**

NOTE A - GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiscal Agent Support

Texas Health and Safety Code Sec. 772.609 established that the NCTCOG shall be the fiscal and administrative agent on behalf of the District. NCTCOG, acting as fiscal and administrative agent, provides the following services: accounting and reporting, procurement, accounts payable/receivable, human resources, payroll functions, coordination of annual independent audit, facilities coordination, provision of a depository, and investment functions.

NCTCOG policies and procedures are followed by the District for the fiscal and administrative agent functions provided by NCTCOG.

District bylaws Article IV Administration 4.1 states the Executive Director of the North Central Texas Council of Governments (NCTCOG) will serve as the Executive Director of the District and be empowered to employ and compensate professional staff to perform NCT9-1-1 duties, which will remain employees of the North Central Texas Council of Governments for all purposes. District staff are employees of the NCTCOG and are subject to NCTCOG employee policies.

Leave Policies

Employees eligible for leave include (1) full-time employees and (2) part-time employees that work a minimum of 20 hours per week.

Based on full time or part time accrual rates employees may accrue, during the first five years of employment, up to ten (10) days of vacation leave per year. During the second five years of employment, an employee accrues up to fifteen (15) days per year, and after ten years of employment, up to twenty (20) days per year. The maximum of unused vacation leave a full-time and eligible part-time employee may accumulate is the number of days, which the employee would accumulate in three (3) years at their current accrual rate. Upon termination of employment from the NCTCOG, an employee will be paid for unused vacation leave not to exceed the maximum amount normally accrued based on hire date. Specific information related to vacation accrual is available for reviewing the NCTCOG personnel manual. No provision has been made in the financial statements for accrued vacation. The vacation liability is reflected the NCTCOG Annual Comprehensive Financial Report.

NCTCOG's sick leave policy permits the accumulation of ten (10) sick days per year up to a maximum of ninety (90) days. Employees are not paid for unused sick days upon termination of employment. Accordingly, sick pay is charged to expenditures when taken. No provision has been made in the financial statements for unused sick leave. NCTCOG's General Fund is typically used to liquidate the liability for governmental activities' compensated absences. Long-term accrued compensated absences are not expected to be liquidated with expendable available financial resources and are not reported in the governmental fund financial statements.

**NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
For the Fiscal Year Ended September 30, 2021**

**NOTE A - GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

Investments

The Board authorized NCTCOG to invest available District funds on behalf of the District according to the NCTCOG's investment policies and procedures.

See note B for details of the District investments. The District fund balance goals as reflected within District policy FIN3.1 (Use of Funds).

NCTCOG invests in authorized investment pools and funds according to the Public Funds Investment Act as follows:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires NCTCOG to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize NCTCOG to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) investment pools, (9) guaranteed investment contracts and (10) common trust funds. The Act also requires NCTCOG to have independent auditors perform test procedures related to investment practices as provided by the Act. NCTCOG is in substantial compliance with the requirements of the Act and with local policies.

In accordance with GASB Statement No. 79, Certain External Investment Pools and Pool Participants, the Local Government Investment Pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates reporting under GASB Statement No. 72.

Prepaid Items

Prepaid balances are for payments made by the District for which benefits extend beyond September 30, 2021. The cost of the General Fund prepaid balances is recorded as an expenditure when consumed rather than when purchased.

Allocation of Employee Benefits and Indirect Costs

NCTCOG Employee Benefits and Indirect Costs are allocated based upon actual expenditures to all grants and programs in accordance with Title 2 U.S. Code of Federal Regulations Part 200 (2CFR200). NCTCOG employee benefits are allocated to projects based on a relative percentage of the direct labor costs charged to the individual project as compared to the total NCTCOG direct labor costs. Indirect costs necessary to sustain overall operations are allocated to individual projects based on the relative percentage of total direct labor costs and employee benefits charged to the particular project compared to the NCTCOG total direct labor and employee benefits. Contributions to Indirect Costs represent revenues that offset certain costs

**NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
For the Fiscal Year Ended September 30, 2021**

**NOTE A - GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

Allocation of Employee Benefits and Indirect Costs (continued)

included in the Indirect Cost Pool. As employees of NCTCOG and as NCTCOG functioning as fiscal agent, the District participates in the same allocations as other NCTCOG activities.

General and administrative costs are recorded in the NCTCOG General Fund as indirect costs in the accounting system and allocated to programs based upon a negotiated indirect cost rate. Indirect costs are defined by Title 2 U.S. Code of Federal Regulations Part 200 (2CFR200) as costs “(a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objective specifically benefited, without effort disproportionate to the results achieved.” NCTCOG’s indirect cost rate is based upon prior cost experience, documented by a cost allocation plan, and is approved by its cognizant agency. It is NCTCOG’s policy to negotiate with the cognizant agency a provisional rate which is used for billing purposes during NCTCOG’s fiscal year. Upon the completion of an independent audit at the end of each fiscal year, the indirect cost rate is finalized by the cognizant agency.

Capital Assets

Capital assets, which include equipment, furniture, and leasehold improvements, are reported in the General Fund column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are reported at their acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. See Note F for details on capital assets.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. NCTCOG maintains workers' compensation insurance for staff, The District maintains insurance for other risks of loss coverage through commercial insurance carriers. NCTCOG’s and the District’s management believes such coverage is sufficient to preclude any significant uninsured losses. There were no significant reductions in insurance coverage from coverage in the prior year. There were no insurance settlements which exceeded insurance coverage in any of the past three years.

The District and NCTCOG participates in the Texas Municipal League Intergovernmental Risk Pool (TML-IRP) to provide workers' compensation coverage and general liability and property insurance. The District, along with other participating entities, contributes annual amounts determined by TML-IRP management.

As claims arise, they are submitted to and paid by TML-IRP. There were no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the year ended September 30, 2021.

**NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
For the Fiscal Year Ended September 30, 2021**

**NOTE A - GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

Cash and Cash Equivalents

Cash of all funds is pooled into a common bank account in order to maximize investment opportunities. The external investment pools satisfy the definition of cash equivalents; however, it is the NCTCOG's policy to treat these as investments rather than cash equivalents. NCTCOG elects to exclude investments with an original maturity of one year or less from the date of purchase from fair value reporting. These investments are reported at amortized cost.

Nature and Purpose of Restrictions and Assignment of Fund Equity

In the government-wide financial statements, net position is reported in three categories: net position invested in capital assets; restricted net position; and unrestricted net position. Net position invested in capital assets represent capital assets less accumulated depreciation. Restricted net position represents net position restricted by parties outside of the District. All other net positions are considered unrestricted.

In accordance with Governmental Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows.

Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers either through laws and regulations, constitutionally or through enabling legislation.

Committed fund balance – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the highest level of decision-making authority. Committed fund balance is reported pursuant to resolution passed by the District's Board of Managers. It also includes amounts that can be used only for the specific purposes determined by the Board of Managers. Commitments may be changed or lifted only by the Board of Managers.

Assigned fund balance – includes fund balance amounts that are self-imposed by the District to be used for a particular purpose and comprises amounts intended to be used by the District for specific purposes and is authorized by the Board of Managers or by the Executive Director. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed.

Unrestricted fund balance - total of committed fund balance, assigned fund balance, and unassigned fund balance. In an effort to ensure the continuance of sound financial management of public resources, the District's unrestricted fund balance will be maintained in the General Fund. This will provide the District with sufficient funds to address emergencies, sudden loss of revenue or operating needs, and unexpected downturns without borrowing.

This policy establishes the amounts the District will strive to maintain in its General Fund balance, the conditions under which fund balance may be spent, and the method by which fund balances will be restored. These amounts are expressed as goals, recognizing that fund balance levels can fluctuate from year to year in the normal course of operations for any government.

**NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
For the Fiscal Year Ended September 30, 2021**

**NOTE A - GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

Nature and Purpose of Restrictions and Assignment of Fund Equity (continued)

Minimum Unassigned/Unrestricted Fund Balance - It is the intent of the District to limit use of unassigned/unrestricted fund balances to address unanticipated, non-recurring needs or known and planned future obligations. Fund balances shall not normally be applied to recurring annual operating expenditures. Unassigned fund balances may, however, be used to allow time for the District to restructure its operations in a deliberate manner, but such use will only take place in the context of long-term financial planning.

The District's unassigned/unrestricted fund balance in the General Fund should represent no less than ten (10) percent of the annual revenue budget at the end of the fiscal year. The District considers a fund balance of less than ten percent of budgeted revenues to be cause for concern, barring unusual or deliberate circumstances.

If unassigned fund balance falls below the targeted minimum level or has a deficiency, the District will evaluate the shortage and a plan of action will be created to re-establish the target levels.

