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GALVESTON COUNTY CONSOLIDATED  
DRAINAGE DISTRICT

FINANCIAL REPORT

September 30, 2023  
with Independent Auditor's Report

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*CPAs and Professional Consultants*



# GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Galveston County Consolidated Drainage District

### Report on the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities and the general fund of Galveston County Consolidated Drainage District (the "District"), as of and for the year ended **September 30, 2023**, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District, as of **September 30, 2023**, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor’s Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis, budgetary comparison information, pension and other post-employment benefit information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

To the Board of Directors  
Galveston County Consolidated Drainage District

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Whitley Penn LLP*

Houston, Texas  
March 6, 2024





# **GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

### **Using this Annual Report**

Within this section of the Galveston County Consolidated Drainage District's (the "District") annual report, the District's Board of Directors provide narrative discussion and analysis of the financial activities of the District for the year ended **September 30, 2023**.

The annual report consists of the Management's Discussion and Analysis, the basic financial statements, and required supplementary information, consisting of the Budgetary Comparison Schedule – General Fund and the Schedule of Funding Progress. Additionally, the annual report includes other supplementary information as required by its State oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program.

### **Financial Highlights**

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$15,374,263. Of this amount, \$7,761,542 was net investment in capital assets, which represents the carrying value of the capital assets. The remaining amount is comprised of unrestricted net position in the amount of \$7,612,721.
- The District's total net position decreased by \$680,853 during the current fiscal year mainly due to an increase in repair and maintenance expense offset by an increase in property tax and investment revenues.
- The District's general operating fund reported a total ending fund balance of \$7,700,824 as of **September 30, 2023**. Of this amount, \$29,950 is in non-spendable in the form of prepaid items. Fund balance of \$5,395,005 is assigned for capital projects and the remaining amount in fund balance of \$2,275,869 in the general fund is classified as unassigned and is available for spending at the District's discretion. The unassigned fund balance had an increase of \$1,145,869 compared to the prior fiscal year. The unassigned fund balance represents approximately 25 percent or 90 days of total general fund expenditures.

### **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 of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference of the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District'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 result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

### **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 local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements established by external parties, governmental statutes or regulations. The District reports one individual governmental fund, the general fund.

## **GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

### **MANAGEMENT'S DISCUSSION & ANALYSIS (continued)**

#### **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 District'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 District'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's individual governmental fund, the general fund, is considered a major fund.

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.

#### **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.

#### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund. The Required Supplementary Information also includes information related to the required pension system information and the required other post-employment benefit system information.

#### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents Texas supplementary information immediately following the required supplementary information.

#### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflow exceeded liabilities and deferred inflows of resources by \$15,374,263 at the close of the most recent fiscal year.

A significant portion of the District's net position reflects its investment in capital assets (e.g., land and easements, buildings, machinery and equipment, vehicles). The District uses these capital assets to provide services to citizens within the District; consequently, these assets are not available for future spending.

**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**  
**MANAGEMENT'S DISCUSSION & ANALYSIS (continued)**

The District's overall financial position and operations for the past two years is summarized in the statement of net position as follows, based on information included in the government-wide financial statements:

	<b>2023</b>	<b>2022</b>
Current and other assets	\$ 8,646,389	\$ 10,666,376
Capital assets	7,761,542	6,488,861
<b>Total Assets</b>	<b>16,407,931</b>	<b>17,155,237</b>
Deferred outflows of resources	168,626	155,305
<b>Total Deferred Outflows of Resources</b>	<b>168,626</b>	<b>155,305</b>
Current and other liabilities	860,627	461,776
Long-term liabilities	289,735	102,404
<b>Total Liabilities</b>	<b>1,150,362</b>	<b>564,180</b>
Deferred inflows of resources	51,932	691,246
<b>Total Deferred Inflows of Resources</b>	<b>51,932</b>	<b>691,246</b>
<b>Net Position</b>		
Investment in capital assets	7,761,542	6,488,861
Unrestricted	7,612,721	9,566,255
<b>Total Net Position</b>	<b>\$ 15,374,263</b>	<b>\$ 16,055,116</b>

The investment in capital assets balance is \$7,761,542 and remaining balance of net position in the governmental activities consists of an unrestricted net position of \$7,612,721 may be used to meet the District's ongoing obligations to citizens and creditors. The District's total net position decreased by \$680,853 during the current fiscal year due to an increase in repair and maintenance expense offset by an increase in property tax and investment revenues.

**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**  
**MANAGEMENT'S DISCUSSION & ANALYSIS (continued)**

The District's statement of activities for the past two years is summarized as follows, based on information included in the government-wide financial statements:

	<u>2023</u>	<u>2022</u>
<b>Revenues</b>		
Charges for drainage	\$ 224,803	\$ 193,588
Charges for flood control	86,974	75,919
Property taxes	6,265,449	5,760,709
Penalties and interest	35,311	27,436
Investment Earnings	485,431	70,537
Miscellaneous	20,649	1,651
<b>Total Revenues</b>	<u>7,118,617</u>	<u>6,129,840</u>
<b>Expenses</b>		
Service Operations:		
Personnel	804,452	747,198
Professional fees	163,160	128,163
Contracted services	94,182	107,612
Repairs and maintenance	6,444,507	2,994,214
Administrative costs	81,050	70,953
Director Fees	29,750	32,000
Other	42,470	35,330
<b>Capital outlay</b>	-	-
Depreciation	139,899	133,388
<b>Total Expenses</b>	<u>7,799,470</u>	<u>4,248,858</u>
Change in net position	(680,853)	1,880,982
<b>Net Position, Beginning of Year</b>	<u>16,055,116</u>	<u>14,174,134</u>
<b>Net Position, End of Year</b>	<u>\$ 15,374,263</u>	<u>\$ 16,055,116</u>

**Governmental Activities**

The District's governmental activities net position increased by \$680,853 as compared to the prior year. Revenues are generated primarily from three sources for the current fiscal year. Property taxes, investment income, charges for drainage and charges for flood control. Property tax revenue represent 88.5% percent of total revenues. The remaining 11.5 percent is generated from charges, investment earnings and miscellaneous revenues.

	<u>Total Revenues</u>	<u>Revenues</u>
Property taxes	\$ 6,300,760	88.5%
Investment Earnings	485,431	6.8%
Other revenue	332,426	4.7%
<b>Total Revenues</b>	<u>\$ 7,118,617</u>	<u>100.0%</u>

**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**  
**MANAGEMENT'S DISCUSSION & ANALYSIS (continued)**

The primary expenses of the District is repairs and maintenance, which represents 83 percent of total expenses. Personnel expenses represent 10 percent of total expenses, and the remaining expenses including professional fees, contracted services, administrative costs, director fees, depreciation, and miscellaneous, such as utilities, represent 7 percent of the Districts total expenses.

	<u>Total Expenses</u>	<u>Expenses</u>
Repairs and maintenance	\$ 6,444,507	83%
Personnel	804,452	10%
Other Expenses	550,511	7%
<b>Total Expenses</b>	<u>\$ 7,799,470</u>	<u>100%</u>

The District’s increase in property tax and investment revenue attributed to the increase in revenue of \$988,777 when compared to the prior year.

**Financial Analysis of the District’s Funds**

As noted earlier, the District’s general fund is a governmental funds. The focus of the District’s governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the total fund balance of the general fund was \$7,700,824, a decrease of \$2,002,521 in comparison with the prior year. Of this amount, \$2,275,869 represents unassigned fund balance, which is available for spending at the District’s discretion. As a measure of the general fund’s liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 25 percent of expenditures. The remaining amount of fund balance, \$5,395,005, has been assigned for capital projects.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget of the general fund are summarized as follows:

	<u>Budget</u>	
	<u>Original</u>	<u>Final Amended</u>
Total revenues	\$ 6,167,611	\$ 6,167,611
Total expenditures	8,838,550	8,938,550
<b>Net Change in Fund Balance</b>	<u>\$ (2,670,939)</u>	<u>\$ (2,770,939)</u>

**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**  
**MANAGEMENT'S DISCUSSION & ANALYSIS (continued)**

**Capital Asset and Debt Administration**

**Capital Assets**

The District's investment in capital assets for its governmental activities as of **September 30, 2023**, includes land and easements, buildings, machinery and equipment, and vehicles. The following table summarizes the investment in capital assets as of the current and prior fiscal years.

	<u>2023</u>	<u>2022</u>
Land	\$ 6,788,178	\$ 5,486,985
Building	476,969	501,117
Furniture & Equipment	474,842	473,562
Vehicles	21,553	27,197
<b>Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 7,761,542</u>	<u>\$ 6,488,861</u>

The investment in capital assets (capital outlays) during the current year amounted to \$1,412,580. Additional information on the District's capital assets can be found in the notes to the financial statements.

**Long-term Debt**

The following table summarizes the District's compensated absences payable as of the current and prior fiscal years.

	<u>2023</u>	<u>2022</u>
Compensated Absences	\$ 23,270	\$ 56,947

The District's total long term debt decreased by (\$33,677) for the year ended **September 30, 2023**. Additional information on the District's long-term debt can be found in the notes to the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

- The District's tax base increase approximately \$419,925,159 during the 2022 tax year (2023 fiscal year) from \$4,807,676,583 to \$4,387,751,424.
- For the 2023 fiscal year, the District budget increase expenditures by \$3,131,000 over the previous year final budget. The budget increase was primarily due to the District's expectation of completing current capital projects.
- The District's tax rate decrease to \$0.12980 in fiscal year 2023 from \$0.13200 in the prior fiscal year.

**Request for Information**

This financial report is designed to provide general overview of the Galveston County Consolidated Drainage District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative Manager, 1605 Whitaker Dr., Friendswood, Texas, 77546.

## **BASIC FINANCIAL STATEMENTS**





**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**  
**STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET**  
**As of September 30, 2023**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>Assets</b>			
Cash	\$ 675,623	\$ -	\$ 675,623
Investments	7,855,878	-	7,855,878
Taxes receivable, net	84,938	-	84,938
Prepaid items	29,950	-	29,950
Capital assets, net:			
Land and easements	-	6,788,178	6,788,178
Other depreciable capital assets, net	-	973,364	973,364
<b>Total Assets</b>	<u>8,646,389</u>	<u>7,761,542</u>	<u>16,407,931</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows - pension	-	164,076	164,076
Deferred outflows - OPEB	-	4,550	4,550
<b>Total Deferred Outflows of Resources</b>	<u>-</u>	<u>168,626</u>	<u>168,626</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	808,863	-	808,863
Accrued salaries payable	51,764	-	51,764
Long-term liabilities:			
Due within one year	-	6,474	6,474
Due after one year	-	16,796	16,796
Net pension liability	-	231,621	231,621
Net OPEB liability	-	34,844	34,844
<b>Total Liabilities</b>	<u>860,627</u>	<u>289,735</u>	<u>1,150,362</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows - property taxes	84,938	(84,938)	-
Deferred inflows - pension	-	42,898	42,898
Deferred inflows - OPEB	-	9,034	9,034
<b>Total Deferred Inflows of Resources</b>	<u>84,938</u>	<u>(33,006)</u>	<u>51,932</u>
<b>Fund Balances</b>			
Fund Balances:			
Non-spendable:			
Prepaid items	29,950		
Assigned:			
Assigned for capital projects	5,395,005		
Unassigned	2,275,869		
<b>Total Fund Balances</b>	<u>7,700,824</u>		
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 8,646,389</u>		
<b>Net Position</b>			
Investment in capital assets		7,761,542	7,761,542
Unrestricted		(88,103)	7,612,721
<b>Total Net Position</b>		<u>\$ 7,673,439</u>	<u>\$ 15,374,263</u>

**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES, EXPENDITURES**  
**AND CHANGES IN FUNDS BALANCES**  
**For the Year Ended September 30, 2023**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Charges for drainage	\$ 224,803	\$ -	\$ 224,803
Charges for flood control	86,974	-	86,974
Property taxes	6,247,788	17,661	6,265,449
Penalties and interest	35,311	-	35,311
Investment Earnings	485,431	-	485,431
Miscellaneous	20,649	-	20,649
<b>Total Revenues</b>	<u>7,100,956</u>	<u>17,661</u>	<u>7,118,617</u>
<b>Expenditures/Expenses</b>			
<b>Service Operations:</b>			
Personnel	835,778	(31,326)	804,452
Professional fees	163,160	-	163,160
Contracted services	94,182	-	94,182
Repairs and maintenance	6,444,507	-	6,444,507
Administrative expenditures	81,050	-	81,050
Director Fees	29,750	-	29,750
Other	42,470	-	42,470
Capital outlay	1,412,580	(1,412,580)	-
Depreciation	-	139,899	139,899
<b>Total Expenditures/Expenses</b>	<u>9,103,477</u>	<u>(1,304,007)</u>	<u>7,799,470</u>
Excess (deficiency) of revenues over expenditures	(2,002,521)	1,321,668	(680,853)
<b>Fund Balance / Net Position:</b>			
<b>Beginning of the Year</b>	<u>9,703,345</u>	<u>6,351,771</u>	<u>16,055,116</u>
<b>End of the Year</b>	<u>\$ 7,700,824</u>	<u>\$ 7,673,439</u>	<u>\$ 15,374,263</u>

# **GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the District conform to accounting principles generally accepted in the United States of America. The following is a summary of the most significant policies:

#### **Creation**

Galveston County Consolidated Drainage District of Galveston County, Texas (the "District") was created on May 1, 2002, from the merger of Clear Creek Drainage District and Galveston County Drainage District No. 3, both of which were operating under the provisions of Chapter 49 and 56 of the Texas Water Code.

The District's primary activities include construction, maintenance and operation of draining and flood control facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District.

#### **Reporting Entity**

The District is a political subdivision of the State of Texas governed by an elected five-member board. It is considered a primary government. As required by generally accepted accounting principles, these general-purpose financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions, as part of the District's financial reporting entity. Based on these considerations, no other entities, organizations or functions have been included in the District's financial reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Consideration regarding the potential for inclusion of other entities, organizations or functions in the District's financial reporting entity is based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and, it is fiscally independent of other state and local governments. Although not considered significant in the District's reporting entity evaluation, other prescribed criteria under generally accepted accounting principles include: considerations pertaining to organizations for which the primary government is financially accountable; and, considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

#### **Government-wide and Fund Financial Statements**

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the district as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing a final column for reconciling items between the two. All funds are considered major funds under financial reporting guidelines.

Fund financial statements display information at the individual fund level. A fund is considered to be a separate accounting entity. The District reports one individual fund, the General Fund, which is used to account for the operations of the District's drainage system and all other financial transactions not properly includable in other funds.

## **GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 1 - Summary of Significant Accounting Policies (continued)**

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Governmental fund financial statements are organized on the basis of funds, each of which is considered to be separate accounting entity. They use the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. Property tax revenues are generally recognized in the period for which the tax levy was made. Property taxes receivable at the end of the fiscal year are treated as deferred inflow of resources because they are not considered available to pay liabilities of the current period. The District levies taxes for operating purposes only. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable. All other revenues are considered available if they are collected within 60 days after fiscal year end.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

##### **Current GASB Pronouncements**

GASB Statement No. 96, *Subscription Based Information Technology Agreements* was effective for fiscal year 2023. However, the new standard has no impact on the District's financial reporting.

##### **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Investments for the District are reported at fair value.

The funds of the District must be deposited and invested under the terms of a depository contract, the contents of which are set out in the Depository Contract Law. The depository bank may either place approved pledged securities for safekeeping and trust with the District's agent bank or file a corporate surety bond in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of FDIC insurance. The depository cash balances were covered by FDIC insurance and by collateral held by the District's agent in the District's name.

The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: 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. The District's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79 *Certain Investment Pools and Pool Participants*.

##### **Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Allowances for uncollectible taxes receivable are \$10,779 for the year ended September 30, 2023.

# GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS (continued)

### Note 1 - Summary of Significant Accounting Policies (continued)

#### Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### Capital Assets

Capital assets, which include land and easements, buildings, machinery and equipment, and vehicles are reported in the government-wide financial statements. The district defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the acquisition value at the date of donations. The District has not capitalized interest incurred during the construction of its capital assets.

The cost of nominal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their remaining useful lives as follows:

<u>Assets</u>	<u>Useful Life</u>
Buildings	40 years
Office Equipment	5 years
Machinery and Equipment	15 years
Vehicles	10 years

#### Net Position

Net position represents the differences between assets, deferred outflows, liabilities, and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings, used for the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on its use through external grantors, laws, or regulations of other governments.

#### Fund Balance

In the fund financial statements, governmental funds report classifications of fund balance based on controls placed upon the funds. In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 54, effective June 30, 2011, fund balance classifications are recorded as follows:

Non-spendable fund balance – Amounts that are not in spendable form or amounts that are legally and contractually required to be maintained intact.

Restricted fund balance – Amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making District (i.e. Board of Directors). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The District has not committed any fund balance.

## **GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 1 - Summary of Significant Accounting Policies (continued)**

##### **Fund Balance (continued)**

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official body to which the Board of Directors delegates. According to policy, the investment committee has the authority to assign fund balance. Fund balance of \$5,395,005 in the general fund has been assigned for future capital projects with Clear Creek Watershed assigned \$3,992,304 and Dickinson Bayou assigned \$1,402,701.

Unassigned fund balance – amounts that are available for any purpose.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first and then unrestricted. Expenditures incurred in the unrestricted fund balances shall be reduced first from the committed fund balance, then from the assigned fund balance, and lastly, the unassigned fund balance.

##### **Use of 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 those estimates.

##### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. It is the deferred amounts related to pension, and deferred amounts related to OPEB. The deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide financial statements the District reports deferred amounts related to pension and deferred amounts related to OPEB.

##### **Pensions and Other Post-Employment Benefits (OPEB)**

For purposes of measuring the net pension and total OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the 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.

**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

*NOTES TO BASIC FINANCIAL STATEMENTS (continued)*

**Note 2 - Adjustment of Governmental to Government-Wide Basis**

**Reconciliation of the Government Fund Balance Sheet to the Statement of Net Position**

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<b>Total Fund Balances, Governmental Funds</b>	\$	7,700,824
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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 as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation, where applicable		7,761,542
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	-----------

Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).		84,938
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Deferred inflows and outflows related to pension activities		121,178
-------------------------------------------------------------	--	---------

Deferred inflows and outflows related to OPEB activities		(4,484)
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Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Net pension liability		(231,621)
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Net OPEB liability		(34,844)
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Compensated absences		(23,270)
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<b>Total Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>15,374,263</u></b>
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**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 2 - Adjustment of Governmental to Government-Wide Basis (continued)**

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Funds to**

**Net Change in Fund Balances - Total Governmental Funds** \$ (2,002,521)

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

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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capitalized expenditures reclassified to assets.	1,412,580
Depreciation expense taken to Statement of Activities.	(139,899)

Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	17,661
-------------------------------------------------------------------------------------------------------------------------------------------------	--------

Pension contributions made during the current fiscal year are reported as expenditures in the governmental funds and are reported as deferred outflows and reductions in net pension liability as opposed to expenses in the statement of activity.	84,397
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OPEB contributions made during the current fiscal year are reported as expenditures in the governmental funds and are reported as deferred outflows and reductions in the OPEB Obligation as opposed to expenses in the statement of activity.	540
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Decrease in long-term portion of accrued compensated absences	33,677
Pension expense for the plan measurement year	(87,144)
OPEB expense for the plan measurement year	(144)

<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (680,853)</u></b>
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**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 3 - Cash and Investments**

At September 30, 2023, cash and temporary investments consisted of the following:

	<u>General Fund</u>
<b>Cash</b>	
Checking accounts	\$ 675,358
Cash on Hand	265
<b>Total Cash</b>	<u>\$ 675,623</u>
<b>Investments</b>	
TexPool	<u>\$ 7,855,878</u>
<b>Total Investments</b>	<u>7,855,878</u>
<b>Total Cash and Investments</b>	<u><u>\$ 8,531,501</u></u>

**Cash Deposits**

In the event of the failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party. At September 30, 2023, the District’s cash in bank totaled \$859,140 while the carrying value was \$675,358. Pledged collateral and FDIC insurance for these deposits totaled \$2,072,170.

**Investments**

The District’s investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. The District further limits its investments to: 1) obligations of the United States or its agencies and instrumentalities; 2) guaranteed or secured certificates of deposit issued by state or national banks that have its main office or branch office in Texas; 3) money market mutual funds with a dollar weighted average stated maturity of 90 days or less, rated AAA by at least one nationally recognized rating service, and seek to maintain a net asset value of \$1.00 per share; and 4) public funds investment pools that meet the requirements of Chapter 2256.016 of the Public Funds Investment Act.

For fiscal year 2023, the District invested in the State of Texas’ TexPool. TexPool operates in a manner consistent with the Security and Exchange Commission’s Rule 2a7 of the Investment Company Act of 1940.

TexPool is duly chartered and overseen by the State Comptroller’s Office and administered by Federated Investors, Inc. The State Street Bank is the custodial bank. The portfolio consists of U.S. T-Bills, T Notes, collateralized repurchase and reverse repurchase agreements, and no-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAA or equivalent by at least one nationally recognized rating service.

At year end, the District’s investment balances and the weighted average maturity of these investments were as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
<b>Investments</b>		
TexPool	<u>\$ 7,855,878</u>	<u>26</u>
<b>Total Investments</b>	<u><u>\$ 7,855,878</u></u>	<u><u>26</u></u>

**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 3 - Cash and Investments (continued)**

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of internally created pooled fund groups to no more than 360 days.

**Credit Risk**

State law and the District’s investment policy limits investments in all categories to top ratings issued by nationally recognized rating agency. As of September 30, 2023, the District’s investment in TexPool is currently rated AAAM by Standard and Poor’s. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

**Concentration of Credit Risk**

The District’s investment policy requires the investment portfolio to be diversified in terms of investment instruments and maturity in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer. The District’s investment policy establishes the following maximum limits, by instrument, for the portfolio:

<u>Investment Instrument</u>	<u>Percent of Portfolio</u>
U.S. Treasury Securities	100%
Agencies and Instrumentalities	85%
Certificates of Deposit	100%
Repurchase Agreements	20%
Money Market Mutual Funds	50%
Authorized Pools	100%

At September 30, 2023, the District’s investment portfolio consisted of the following:

<u>Investments</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
TexPool	\$ 7,855,878	100%
<b>Total Investments</b>	<b>\$ 7,855,878</b>	<b>100%</b>

The District reports its local government investment pools at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. In addition, TexPool does not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. This pool does not impose any liquidity fees or redemption gates.

**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 4 - Long-Term Debt**

**Accrued Compensated Employee Absences**

The District’s Long-term debt consists solely of accrued compensated employee absences. The liability for compensated absences was \$23,270 at September 30, 2023. Employees earn vacation days annually in accordance to the years of service policy outlined in the personnel policy, however, no employee may carryover more than ten days or eighty hours of vacation accrual from one calendar year to the next. Employees earn ten sick leave days or eighty hours per year and may carryover a total of one year’s sick leave from year to year. Upon termination of employment, whether voluntary or involuntary, including retirement, employees may receive payment for a maximum of 20 days accumulated vacation at their base salary in effect at the date of termination.

The following is a summary of the changes in the District’s compensated absences payable for the year ended September 30, 2023:

	<u>Balance</u> <u>October 01, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>September 30, 2023</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	\$ 56,947	\$ -	\$ (33,677)	\$ 23,270	\$ 6,474

In the governmental funds, the amount reported as a liability for compensated absences is limited to the amount of reimbursable unused vacation and overtime payable to employees who had terminated their employment with the District as of the end of the fiscal year.

**Note 5 - Property Taxes**

The District’s property taxes are levied annually in October on the basis of the Galveston Central Appraisal District’s assessed values as of January 1 of that calendar year. Appraised values are established by the Appraisal District at market value. The District's property tax calendar is as follows:

**Property Tax Calendar**

October	Taxes are levied and are due upon receipt of the tax bill.
January 1	Tax lien attaches to properties within District.
February 1	Penalty and interest charged if taxes are not paid.
July 1	Additional 20% penalty is charged if taxes are not paid; penalty is payable to the delinquent tax attorney.

For the current year, the District levied property taxes of \$0.12980 per \$100 of assessed valuation of which all was allocated to general maintenance and operations. The resulting tax levy was \$6,257,028 on an adjusted taxable valuation of \$5,605,017,170. Property taxes receivable, as of **September 30, 2023**, includes penalty and interest receivable on delinquent accounts and an estimated allowance for uncollectible accounts as follows:

	<u>General Fund</u>
Taxes receivable, current year	\$ 32,644
Taxes receivable, prior years	32,926
Penalty and interest receivable	30,147
<b>Total Taxes Receivable</b>	<u>95,717</u>
Less allowance for uncollectible accounts	<u>(10,779)</u>
<b>Net Taxes Receivable</b>	<u>\$ 84,938</u>

**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 6 - Capital Assets**

Capital assets, which include land, infrastructure and other equipment, are reported in the government-wide financial statements. Assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the acquisition value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives. A summary of changes in capital assets, for the year ended **September 30, 2023**, follows:

	Balance October 01, 2022	Additions	Transfers and (Retirements)	Balance September 30, 2023
<b>Capital Assets, Not being Depreciated:</b>				
Land and easements	\$ 5,486,985	\$ 1,301,193	\$ -	\$ 6,788,178
<b>Total Assets, Not being Depreciated:</b>	<u>5,486,985</u>	<u>1,301,193</u>	<u>-</u>	<u>6,788,178</u>
<b>Capital Assets, being Depreciated:</b>				
Building	965,909	-	-	965,909
Furniture and equipment	1,955,391	111,387	-	2,066,778
Vehicles	381,586	-	-	381,586
<b>Total Capital Assets, being Depreciated</b>	<u>3,302,886</u>	<u>111,387</u>	<u>-</u>	<u>3,414,273</u>
<b>Less Accumulated Depreciation for:</b>				
Building	(464,792)	(24,148)	-	(488,940)
Furniture and equipment	(1,481,829)	(110,107)	-	(1,591,936)
Vehicles	(354,389)	(5,644)	-	(360,033)
<b>Total Accumulated Depreciation</b>	<u>(2,301,010)</u>	<u>(139,899)</u>	<u>-</u>	<u>(2,440,909)</u>
<b>Total Capital Assets being Depreciated, