DENCO AREA 9-1-1 DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

SEPTEMBER 30, 2021

DENCO AREA 9-1-1 DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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Rod L. Abbott, CPA PLLC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Managers of
Denco Area 9-1-1 District
Lewisville, Texas

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and the major fund of Denco Area 9-1-1 District (the "District") 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

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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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Opinions

In my 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 of the District, as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 3 through 5, *budgetary comparison information* on page 23, and *pension schedules* on pages 24 and 25 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated January 13, 2022, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rod L. Abbott, CPA PLLC
Tom Bean, Texas
January 13, 2022

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DENCO AREA 9-1-1 DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

As management of the Denco Area 9-1-1 District (the "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. We encourage readers to consider the information presented here in conjunction with the basic financial statements which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources as of September 30, 2021 by $13,387,319 (net position). Of that amount, $4,771,102 is unrestricted and may be used to meet the District's ongoing obligations to citizens in accordance with the District's financial policies.
- The District's unrestricted net position increased by $1,326,689 (38.5%) during the year.
- The District's total net position increased by $913,785 (7.3%) during the year.

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 are comprised of two components: (1) government-wide financial statements, which include the fund financial statements, and (2) notes to the financial statements.

The statement of net position includes all the District's assets, deferred inflows and outflows of resources, and liabilities (including long-term items). The statement of activities presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported when 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 years.

The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with the finance-related legal requirements. The General Fund is a governmental fund and the only fund of the District. Governmental fund financial statements focus on current sources and uses 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.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis:

As noted earlier, net position may serve over time as a useful indicator of the District's financial health. At September 30, 2021, the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $13,387,319.

Denco Area 9-1-1 District's Net Position

	FY21	FY20
Current and other assets	$ 5,013,278	$ 3,745,314
Capital assets	8,616,217	9,029,121
Total assets	13,629,495	12,774,435
Deferred outflows of resources	358,253	418,642
Current payables & other liabilities	174,733	80,293
L-T liabilities	140,356	130,257
Total Liabilities	315,089	210,550
Deferred inflows of resources	285,340	508,993
Net position:		
Net investment in capital assets	8,616,217	9,029,121
Unrestricted	4,771,102	3,444,413
Total position	$ 13,387,319	$ 12,473,534

Denco Area 9-1-1 District's Change in Net Position

Revenues:	FY21	FY20
Program revenues		
Charges for 9-1-1 services	$ 5,584,559	$ 5,541,418
Capital grants and contributions	53,093	495,334
Total program revenues	5,637,652	6,036,752
General revenues		
Interest	2,648	29,667
Miscellaneous	171,879	58,310
Total general revenues	174,527	87,977
Total Revenues	5,812,179	6,124,729
Expenses:		
Direct services	3,927,226	4,146,166
General government	971,168	908,196
Total Expenses	4,898,394	5,054,362
Change in net position	913,785	1,070,367
Net position, beginning	12,473,534	11,403,167
Net position, ending	$ 13,387,319	$ 12,473,534

Analysis of District Operations –

Cash and investments increased by $1,606,966 during fiscal year 2021 and was made possible by a $1,615,179 positive General Fund budget variance. The total 2021 increase in net position on the full accrual basis is $913,785. In the prior year (FY2020), net position increased $1,070,367, and cash and investments increased by $478,806.

Debt Administration:

The District does not have any outstanding debt.

Other General Fund Highlights:

The District's 2021 capital outlays for new property, plant, and equipment totaled $111,665 and the majority of the outlays were for 9-1-1 equipment. The General Fund's revenues and other financing sources exceeded its expenditures by $1,515,622 for fiscal year 2021.

For 2021 General Fund budget results, total actual revenues and other financing sources were above budgeted amounts by $649,196. 9-1-1 service fees had the largest positive budget versus actual revenue variance at $325,559. Total actual expenditures were well below the budgeted total, with an overall positive variance of $965,983. The most favorable budget variance was $678,124 for the Direct Services program expenditures. Overall, the General Fund had a positive budget versus actual result of $1,615,179.