Regarding expenditures for which more than one category of fund balance could be utilized, it is the policy of the District that the order of use is: Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance. A schedule of NCT9-1-1 fund balances is provided in Note J.

**NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
 NOTES TO FINANCIAL STAMTENTS (continued)
 For the Fiscal Year Ended September 30, 2021**

NOTE B - CASH AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Act contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things it requires the NCTCOG, as fiscal agent for the District, to adopt, implement and publicize an investment policy. That policy must address the following areas:

(1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar weighted maturity, allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes and the NCTCOG’s investment policy authorized the NCTCOG to invest in the following investments as summarized in the table below:

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage of Portfolio</u> | <u>Maximum Investment in One Issuer</u> |
|-----------------------------------|-------------------------|--|---|
| US Treasury Securities | < 2 years | 100% | none |
| US Agencies and Instrumentalities | < 2 years | 85% | none |
| Certificates of Deposit | < 2 years | 100% | none |
| Repurchase Agreements | < 120 days | 20% | none |
| Money Market Mutual Funds | < 2 years | 50% | none |
| Local Government Investment Pools | < 2 years | 100% | none |

The Act also requires the NCTCOG to have independent auditors perform test procedures related to investment practices as provided by the Act. The NCTCOG is in substantial compliance with the requirements of the Act and with local policies.

The District’s cash and investments as of September 30, 2021, are classified in the accompanying financial statements as follows:

**NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
 NOTES TO FINANCIAL STATEMENTS (continued)
 For the Fiscal Year Ended September 30, 2021**

**NOTE B - CASH AND INVESTMENTS (continued)
 Legal and Contractual Provisions Governing Deposits and Investments (continued)**

Statement of net position:

| | |
|----------------------------|---------------------|
| Primary Government: | |
| Total Cash and Investments | <u>\$ 3,777,999</u> |

Cash and investments as of September 30, 2021 consist of the following:

| | |
|--------------------------------------|---------------------|
| Deposits with financial institutions | \$ 1,627,712 |
| TxPool Governmental Investment Fund | <u>2,150,287</u> |
| Total Cash and Investments | <u>\$ 3,777,999</u> |

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the NCTCOG manages its exposure to risk is to invest in local government investment pools because all invested funds are intended to cover expenditures that are expected to occur within the next twelve months.

As of September 30, 2021, all the District's investments of \$2,150,287 was invested in the TexPool Local Government Investment Funds. NCTCOG did not invest in any securities on behalf of the District which are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and NCTCOG's investment policy do not contain legal policy requirements that would limit the exposure to custodial credit risk for deposits or investment other than the following provision for deposits:

**NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
For the Fiscal Year Ended September 30, 2021**

**NOTE B - CASH AND INVESTMENTS (continued)
Custodial Credit Risk (continued)**

- The Public Funds Investment Act requires that a financial institution secure deposit made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must always equal at least the bank balance less the FDIC insurance.

At September 30, 2021, the District's deposits were entirely covered by collateral and FDIC insurance.

Interest Rate Risk. In accordance with its investment policy, NCTCOG manages its exposure to declines in fair values by limiting the maximum allowable stated maturity of any individual investment to one year, unless otherwise provided in a specific investment strategy that complies with current law.

Credit Risk. It is NCTCOG's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. NCTCOG's investment pool was rated AAAM by Standard and Poor's Investors Service.

Concentration of Credit Risk. NCTCOG's policy is to diversify its portfolio to eliminate the risk of loss resulting from overconcentration of assets in a specific maturity, a specific issuer or a specific class of investments.

NCTCOG, as fiscal agent for the District, is a voluntary participant in various investment pools organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Public Funds Investment Act allows eligible entities of the State of Texas to jointly invest their funds in permitted investments. The District has authorized NCTCOG to invest District funds in the following funds:

Investment in Local Government Pools

TexPool: The Texas Comptroller of Public Accounts (the Comptroller) is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. Administrative and investment services to TexPool are provided by Federated Investors, Inc., under an agreement with the Comptroller, acting on behalf of the Texas Treasury Safekeeping Trust Company. The Comptroller maintains oversight of the services provided to TexPool by Federated Investors, Inc. In addition, the TexPool Advisory Board advises on the Investment Policies for TexPool and approves any fee increases. As required by the Public Funds Investment Act, the Advisory Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

TEXSTAR: J.P. Morgan Investment Management Inc. and First Southwest Company serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors. JPMIM provides investment management services, and First Southwest Company provides participant services and marketing. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investor Services Co. Transfer agency services are provided by Boston Financial Data Services, Inc. TexSTAR's advisory board is composed of Participants in TexSTAR

NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

For the Fiscal Year Ended September 30, 2021

NOTE B - CASH AND INVESTMENTS (continued)

Investment in Local Government Pools (continued)

and other persons who do not have a business relationship with TexSTAR. Members are appointed and serve at the will of the Board.

