

**WICHITA-WILBARGER 9-1-1 DISTRICT
WICHITA FALLS, TEXAS**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

SEPTEMBER 30, 2020

**WICHITA-WILBARGER 9-1-1 DISTRICT
WICHITA FALLS, TEXAS**

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**Wichita-Wilbarger 9-1-1 District
September 30, 2020**

MANAGEMENT DISCUSSION AND ANALYSIS

Within this section of the Wichita-Wilbarger 9-1-1 District (District) annual financial report, the District's management provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2020. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

Financial Highlights

For the current year, the District's assets exceeded its liabilities by \$3,503,789. This compares to the previous year when assets exceeded liabilities by \$3,223,627.

The District's reserve funds reported total ending balance of \$3,222,949. This compares to the prior year ending fund balance of \$2,829,263 showing an increase of \$393,686 during the current year.

The District has no indebtedness.

Overview and Financial Statements

The District's annual audit report covers the financial condition of the District and is prepared in accordance with GAAP. The report contains the Statement of Net Assets, Statement of Revenues, Expenditures and Changes in Net Assets, Statement of Cash Flow as well as appropriate notes for each.

The Statement of Net Assets is a statement of the assets and liabilities of the District. Over time, increases or decreases in assets may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating.

The Statement of Revenues, Expenditures and Changes in Net Assets compares individual budget categories for the current budget cycle.

The Statement of Cash Flow compares the District's cash flow for the current budget cycle.

As required supplemental information, The Schedule of Revenues, Expenditures and Changes in Net Assets compares fiscal year budget to actual performance by category and by total and is prepared on the cash budget basis. The District received \$3,290 in revenue more than the budgeted amount and expended \$222,205 less than budgeted in fiscal year 2020.

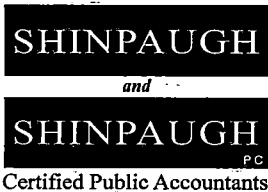
**Wichita-Wilbarger 9-1-1 District
September 30, 2020**

Reserve Fund Categories

The District has two reserve fund categories: General Reserve Fund and Capital Reserve Fund.

The General Reserve Fund is utilized as an operational reserve. Should the District's cash balance (checking account) fall below \$ 25,000, money is transferred from the General Reserve Fund to bring the cash balance up to an acceptable level. The General Reserve Fund balance is \$2,480,678.

The Capital Reserve Fund is reserved for the replacement of capital items. In Fiscal year 2018 the District expensed capital for additions to emergency code red equipment and to replace one of its vehicles. In Fiscal year 2019 the District expensed capital for additions to emergency code red equipment and to replace one of its vehicles. In Fiscal year 2020 the District expensed capital to replace carpet and tile in offices, replace its computer server and additions to emergency code red equipment. The Capital Reserve Fund balance is \$742,271.



RAY D. SHINPAUGH C.P.A.
CHARLES D. SHINPAUGH C.P.A.

INDEPENDENT AUDITOR'S REPORT

To the Board of Managers
Wichita-Wilbarger 9-1-1 District

We have audited the accompanying Statement of Net Assets of Wichita-Wilbarger 9-1-1 District as of September 30, 2020 and the related Statements of Revenues, Expenditures and Changes in Net Assets, and Cash Flows for the year then ended, 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 the modified cash basis of accounting; 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 opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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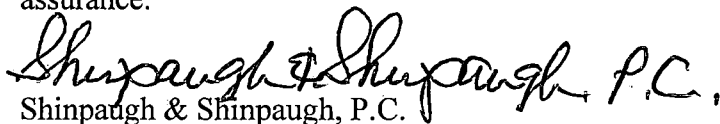
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Wichita-Wilbarger 9-1-1 District as of September 30, 2020, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 2 and 15 through 16, 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.



Shinpaugh & Shinpaugh, P.C.