Discussion of Currently Known Facts, Decisions or Conditions

Total revenues anticipated for fiscal year 2022 are $5,806,500, with 94.9% being derived from 9-1-1 service fee revenue. This projected revenue is at the same level as fiscal year 2021. Estimated interest earned on investments is projected to remain low. Total expenditures proposed in the fiscal year 2022 budget and financial plan reflect a $1,884,630 increase in spending when compared to the estimated expenditures for fiscal year 2021, based on planned 9-1-1 feature enhancements and a one-time public-safety radio project.

Fiscal year 2021 spending remained less than budgeted due to the impact of COVID-19 on district operations. The approved fiscal year 2022 budget and financial plan anticipates a return to normal operations. Due to the 9-1-1 feature enhancements and the one-time public-safety radio project, the District budgeted its total fund balance to decrease by $1,521,687 during fiscal year 2022.

Requests for Information:

This report is to provide users with an overview of the District's finances. Additional information requests may be directed to the Executive Director at 1075 Princeton St., Lewisville, Texas 75067, or call (972) 221-0911.

DENCO AREA 9-1-1 DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2021

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	$ 392,006	$ -	$ 392,006
Pooled investments	3,857,105	-	3,857,105
Service fees receivable	442,464	-	442,464
Grants receivable	53,093	-	53,093
Net pension asset	-	268,610	268,610
Capital assets:			
Non-depreciable	-	232,819	232,819
Depreciable (net)	-	8,383,398	8,383,398
Total assets	4,744,668	8,884,827	13,629,495
Deferred Outflows of Resources			
Deferred outflows - Pension plan	-	358,253	358,253
Total deferred outflows of resources	-	358,253	358,253
Liabilities			
Accounts payable	93,841	-	93,841
Accrued payroll liabilities	80,892	-	80,892
Long-term liabilities:			
Due within one year	-	-	-
Due in more than one year	-	140,356	140,356
Total liabilities	174,733	140,356	315,089
Deferred Inflows of Resources			
Deferred inflows - Pension plan	-	285,340	285,340
Unavailable grant revenue	53,093	(53,093)	-
Total deferred inflows of resources	53,093	232,247	285,340
Fund Balance			
Unassigned	4,516,842	(4,516,842)	
Total fund balance	4,516,842	(4,516,842)	
Total liabilities, deferred inflows of resources, and fund balance	$ 4,744,668		
Net Position			
Net investment in capital assets		8,616,217	8,616,217
Unrestricted		4,771,102	4,771,102
Total net position		$ 13,387,319	$ 13,387,319

The accompanying notes to financial statements are an integral part of this statement.

DENCO AREA 9-1-1 DISTRICT
STATEMENT OF ACTIVITIES AND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Adjustments	Statement of Activities
Expenditures/expenses:			
Direct services	$ 3,402,657	$ 524,569	$ 3,927,226
General government	963,252	7,916	971,168
Capital outlays	111,665	(111,665)	-
Total expenditures/expenses:	4,477,574	420,820	4,898,394
Program revenues:			
Charges for services - 9-1-1 service fees	5,584,559	-	5,584,559
Capital grants and contributions	234,110	(181,017)	53,093
Total program revenues:	5,818,669	(181,017)	5,637,652
General revenues:			
Interest income	2,648	-	2,648
Miscellaneous	54,884	116,995	171,879
Total general revenues:	57,532	116,995	174,527
Excess (deficiency) of revenues over (under) expenditures	1,398,627	(1,398,627)	
Other financing sources (uses):			
Insurance proceeds	116,995	(116,995)	
Net change in fund balance	1,515,622		
Change in net position		(601,837)	913,785
Fund balance/net position			
Beginning of year	3,001,220	9,472,314	12,473,534
End of year	$ 4,516,842	$ 8,870,477	$ 13,387,319

The accompanying notes to financial statements are an integral part of this statement.