NOTE C – DEFERRED COMPENSATION PLAN

NCTCOG offers its employees (District staff are employees of NCTCOG) a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The International City Management Association Retirement Corporation (ICMARC) administers the plan. The plan, available to all NCTCOG employees, permits them to defer a portion of their salary until future years. All amounts of compensation deferred, all property and rights purchased, and all income, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries. NCTCOG has no fiduciary responsibility for the plan and the amounts are not accessible by the NCTCOG or its creditors. Therefore, the plan assets are not reported in the financial statements.

The NCTCOG also contributes to a Section 457 deferred compensation plan for part-time employees. This plan is also administered by ICMARC. Part-time employees working less than 30 hours per week participate in the 457-retirement plan offered through ICMA. The employee contributes 3.75% of tax deferred gross pay and NCTCOG contributes 3.75%. All contributions are vested 100% immediately.

NOTE D – RECEIVABLES

The District is primarily funded by emergency communications fees collected from telephone providers per the Texas Health and Safety Code. The fees are due from the telephone providers 30 days after the month end in which the fees are collected.

Before the creation of the District, telephone providers submitted all fees to the Texas Comptroller. The Comptroller ceased accepting fees for the District at the end of the February 2019 collections. The District has been working with the telephone providers in an effort to collect the fees that were originally sent to the Texas Comptroller for the months of December 2018 through February 2019. Most of these submissions have been redirected to the District. As of September 30, 2021, there are still approximately \$41,600 of fees from these months remaining to be collect by the District.

9-1-1 Service Fees Due as of September 30, 2021:

| | | |
|---|----|----------------|
| Wireless Fees | \$ | 455,699 |
| Landline Fees | | 235,721 |
| Total Service Fees Due September 30, 2021 | | <u>691,420</u> |

Deferred Inflows

| | | |
|-------------------------------------|--|---------------|
| Uncollected Receivables from FY2019 | | 41,600 |
| Total Deferred Inflows | | <u>41,600</u> |

| | | |
|--|----|-----------------------|
| Total Receivables as of September 30, 2021 | \$ | <u><u>733,020</u></u> |
|--|----|-----------------------|

NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
For the Fiscal Year Ended September 30, 2021

NOTE E – PRIMARY GOVERNMENT TRANSACTIONS

Texas Health and Safety Code Sec. 772.609 established that the NCTCOG shall be the fiscal and administrative agent on behalf of the District. NCTCOG, acting as fiscal and administrative agent, provides the following services: accounting and reporting, procurement, accounts payable/receivable, human resources, payroll functions, coordination of annual independent audit, facilities coordination, information technology support, provision of a depository, and investment functions.

As of September 30, 2021, there were payables due from the District to the NCTCOG (as fiscal agent for the District) totaling \$238,436.

The outstanding balances between the District and the NCTCOG result primarily from the time lag between dates that goods and services are provided, or reimbursable expenditures occur and/or payments are made. As Fiscal Agent for the District, the NCTCOG receives and makes payments on behalf of the District.

Allocation of Employee Benefits and Indirect Costs

NCTCOG Employee Benefits and Indirect Costs are allocated based upon actual expenditures to all grants and programs in accordance with Title 2 U.S. Code of Federal Regulations Part 200 (2CFR200). NCTCOG employee benefits are allocated to projects as a percentage of NCTCOG direct labor costs. Indirect costs necessary to sustain overall operations are allocated as a percentage of total direct labor costs and employee benefits charged to projects. Contributions to Indirect Costs represent revenues that offset certain costs included in the Indirect Cost Pool. As employees of NCTCOG and as NCTCOG functioning as fiscal agent, the District participates in the same allocations as other NCTCOG activities.