Certified Public Accountants

November 3, 2020

Wichita-Wilbarger 9-1-1 District
Statement of Net Assets
September 30,2020

ASSETS

Current assets:	
General Reserve Fund	\$ 2,480,678
Capital Reserve Fund	742,271
9-1-1 service fees receivable	58,489
Interest receivable	0
Total current assets	3,281,438
Non-current assets	
Land, building and equipment, less accumulated depreciation of \$844,363 - Note 3	210,356
Cutover costs, less accumulated amortization of \$3,161,425-Note 3	22,650
Deferred compensation plan	46,411
Total assets	\$ 3,560,855

LIABILITIES

Current liabilities:	
Trade accounts payable	\$ 0
Accrued expenses payable- Note 4	10,655
Total current liabilities	10,655
Deferred compensation plan	46,411
Deferred rebate revenue	
Total liabilities	\$ 57,066

NET ASSETS

Invested in capital assets, net of debt-Note 3	233,006
Un-restricted	3,270,783
Total net assets	\$ 3,503,789

See Independent Auditor's Report and
 accompanying notes to financial statements.

Wichita-Wilbarger 9-1-1 District
Statement of Revenues, Expenditures, and Changes in Net Assets
For the Year Ended September 30, 2020

		Program Expenses 911	Program Revenue 911	Net (Expense) Revenue
Primary 911 operations	\$	699,805	\$ 979,967	\$ 280,162
Revenues:				
Service fees			\$ 956,586	
Interest income			23,381	
Gain on Trade of Assets			0	
Total:			\$ 979,967	
Expenses:				
PSAP Lines/Equipment	\$	130,999		
Wireless		26,584		
Personnel Services		239,178		
Taxes		16,156		
Insurance		47,444		
Travel		1,912		
Membership & Miscellaneous		1,179		
Board Expense		1,534		
Contractual Services		17,840		
Computer Network		18,496		
Office Operation		7,496		
Building		30,114		
Training		2,780		
Public Education		5,185		
Vehicle Expense		7,375		
Contingencies		8,741		
Depreciation		56,199		
Amortization		80,593		
Total expenses	\$	699,805		
Excess of revenues over expenses	\$	699,805	\$ 979,967	\$ 280,162
Net assets, beginning of year				3,223,627
Net assets, end of year				\$ 3,503,789

See Independent Auditor's Report and accompanying notes to financial statements.

Wichita-Wilbarger 9-1-1 District
Statement of Cash Flows
For the Year Ended September 30, 2020

Cash flows from operating activities:	
Collections from 911 service fees	\$ 956,586
Interest collected	23,381
Gain on Disposal of Assets	0
Cash paid for 911 services	(193,919)
Cash paid for operating expenses and employees	(356,108)
Net cash provided by operating activities	429,940
Cash flows from investing activities:	
Acquisition of furniture, fixtures and equipment	(36,254)
Sales of Assets	0
Net increase (decrease) in cash and cash equivalents	393,686
Cash and cash equivalents at beginning of year	2,829,263
Cash and cash equivalents at end of year	\$ <u>3,222,949</u>
Reconciliation:	
Excess of revenues over expenses	\$ 280,162
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	56,199
Amortization	80,593
(Increase) Decrease in assets:	
9-1-1 service fees receivable	9,823
Interest receivable	
Deferred compensation plan assets	(9,860)
Retirement of fixed assets	
Increase (Decrease) in liabilities:	
Trade accounts payable	
Accrued expenses payable	3,163
Deferred compensation plan liabilities	9,860
Net cash provided by operating activities	\$ <u>429,940</u>
Interest paid	\$ None

See Independent Auditor's Report and accompanying notes to financial statements.

Wichita-Wilbarger 9-1-1 District
Notes to Financial Statements
September 30, 2020

1 Description of reporting entity

Wichita-Wilbarger 9-1-1 District, formerly Nortex 9-1-1 Communications District (The District) is an emergency communication district authorized by the Emergency Telephone Number Act of June 6, 1985 (Texas Revised Civil Statutes Annotated, Art. 1432e) and confirmed by the voters of Wichita County, Texas on November 4, 1986 (legislation now codified as V.T.C.A., Health & Safety Code section 772). The District became operational on November 13, 1986, by order of the Board of Managers and the appointment of the executive director. On April 18, 2001, the Board of Managers of the District unanimously voted and approved to change the Districts name from Nortex 9-1-1 Communications District to Wichita-Wilbarger 9-1-1 District.

The purpose of the District is to establish the telephone digits "9-1-1" as the primary emergency telephone number for use by the Wichita and Wilbarger County areas to allow quick access to a dispatcher for any person dialing the digits "9-1-1", seeking, police, fire, medical, rescue, or other emergency services.

The District levies service fees on telephone customers within the participating jurisdictions. The telephone companies that service the emergency communications district collect and remit to the District the service fees charged and collected from telephone service customers. The 9-1-1 emergency service fee was changed by the Board of Managers on November 30, 2011 to reflect a flat fee rate of \$0.46 per residence line, \$1.07 per business line and \$1.68 per business trunk. The flat fee was in effect for the year ending September 30, 2012. The fee had previously been 5% of the base rate charged by the various telephone companies. The flat fee was in effect for the year ending September 30, 2020. The telephone companies retain an administrative fee of 1% of the collected 9-1-1 fees. The fees collected in any one calendar month by the telephone companies are due to the District thirty (30) days after the end of the month such fees are collected from telephone service customers. Wireless devices (cell phones) pay a fee of fifty cents per month, pursuant to the Texas Health and Safety Code, Section 771.0711. The fee is collected and distributed by the Texas State Comptroller based upon a population percentage. It is distributed monthly for the previous month's fee collection period.

The Board of Managers may revise the fees (subject to a 6% maximum) as a part of the annual budget. In imposing the fee, the Board of Managers is required to attempt to match the District's revenues to its operating expenditures and to provide reasonable reserves for contingencies and for the installation of 9-1-1 emergency service equipment.

**Wichita-Wilbarger 9-1-1 District
Notes to Financial Statements
September 30, 2020**

2 Significant accounting policies

Accounting Basis

The District's accompanying financial statements were prepared on the modified cash basis of accounting, which records revenues when earned and expenses when incurred. The District's on-going activities are accounted for in a manner like accounting practices often found in the private sector. The measurement focus is upon determination of excess of revenues over expenses, financial position, and changes in cash flow.

Cash and Temporary Cash Investment

The District's cash balances on deposit are covered by federal depository insurance up to balances of \$250,000 per institution. On September 30, 2020 the amounts, not insured by FDIC, were \$2,289,518. Any balances in excess of this limit, is covered by the District's collateralized investment policy. The collateralized receipt is held in safe keeping by Texas Independent Bank, a third party.

For the fiscal years ended September 30, 2020 and 2019, the District invested in the Texas Local Government Investment Pool (TexPool). TexPool is duly chartered and administered by the State Treasurers Office (now under the control of the Comptroller of Public Accounts) and the portfolio normally consists of U.S. T-Bills, T-Notes, collateralized certificates of deposit, and repurchase agreements.

Risk Management

The District participates in The Texas Association of Counties Workers Compensation Self-Insurance Fund to provide workers compensation coverage. Insurance coverage for general liability and property insurance is provided by the commercial insurance carrier, Texas Municipal League. Workers compensation insurance premiums are computed as a percentage of payroll based upon employee job classification. General liability and property insurance premiums are based upon the underwriting criteria used by the commercial insurance carrier and the level of coverage selected by the District. As claims occur, they are submitted to the appropriate insurer. For the year ended September 30, 2020, there were no significant reductions in insurance coverage from the prior year.

**Wichita-Wilbarger 9-1-1 District
Notes to Financial Statements
September 30, 2020**

Property and Equipment

Property and equipment are stated at cost. Maintenance and repairs are charged to expense as incurred. Major renewals and improvements, in excess of \$250.00 are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in revenues. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, ranging from 5 to 20 years.

Cutover Costs

The District paid the telephone companies servicing the District the non-recurring cost of installing the equipment necessary to facilitate the District's emergency answering service. These costs are capitalized and are being amortized over a five-year period, the estimated useful life of the equipment associated with the system.