DENCO AREA 9-1-1 DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Denco Area 9-1-1 District (the "District") is a special communication district authorized by the Emergency Communication Act (Article 1432e, Vernon's Texas Civil Statutes) and confirmed by voters of Denton County on August 8, 1987. Fees collections began in January of 1988 and the District became operational in March of 1988. The purpose of the District is to establish the number 9-1-1 as the primary emergency telephone number to communities in Denton County and certain geographically contiguous communities in Dallas County, in order to facilitate a quick response to any person calling the number seeking police, fire, medical and other emergency services.

The District's 9-1-1 system became fully operational on August 18, 1990. Since that date, the activities of the District have included 9-1-1 systems management and maintenance, database management, training, public education, planning and fiscal management of District resources to assist its member jurisdictions in responding to police, fire, and medical emergency calls by providing an efficient, effective, and enhanced 9-1-1 emergency telecommunication system.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the activities of the government. Governmental activities are supported by 9-1-1 fees and contract services.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue is 9-1-1 service fees collected by vendors for telephone services and remitted to the District. Interest on investments or other items not properly included among program revenues are reported instead as general revenues.

Government-wide and fund financial statements are provided for the governmental fund of the District with a column for adjustments between the two statements. The District has no business-type activities or component units.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. 9-1-1 fees are recognized as revenue in the year for which they are billed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include; (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued; and (2) pension full accrual based balances.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

For purposes of measuring the net pension asset or liability, deferred inflows/outflows of resources related to pensions, and pension expense, information about fiduciary net position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCDRS's fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The District reports the following major governmental fund:

General Fund
The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The District has no other funds of any type.

Assets, Liabilities, and Net Position or Fund Balance

Cash and Pooled Investments

The District considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Other deposits with longer maturities are classified as other investments. Deposits held in governmental investment pools such as LOGIC and TexPool are reported on the balance sheet separately as pooled investments. Investment policies followed by the District are governed by State statutes.

Capital Assets

Property, plant and equipment used in governmental fund type operations are shown in the statement of net position column for governmental type activities. The District defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost when purchased or constructed. Donated capital assets are capitalized at their estimated fair value at the donation date. Depreciation is not realized in governmental funds, but is realized on the statement of activities on the straight-line basis.

Property, plant, and equipment are depreciated over the following useful lives:

Asset Category	Depreciable Life in Years
Buildings and Improvements	5-50
Equipment	3-10

Long Term Liabilities

Long-term liabilities expected to be financed from governmental fund types are shown on the statement of net position, rather than governmental funds. Principal payments for debts are expensed on the fund financial statement, but this expense is removed for the government-wide statement of activities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Except for the Executive Director, there is no liability for unpaid accumulated sick leave since the District will not pay any unused amounts when employees separate from service with the District. Vacation pay is accrued on the government-wide statement of net position as a liability due in more than one year. These balances increased from the beginning of year balance of $130,257 to $140,356 at September 30, 2021.

Budget and Budgetary Accounting

The official District budget is prepared and adopted for the General Fund during the month of September.

Fund Balance Classifications

The governmental fund balance sheet presents fund balances based on classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective funds can be spent. The classifications used in the governmental fund balance sheet are as follows:

- Non-spendable - Includes amounts that can't be spent because they are either (a) not in spendable form, or (2) are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted into cash within the next year.
- Restricted – Includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (c) imposed by law through constitutional provisions or enabling legislation.
- Committed – Includes amounts that can be only used for specific purposes pursuant to constraints imposed by ordinance of the Board of Managers, the District's highest level of decision-making authority. These amounts can't be used for any purpose unless the Board of Managers removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.
- Assigned – Includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Managers or the Executive Director.
- Unassigned – Includes the residual fund balance for the General Fund. An unassigned fund balance would also include negative fund balances of any other type of fund balance classification that can't be eliminated by offsetting assigned fund balance amounts.