General and administrative costs are recorded in the NCTCOG General Fund as indirect costs in the accounting system and allocated to programs based upon a negotiated indirect cost rate. Indirect costs are defined by 2CFR200 as costs “(a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objective specifically benefited, without effort disproportionate to the results achieved.” NCTCOG’s indirect cost rate is based upon prior cost experience, documented by a cost allocation plan, and is approved by its cognizant agency. It is NCTCOG’s policy to negotiate with the cognizant agency a provisional rate which is used for billing purposes during NCTCOG’s fiscal year. Upon the completion of an independent audit at the end of each fiscal year, the indirect cost rate is finalized with the cognizant agency.

**NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
For the Fiscal Year Ended September 30, 2021**

NOTE E – PRIMARY GOVERNMENT TRANSACTIONS (continued)

Allocation of Employee Benefits and Indirect Costs (continued)

The NCTCOG provides the following benefits to employees:

- Medical Insurance
- Medicare Insurance
- Workers Compensation
- Flexible Benefit Plan
- Life & Disability Insurance
- Unemployment Insurance
- Retirement
- Vacation
- Sick Leave
- Holiday Leave
- Other Leave

The District allocated costs for NCTCOG indirect costs totaled \$464,231 for District staff and \$32,514 for NCTCOG staff charged to the District resulting in an overall indirect cost of \$496,745 for Fiscal Year 2021. The District allocated costs for NCTCOG benefits were \$956,268 for District staff and \$66,975 for NCTCOG staff charged to the District resulting in an overall benefit cost of \$1,023,243 for Fiscal Year 2021.

NCTCOG Schedule of Indirect Costs, Indirect Cost Limitations Test, and Schedule of Employee Benefits can be found on the NCTCOG website at <https://www.nctcog.org>.

Information Technology Support

The NCTCOG provides information technology support to the District. As employees of the NCTCOG, District staff are provided with computers and other technologies available to all NCTCOG staff. NCTCOG technology support costs are allocated to departments primarily on type of equipment supported and services provided.

Fiscal Year 2021 network service costs totaled \$196,573 for the District. The District reimbursed NCTCOG an additional \$13,764 of network service cost for NCTCOG staff providing fiscal agent support resulting in an overall cost of \$210,336 for fiscal year 2021.

**NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STAMTENTS (continued)
For the Fiscal Year Ended September 30, 2021**

NOTE E – PRIMARY GOVERNMENT TRANSACTIONS (continued)

Payable to NCTCOG

As of September 30, 2021, the District has a payable to NCTCOG totaling \$238,436. These amounts are for year-end transactions in process. A summary of the amounts due to NCTCOG are as follows:

| | <u>General Fund</u> | <u>Speical Revenue Fund</u> | <u>Total</u> |
|--|-------------------------|---------------------------------|-------------------|
| Due To NCTCOG | | | |
| Accounts Payable | \$ 141,262 | \$ - | \$ 141,262 |
| Salaries & Wages Payable | 196,182 | - | 196,182 |
| Other Payables | 12,316 | - | 12,316 |
| Unearned Local Revenue Transferred at District Creation | | (111,323) | (111,323) |
| Total Due to NCTCOG | <u>\$ 349,760</u> | <u>\$ (111,323)</u> | <u>\$ 238,436</u> |

NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
For the Fiscal Year Ended September 30, 2021

NOTE F – CAPITAL ASSETS

A summary of changes in the capital assets for the fiscal year ended September 30, 2021, follows:

| | Balance at September 30 2020 | Increases | Decreases | Balance at September 30 2021 |
|---|------------------------------------|-----------------------|------------------------|------------------------------------|
| General Fund Capital Assets | | | | |
| <u>Assets transferred from NCTCOG</u> | | | | |
| Capital Assets being Depreciated | | | | |
| Equipment and Furniture | \$ 14,766,883 | \$ - | \$ (774,336) | \$ 13,992,547 |
| Leasehold Improvements | 854,251 | - | - | 854,251 |
| Total Assets Transferred | <u>\$ 15,621,134.39</u> | <u>\$ -</u> | <u>\$ (774,335.97)</u> | <u>\$ 14,846,798.42</u> |
| Accumulated Depreciation | | | | |
| Equipment and Furniture | 12,908,507 | 1,505,668 | (774,336) | 13,639,840 |
| Leasehold Improvements | 503,154 | 49,991 | - | 553,145 |
| Total Accumulated Depreciation | <u>13,411,661</u> | <u>1,555,660</u> | <u>(774,336)</u> | <u>14,192,985</u> |
| Total Assets Transferred from NCTCOG, net | 2,209,473 | (1,555,660) | - | 653,814 |
| <u>Assets acquired by the District</u> | | | | |
| Equipment and Furniture | 941,800 | 1 | - | 941,801 |
| Total Assets Acquired | <u>941,800</u> | <u>1</u> | <u>-</u> | <u>941,801</u> |
| Accumulated Depreciation | | | | |
| Equipment and Furniture | 392,435 | 313,934 | - | 706,369 |
| Total Accumulated Depreciation | <u>392,435</u> | <u>313,934</u> | <u>-</u> | <u>706,369</u> |
| Total Assets Acquired, net | 549,365 | (313,933) | - | 235,432 |
| Capital assets, net | <u>\$ 2,758,838</u> | <u>\$ (1,869,593)</u> | <u>\$ -</u> | <u>\$ 889,246</u> |