Prepaid Wireless Costs

The District has capitalized as an intangible asset the cost of the enhanced 9-1-1 wireless service. The District is amortizing these costs of acquiring and installing the system over an estimated useful life of five years.

Cash and Cash Equivalents

The District considers all highly liquid investments with maturity of three months or less at the time of purchase to be cash equivalents.

Estimates

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

**Wichita-Wilbarger 9-1-1 District
Notes to Financial Statements
September 30, 2020**

3 Property, equipment and cut-over costs

Property and equipment consisted of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 5,000			\$ 5,000
Building and improvements	649,245	18,500		667,745
Furniture and equipment	288,520	6,754	(10,484)	284,790
Automobiles	<u>97,184</u>			<u>97,184</u>
	1,039,949			1,054,718
Less accumulated depreciation	<u>(798,647)</u>	(56,199)	10,484	<u>(844,363)</u>
Total property and equipment	<u>\$ 241,302</u>			<u>\$ 210,356</u>
Cut over costs	\$ 3,173,075	11,000		\$ 3,184,075
Less accumulated amortization	<u>(3,080,832)</u>	(80,593)		<u>(3,161,425)</u>
Total cut over costs	<u>\$ 92,243</u>			<u>\$ 22,650</u>
Debt	0			0
Total invested in capital assets- net of debt	<u>\$ 333,545</u>			<u>\$ 233,006</u>

For the year ended September 30, 2020 depreciation expense was \$56,199.

For the year ended September 30, 2020 amortization expense was \$80,593.

4 Accrued expenses payable

Accrued expenses payable consisted of the following as of September 30, 2020:

Payroll taxes payable	\$ (308)
Compensated absences	10,963
Retirement benefits payable	<u>0</u>
	<u>\$10,655</u>

5 Compensated absences

All permanent full-time employees of the District earn vacation time and sick leave based on prescribed formulas. Employees accumulate a maximum of 8 weeks vacation pay and a maximum of 90 days sick leave. Upon leaving the District's employment, employees are paid for unused vacation time, which has been accrued. As of September 30, 2020, the District had accumulated vested vacation time totaling \$10,963.

**Wichita-Wilbarger 9-1-1 District
Notes to Financial Statements
September 30, 2020**

6 Retirement Plan

Plan Description. Wichita-Wilbarger 9-1-1 District provides retirement, disability, and death benefits for all 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 multiple-employer public employee retirement system consisting of 509 non-traditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas State statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employees' deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated, by converting the sum of the employees accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy. The employer has elected the annually determined contribution rate (variable rate) plan provision of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 9.51% for the months of the calendar year in 2019, and 9.51% for the months of the calendar year in 2020.

**Wichita-Wilbarger 9-1-1 District
Notes to Financial Statements
September 30, 2020**

The deposit rate payable by the employee members for the calendar year 2019 is the rate of 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Annual Pension Cost. For the employer's accounting year ending September 30, 2020, the annual pension cost for the TCDRS plan for its employees was \$34,156 and the actual contributions were \$34,156.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees. The contributions are compliant with the GASB Statement No. 68 parameters based on the actuarial valuations as of December 31, 2019.

Actuarial Valuation Information

Actuarial valuation date	12/31/19	12/31/18	12/31/17
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period	30 years	20 years	19.5 years
Asset valuation method	SAF 5-year smoothed value ESF: Fund value	SAF 5-year smoothed value ESF: Fund value	SAF 5-year smoothed value ESF: Fund value
Actuarial Assumptions:			
Investment return*	8.00%	8.00%	8.00%
Projected salary increases*	4.9%	4.9%	4.9%
Inflation	3.0%	3.0%	2.75%
Cost-of-living adjustments	0.0%	0.0%	0.0%

* Includes inflation at the stated rate.