The District does not have any non-spendable, restricted, committed, or assigned fund balances at September 30, 2021.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, then unassigned funds.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position on the statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied. It's the District's policy to consider restricted net position to be depleted before unrestricted net position is applied.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows and inflows of resources, and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTE B – CASH EQUIVALENTS AND POOLED INVESTMENTS

The Public Funds Investment Act (PFIA) contains specific provisions in the area of investment practices, management reports, and establishment of appropriate policies. Among other things, PFIA requires the District to adopt, implement, and publicize an investment policy. The policy must address the following areas: (1) safety of principal and liquidity; (2) portfolio diversification; (3) allowable investments; (4) acceptable investments; (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 the District 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 PFIA also requires the District to have an independent auditor perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the PFIA and with local parties.

In compliance with the PFIA, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- Custodial Credit Risk – Deposits – The risk is that, in the event of bank failure, the District's deposits may not be returned to it. At September 30, 2021, the carrying amount of the District's cash deposits were $391,906 and the Point Bank bank balance was $555,807. The District's cash deposits were entirely covered by FDIC insurance or by pledged securities held by the District's depository bank in the District's name. At September 30, 2021, the carrying amount and financial institution balances of the District's pooled investments were $3,857,105. The District also holds $100 of cash on hand.

- For 2021, FDIC insurance for cash deposits totaled $250,000. Pledged securities fully covered non-FDIC insured cash deposits during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE B – CASH EQUIVALENTS AND POOLED INVESTMENTS - CONTINUED

As of September 30, 2021, the District maintains pooled investments with LOGIC Investments and the state-operated TexPool system as follows:

	Fair Value	Weighted Average Maturity in Days	Standard and Poors Rating
TexPool	$ 600,105	37	AAAm
LOGIC Investments	3,257,000	55	AAAm
	$ 3,857,105	52	

NOTE C – FAIR VALUE MEASUREMENTS

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The District's investments in pooled investments are not required to be measured at fair value but are measured at amortized cost.

NOTE D – BUDGETARY CONTROL

State law requires that a governmental entity adopt an annual budget and that it not exceed approved expenditures at the level of budgetary control. The District was in compliance with this requirement for the fiscal year ended 2021.

NOTE E – ACCOUNTS RECEIVABLE

9-1-1 service fee receivables for the District at September 30, 2021 totaled $442,464. The District's allowance for doubtful receivables is $0 because all year-end receivables were subsequently collected. The District also accrued $53,093 of receivables related to a Commission on State Emergency Communications grant.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021 is as follows:

	Beginning Balances	Additions	Retirements	Ending Balances
Non-Depreciable				
Land	$ 232,819	$ -	$ -	$ 232,819
Depreciable				
PSAP Equipment	3,000,556	111,665	-	3,112,221
Building and building improvements	7,597,668	-	-	7,597,668
Parking Lot	10,000	-	-	10,000
Equipment	331,382	-	-	331,382
Gross Assets being Depreciated:	10,939,606	111,665	-	11,051,271
Less accumulated depreciation:				
PSAP Equipment	(1,170,253)	(355,453)	-	(1,525,706)
Building and building improvements	(661,896)	(159,852)	-	(821,748)
Parking Lot	(10,000)	-	-	(10,000)
Equipment	(301,155)	(9,264)	-	(310,419)
Total accumulated depreciation:	(2,143,304)	(524,569)	-	(2,667,873)
Net Capital Assets being Depreciated:	8,796,302	(412,904)	-	8,383,398
Total Net Capital Assets	$ 9,029,121	$ (412,904)	$ -	$ 8,616,217

Depreciation for general fixed assets is included as an expense for governmental activities on the statement of activities. Depreciation expense totaled $524,569 for 2021 and allocated to the Direct Services function.