Assets capitalized have an original cost of \$5,000 or more per unit and over three (3) years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

| | |
|------------------------|---------------------------|
| Equipment | 3 years |
| Furniture | 5 years |
| Leasehold Improvements | Length of remaining lease |

Depreciation expense was charged as direct expense to the primary government as follows:

| | |
|----------------------------|---------------------|
| Equipment | \$ 1,819,602 |
| Leasehold Improvements | 49,991 |
| Total depreciation expense | <u>\$ 1,869,593</u> |

**NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
 NOTES TO FINANCIAL STAMTENTS (continued)
 For the Fiscal Year Ended September 30, 2021**

NOTE G – RETIREMENT PLAN

District staff are employees of the NCTCOG and participates in the NCTCOG’s retirement plan. International City Management Association Retirement Corporation (ICMARC) administers the NCTCOG’s 401(a) retirement plan. It is a defined contribution retirement plan, which provides retirement benefits for all full-time permanent employees. The NCTCOG contributed an amount of \$242,707 during fiscal year 2021 equal to twelve percent (12%) of the permanent full-time employees' gross salaries for District staff. District full-time employees also contributed an amount of \$121,353 during 2021 equal to six percent (6%) of gross salaries. Total District payroll for the year totaled \$2,022,555 including \$2,022,555 payroll covered by the plan. Employees become forty percent (40%) vested in the NCTCOG's contributions after three (3) full years of employment. An additional fifteen percent (15%) vesting occurs for each additional full year of employment over the next four (4) years. An employee becomes fully vested after seven (7) years of employment. The NCTCOG’s retirement plan was formed under the authority of the NCTCOG’s Executive Board and the Executive Board has the authority to amend/or terminate the retirement plan and/or contribution requirements at any time.

NOTE H – COMMITMENTS

The NCTCOG entered into an agreement with Flexential during Fiscal Year 2015 for the lease of two (2) commercial data centers. The contract was amended on April 1, 2020 for thirty-six (36) months. The maximum amount authorized for the amended contract is an amount not to exceed \$2,935,977. The District’s rental expenditures under this service agreement totaled \$301,749 for Fiscal Year 2021.

Future minimum rental payments required under this lease are as follows:

| <u>Year Ending September 30</u> | <u>Amount</u> |
|-------------------------------------|-------------------|
| 2022 | \$ 282,410 |
| 2023 | <u>140,818</u> |
| | <u>\$ 423,228</u> |

The NCTCOG leases office space for the NCTCOG in its entirety. The District staff utilizes a portion of that space and reimburses NCTCOG for the facilities costs based on square footage used by the District. Fiscal Year 2021 facilities costs totaled \$405,557 for the District. The District reimbursed NCTCOG an additional \$7,996 of facilities cost for NCTCOG staff providing fiscal agent support for a total facilities cost of \$413,553.

NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
For the Fiscal Year Ended September 30, 2021

NOTE I – UNEARNED REVENUE

The General Fund uses a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Their revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, revenues are considered available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable (See Note A).

Contributions to special event programs from local participants and contributors are recognized as revenue when the event occurs, or expenditures are recognized for the event. The District had unearned revenue from special event contributions totaling \$129,065 as of September 30, 2021.

NOTE J – FUND BALANCE

Since becoming an independent District, an accumulation of a fund balance (greater revenue than expenditures) is a foreseen occurrence. District policy allows for the establishment of multiple funds for tracking and management of long-term planning. The District will use the General Fund to account for routine business of the District including reimbursements to NCTCOG. The fund balance goal for the General Fund is to accumulate a "reserve" totaling ten percent (10%) of annual revenue budget. The priority use of Fund Balance after the reserve is met is as follows:

1. Contributions designated for capital funding and replacement
2. Contributions designated for special projects
3. Contributions designated for local government reimbursements.

In accordance with GASB 54 the District classifies governmental fund balances as follows:

| | | <u>General Fund</u> |
|--------------------------------|------------------|--------------------------------|
| FUND BALANCES: | | |
| Restricted | | \$ - |
| Unrestricted: | | |
| Committed | | 296,543 |
| Assigned - Capital Replacement | \$ 3,071,918 | |
| Unassigned | <u>1,030,000</u> | |
| Total Assigned / Unassigned | | <u>4,101,918</u> |
| Total Unrestricted | | <u>4,398,461</u> |
| Total Fund Balances | | <u><u>\$ 4,398,461</u></u> |

REQUIRED SUPPLEMENTAL SCHEDULES



NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
 BUDGETARY COMPARISON
 GENERAL FUND
 YEAR ENDED SEPTEMBER 30, 2021

| | Budgeted Amount | | Budget Basis Actual | Variance With Final Budget Positive (Negative) |
|--|---------------------|---------------------|------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Wireless | \$ 8,500,000 | \$ 8,500,000 | \$ 9,152,824 | \$ 652,824 |
| Landline | 1,800,000 | 1,800,000 | 1,700,261 | (99,739) |
| Other Revenue | - | - | 6,211 | 6,211 |
| Total Revenues | 10,300,000 | 10,300,000 | 10,859,296 | 559,296 |
| EXPENDITURES | | | | |
| Staff Costs | 4,783,100 | 4,783,100 | 4,216,213 | (566,887) |
| Fiscal Agent Support | 315,550 | 315,550 | 279,349 | (36,201) |
| Cost of Operations | 4,510,720 | 4,510,720 | 3,733,254 | (777,466) |
| Local Government Reimbursements | 590,000 | 590,000 | 614,356 | 24,356 |
| Total Expenditures | 10,199,370 | 10,199,370 | 8,843,172 | (1,356,198) |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>100,630</u> | <u>100,630</u> | <u>2,016,124</u> | <u>1,915,494</u> |
| Fund Balance - Beginning | <u>2,016,124</u> | <u>2,016,124</u> | <u>2,382,337</u> | <u>366,213</u> |
| Fund Balance - Ending | <u>\$ 2,116,754</u> | <u>\$ 2,116,754</u> | <u>\$ 4,398,461</u> | <u>\$ 2,281,707</u> |

Note A: Financial Statement Presentation – Budget Basis

It is the District's policy to prepare the annual budget on a near-term governmental fund basis. This basis includes current year purchase costs of capitalized items. The budget basis does not include depreciation of capital assets or long-term liabilities. Accordingly, the Budgetary Comparison Schedule - General Fund is prepared on the basis utilized in preparing the budget.

NORTH CENTRAL TEXAS EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2021

Note A: Financial Statement Presentation – Budget Basis (continued)

General Fund

| | |
|-------------------------------|---------------------|
| Total Net Expenditures | \$ 8,848,993 |
| Less Cost of Designated Funds | <u>(5,821)</u> |
| Total Budgetary Expenses | <u>\$ 8,843,172</u> |

Note B: Budgetary Controls

The District follows these procedures in establishing the General Fund budgetary data reflected in the basic financial statements:

- a. Prior to October 1, the Executive Director submits to the Board of Managers a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Prior to October 1, the Board of Managers formally approves the budget document following a public hearing.
- c. The approved annual budget is used as a control device for the General Fund.
- d. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons presented for the General Fund in this report are on this GAAP budgetary basis.
- e. Appropriations for the General Fund lapse at the end of the fiscal year.
- f. Expenditures cannot legally exceed appropriations at the fund level. Expenditures are monitored by the NCTCOG's Administration Department. When expenditures are required for functions that have not been budgeted, authorization to incur the expenditures is requested from the District's Board of Managers by resolution during its regular quarterly meetings.
- g. The Program Director is authorized to transfer budgeted amounts between programs up to 10% of annual expenditure budget. Executive Director is authorized to transfer budgeted amounts between programs; however, the District's Board of Managers would approve any revisions, which would increase total expenditures.