**Wichita-Wilbarger 9-1-1 District
Notes to Financial Statements
September 30, 2020**

Trend Information
for the Retirement Plan for the Employees of Wichita-Wilbarger 9-1-1 District

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9-30-18	\$102,056	100%	-0-
9-30-19	96,408	100%	-0-
9-30-20	34,156	100%	-0-

Schedule of Funding Progress for the Retirement Plan
for the Employees of Wichita-Wilbarger 9-1-1 District

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentag e Covered Payroll
12/31/17	2,418,402	2,307,378	111,023	104.81%	310,744	35.73%
12/31/18	2,516,233	2,453,147	63,086	102.60%	320,093	19.71%
12/31/19	2,531,550	2,444,924	86,626	103.50%	158,050	54.48%

7 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 the 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 unforeseen emergency.

**Notes to Financial Statements
September 30, 2020**

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the District (without being restricted to the provisions of benefits under the plan), subject only to the claims of the District's general creditors. Participant's rights under the plan are equal to those of general creditors of the District in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the District's legal counsel that the District has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

8 Sub-subsequent events

Sub-subsequent events were considered thru November 3, 2020 which is the date financial statements are dated and available for release.

None were noted.

Wichita-Wilbarger 9-1-1 District
Schedule of Revenues, Expenditure and
Changes in Net Assets
Budget and Actual (Non-GAAP Budget Basis)
For the Year Ended September 30, 2020
Required Supplementary Information

	Budget	Actual	Variance Positive (Negative)
Service Fees:			
Electra Telephone	\$ 5,000	\$ 4,289	\$ (711)
Midwestern State University	0	0	0
Santa Rosa Telephone	3,500	5,185	1,685
AT&T	88,000	76,792	(11,208)
Wireless	710,000	723,500	13,500
CLEC's	165,000	156,603	(8,397)
Miscellaneous revenues		40	40
Interest revenues	15,000	23,381	8,381
Total revenues	<u>986,500</u>	<u>989,790</u>	<u>3,290</u>
Expenditure:			
PSAP Lines/Equipment	291,200	130,999	160,201
Wireless	40,000	26,584	13,416
Personnel Services	238,825	236,044	2,781
Taxes	16,072	16,156	(84)
Insurance	65,187	47,444	17,743
Travel	7,500	1,913	5,587
Membership & Miscellaneous	2,800	1,179	1,621
Board Expense	1,300	1,534	(234)
Public Education	7,500	5,185	2,315
Contractual Services	18,000	17,840	160
Information Systems	20,000	18,496	1,504
Office Operation	8,600	7,496	1,104
Building	33,000	30,114	2,886
Training	7,000	2,780	4,220
Vehicle Expense	10,100	7,375	2,725
Contingencies	15,000	8,741	6,259
Total Expenditure	<u>782,084</u>	<u>559,880</u>	<u>222,204</u>
Excess of revenues over expenditures	\$ <u>204,416</u>	\$ <u>429,910</u>	\$ <u>225,494</u>
Net Assets, beginning of year		7,311,657	
Depreciation & Amortization		136,792	
Net Assets, end of year		<u>\$ 7,878,359</u>	
Budget Basis		\$ 429,910	
Revenue Accruals		9,824	
Expenditure Accruals		(9,794)	
Modified Cash Basis		<u>\$ 429,940</u>	

See Independent Auditor's Report and
accompanying notes to financial statements.

Wichita-Wilbarger 9-1-1 District
Note to Schedule of Revenues, Expenditures and Changes
In Net Assets Budget and Actual (Non-GAAP Basis)
September 30, 2020

Note 1 Budgetary Process

The budgetary process is prescribed by the provisions of H.B. 1432e which later became the Health and Safety Code Title 9, Chapter 772. The budget is not legally binding.

Estimated Service Fees

Projected Service Fee revenue is based upon actual prior years collections, plus or minus current known economic factors and indicators.

Estimated Expenses

Prior years expenditures for certain fixed expenses are readily determined with expected and known increases. Commitments for expansion and enhancement of technical equipment and knowledge is planned for.

Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and GAAP basis lie in the manner in which revenues and expenses are recorded. Under the budgetary basis, revenues and expenses are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when cash is received, and expenses are recorded when cash is paid. Under the GAAP basis, revenues are recorded when earned, and expenses are recorded when incurred.