NOTE G – RISK MANAGEMENT

The District is exposed to various risks of loss related to litigation, theft, property damage, errors and omissions, injuries, and natural disasters. The District's insurance is by membership in the Texas Municipal League, a public entity risk pool operated by the Texas Municipal League Board for the benefit of governmental units in Texas. Insurance in effect at September 30, 2021 included: Workers compensation, general liability, automobile liability, personal property, and errors and omissions. There were no significant changes in insurance coverage from the prior year. Settled claims for risks have not exceeded insurance coverage for the past four years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE H – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences between the Statement of Net Position and the Governmental Fund Balance Sheet

Fund balances of governmental funds:	$ 4,516,842
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,616,217
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(140,356)
Grant revenue earned, but not received within sixty days after fiscal year-end is not readily available. Thus, this balance is a deferred inflow of resources in the governmental funds.	53,093
The $268,610 net pension asset, net of a related $358,253 deferred outflow of pension resources, and a ($285,340) deferred inflow of pension resources, are not current financial resources, and therefore, are not reported in the funds.	341,523
Net position of governmental activities:	$ 13,387,319

Explanation of Certain Differences between the Statement of Activities and the Governmental Fund Revenues, Expenditures, and Changes in Fund Balance

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances:	$ 1,515,622
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which ($524,569) of depreciation expense exceeded $111,665 of capital outlays in the current period.	(412,904)
(Increases) decreases in the accrued compensated absences balance is not an expenditure for the governmental funds, but this full accrual based expenditure is realized for the government-wide financial statements.	(10,099)
Governmental funds only recognize grant receivables as revenue if received within sixty days after fiscal year-end, but the full accrual government-wide financial statements report the balance as grant revenue. This is the decrease in grant receivables realized.	(181,017)
Governmental funds only report pension contributions for the year, but the full accrual government-wide financial statements report the annual pension expense as calculated by TCDRS. This is the amount that pension contributions exceed expenses.	2,183
Change in net position of governmental activities:	$ 913,785

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE I – DEFINED BENEFIT PENSION PLAN

Plan Description

The District provides retirement death benefits for all of its full-time employees through a non-traditional defined benefit pension plan in the Statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multi-employer public employee retirement system consisting of 677 non-traditional defined benefit plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, TX. 79768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with eight or more years of service, with twenty years of service regardless of age, or when the sum of their age and years of service equal 75 or more. Members are vested after eight years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the employer.

All eligible employees of the District are required to participate in TCDRS.

Plan provisions of the District are as follows:

	Plan Year 2021	Plan Year 2020
Employee Deposit Rate	7.00%	7.00%
Employer Deposit Rate	6.73%	6.86%
Matching (District to employee)	2 to 1	2 to 1
Years for full vesting	8	8
Service requirement eligibility (expressed as age/years of service)	60/8, 0/20	60/8, 0/20

Employees Covered by Benefit Terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits:	4
Inactive employees entitled to buy, but not yet receiving benefits:	13
Active employees:	12
Total:	29

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE I – DEFINED BENEFIT PENSION PLAN - CONTINUED

Contributions

The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee compensation, and the employer matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the employer. Under the state law governing TCDRS, the contribution rate for each employer is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. Participating employers are required to contribute at the actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees.

Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher that the required rate or by making additional contributions on an ad hoc basis. Employer may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience. In addition, employers annually review their plans and may adjust benefits and costs based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs.

Employees of the District were required to contribute 7% of their annual compensation during the fiscal year. The District elected contribution rates (and also the required rates) of 6.73% and 6.86% in calendar years 2021 and 2020, respectively. The District's contributions to TCDRS for the year ended September 30, 2021 were $159,658. The District made excess contributions of $93,355 over the required contribution of $66,303.

Net Pension Liability/Asset

The District's net pension liability/asset (NPL/NPA) was measured as of December 31, 2020, and the total pension liability (TPL) used to calculate the NPL/NPA was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The TPL in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	4.6% average over career, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation

The assumptions used in this analysis for the December 31, 2020 financial reporting metrics are the same as those used in the December 31, 2020 actuarial valuation analysis for the District.

NOTE I – DEFINED BENEFIT PENSION PLAN – CONTINUED

Following is a description of the assumptions used in the December 31, 2020 actuarial valuation analysis for the District. This information may also be found in the District's December 31, 2020 Summary Valuation Report issued by TCDRS.

Economic Assumptions

TCDRS system-wide economic assumptions:

Real rate of return	5.00%
Inflation	2.50%
Long-term investment return	7.50%

The assumed long-term investment return of 7.5% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 7.5% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3% (made up of 2.5% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

Employer-specific assumptions:

Growth in membership	0.0%
Payroll Growth	0.0%

The payroll growth assumption is for the aggregate covered payroll of an employer.

The long-term expected rate of return of pension plan investments is 7.6%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS's investment consultant. The numbers shown are based on January 2021 information for a 10-year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a long-term time horizon. The most recent analysis was performed in March of 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE I – DEFINED BENEFIT PENSION PLAN – CONTINUED

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.25%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	25.00%	7.25%
Global Equities	MSCI World (net) Index	2.50%	4.55%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	5.00%	4.25%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.75%
Investment Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	2.11%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.70%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	5.70%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.45%
Master Limited Partnerships	Alerian MLP Index	2.00%	5.10%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	4.90%
Hedge Funds	Hedge Fund Research, Inc. Fund of Funds Composite Index	6.00%	1.85%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-0.70%

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.6%. This rate reflects the long-term rate of return funding valuation assumption of 7.5%, plus 0.10% adjustment to be gross of administrative expenses. The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply. The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period, and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exists where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE I – DEFINED BENEFIT PENSION PLAN – CONTINUED

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefits can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer, TCDRS has used an alternative to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to project benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, TCDRS has used a discount rate of 7.6%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.5%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE I – DEFINED BENEFIT PENSION PLAN – CONTINUED

Changes in the Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liab./(Asset) (a) - (b)
Balances at 12/31/2019:	$ 5,761,386	$ 6,191,076	$ (429,690)
Changes for the year:			
Service cost	150,950		150,950
Interest on total pension liability	472,686		472,686
Effect of plan changes	-		-
Effect of economic/demographic gains or losses	(75,923)		(75,923)
Effect of assumptions changes or inputs	396,753		396,753
Refund of contributions	(29,092)	(29,092)	-
Benefit payments	(127,364)	(127,364)	-
Administrative expenses		(4,989)	4,989
Member contributions		74,967	(74,967)
Net investment income		639,563	(639,563)
Employer contributions		73,468	(73,468)
Other changes		377	(377)
Balances at 12/31/2020:	$ 6,549,396	$ 6,818,006	$ (268,610)

Sensitivity Analysis

The following presents the net pension liability/asset of the District, calculated using the discount rate of 7.6%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.6%) or 1 percentage point higher (8.6%) than the current rate:

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	$ 7,463,626	$ 6,549,396	$ 5,786,551
Fiduciary net position	6,818,006	6,818,006	6,818,006
Net pension liability (asset)	$ 645,620	$ (268,610)	$ (1,031,455)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE I – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

Pension Expense/(Income)		**Calendar Year 2020**
Service cost	$	150,950
Interest on total pension liability		472,686
Effect of plan changes		-
Administrative expenses		4,989
Member contributions		(74,967)
Expected investment return net of expenses		(500,975)
Recognition of deferred inflows/outflows of resources		
Recognition of economic/demographic gains/losses		(28,700)
Recognition of assumption changes or inputs		103,953
Recognition of investment gains/losses		(60,677)
Other		(377)
Pension Expense/(Income)	$	66,882

For the year ended September 30, 2021, the District recognized a pension expense of $66,882.

At September 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Inflows / Outflows of Resources		**Deferred Inflows of Resources**		**Deferred Outflows of Resources**
Difference between expected and actual experience	$	65,820	$	3,349
Changes of assumptions		327		307,422
Net difference between projected and actual earnings		219,193		-
Contributions subsequent to the measurement date		N/A		47,482
Totals:	$	285,340	$	358,253

$47,482 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending:		
2022	$	14,179
2023		73,888
2024		(35,490)
2025		(27,716)
2026		-
Thereafter		-
	$	24,861

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE J – GROUP TERM LIFE INSURANCE BENEFIT

Effective January 1, 2020, the District offered its employees a group term life insurance benefit (GTLI) through TCDRS. The GTLI Plan, available to all District employees, allows their selected beneficiary, upon employee death, to receive a life insurance payment equal to the employee's annual wages. The District pays the premiums for the GTLI Plan and, under federal tax law, those premiums are considered a type of income for the employee. The GTLI is only available to current employees. Therefore, the GTLI is not an other post-employment benefit subject to Governmental Accounting Standards Board Statement #75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

The District's required contribution rate is based on annual employee compensation and was 0.15% and 0.14% in calendar years 2021 and 2020, respectively. The District's GTLI contributions to TCDRS for the year ended September 30, 2021 were $1,444, and were equal to the required contributions.

NOTE K – DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE L – SUBSEQUENT EVENTS

Management has reviewed events subsequent to September 30, 2021 up to the date of the auditor's report as shown on page two, which is the date the financial statements were available to be issued. There are no subsequent events to disclose.

REQUIRED SUPPLEMENTARY INFORMATION

DENCO AREA 9-1-1 DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budget - Original and Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Expenditures:			
Direct services	$ 4,080,781	$ 3,402,657	$ 678,124
General government	1,030,776	963,252	67,524
Capital outlays	332,000	111,665	220,335
Total Expenditures:	5,443,557	4,477,574	965,983
Program revenues:			
Charges for services - 9-1-1 service fees	5,259,000	5,584,559	325,559
Capital grants and contributions	-	234,110	234,110
Total program revenues:	5,259,000	5,818,669	559,669
General revenues:			
Interest income	30,000	2,648	(27,352)
Miscellaneous	55,000	54,884	(116)
Total general revenues:	85,000	57,532	(27,468)
Excess (deficiency) of revenues over (under) expenditures	$ (99,557)	$ 1,398,627	$ 1,498,184
Other financing sources - Insurance proceeds	$ -	$ 116,995	$ 116,995
Net change in fund balance	$ (99,557)	$ 1,515,622	$ 1,615,179

Note - The operating budget is adopted each year on the cash basis and used to reflect actual revenue and expenditures. The Board of Managers is authorized to transfer budgeted amounts between accounts; however, before any revisions that increase the total expenditures are effective, the District must send the budget to participating jurisdictions for approval in the same manner as required for the original budget approval.

The accompanying notes to financial statements are an integral part of this statement.

DENCO AREA 9-1-1 DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Total Pension Liability							
Service cost	$ 150,950	$ 155,454	$ 161,212	$ 154,718	$ 149,150	$ 120,374	$ 149,503
Interest on total pension liability	472,686	436,537	401,640	368,278	330,663	305,362	283,043
Effect of plan changes	-	-	-	-	-	(25,736)	-
Effect of assumptions changes or inputs	396,753	-	-	(983)	-	39,430	-
Effect of economic/demographic gains or losses	(75,923)	419	1,097	1,612	7,192	(35,511)	(48,052)
Benefit payments/Refund of contributions	(156,457)	(127,364)	(127,364)	(109,460)	(99,167)	(98,748)	(103,921)
Net Change in Total Pension Liability	788,009	465,046	436,585	414,165	387,838	305,171	280,573
Total pension liability, beginning	5,761,387	5,296,340	4,859,754	4,445,589	4,057,751	3,752,582	3,472,009
Total pension liability, ending	$ 6,549,396	$ 5,761,386	$ 5,296,339	$ 4,859,754	$ 4,445,589	$ 4,057,753	$ 3,752,582
Fiduciary Net Position							
Employer contributions	73,468	66,664	60,099	168,038	157,847	145,539	211,187
Member contributions	74,967	79,362	73,805	73,516	69,058	63,674	63,942
Investment income (net of expenses)	639,563	871,092	(100,567)	673,346	308,304	(62,523)	249,309
Benefit payments/Refund of contributions	(156,457)	(127,364)	(127,364)	(109,460)	(99,167)	(98,748)	(103,921)
Administrative expenses	(4,989)	(4,718)	(4,261)	(3,593)	(3,348)	(2,979)	(3,010)
Other	376	1,502	738	1,737	14,753	516	(977)
Net Change in Fiduciary Net Position	626,928	886,538	(97,550)	803,584	447,447	45,479	416,530
Fiduciary Net Position, beginning	6,191,078	5,304,539	5,402,088	4,598,505	4,151,058	4,105,581	3,689,051
Fiduciary Net Position, ending	6,818,006	6,191,077	5,304,538	5,402,089	4,598,505	4,151,060	4,105,581
Net pension liability / (asset), ending	$ (268,610)	$ (429,691)	$ (8,199)	$ (542,335)	$ (152,916)	$ (93,307)	$ (352,999)
Fiduciary net position as a percentage of total pension liability	104.10%	107.46%	100.15%	111.16%	103.44%	102.30%	109.41%
Pensionable covered payroll	$ 1,070,959	$ 1,133,743	$ 1,054,355	$ 1,050,235	$ 986,544	$ 909,621	$ 913,462
Net pension liability as a percentage of covered payroll	-25.08%	-37.90%	-0.78%	-51.64%	-15.50%	-10.26%	-38.64%

Note 1 - GASB 68 requires that information on this schedule be presented on the measurement date basis, which is on a calendar year basis. This schedule will also ultimately present the last ten years of information. The measurement year 2014 is the first year for which this information is available.

Note 2 - There were no changes in benefit terms and no changes in assumptions or other inputs that would affect the measurement of the total pension liability during the measurement period, except for the following: For 2020, TCDRS reduced the discount rate used to calculate the net pension liability/asset from 8.1% to 7.6%.

DENCO AREA 9-1-1 DISTRICT
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	$ 66,303	$ 68,055	$ 61,961	$ 59,451	$ 55,774	$ 49,367	$ 67,525
Contributions in relation to the contractually required contributions	159,658	68,055	61,961	87,705	165,255	153,373	141,229
Contribution deficiency (excess)	$ (93,355)	$ -	$ -	$ (28,254)	$ (109,481)	$ (104,006)	$ (73,704)
District's covered-employee payroll	$ 979,886	$ 1,031,344	$ 1,062,503	$ 1,043,000	$ 1,032,844	$ 958,581	$ 882,681
Contributions as a percentage of covered employee payroll	16.29%	6.60%	5.83%	8.41%	16.00%	16.00%	16.00%

Note 1 - GASB 68 requires that information on this schedule be presented on the District's fiscal year basis. This schedule will also ultimately present the last ten years of information. 2015 is the first year for which this information is available.

COMPLIANCE AND INTERNAL CONTROLS SECTION

Rod L. Abbott, CPA PLLC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Managers
Denco Area 9-1-1 District
Lewisville, Texas

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Denco Area 9-1-1 District (the District), 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, and have issued my report thereon dated January 13, 2022.

Internal Control over Financial Reporting

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

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

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

P.O. Box 75 Tom Bean, TX. 75489 (214) 856-9603 rodabbottcpa@hotmail.com

Compliance and Other Matters

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

Purpose of this Report

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

Rod L. Abbott, CPA PLLC

Tom Bean, Texas
January 13, 2022

P.O. Box 75 Tom Bean, TX. 75489 (214) 856-9603 rodabbottcpa@hotmail.com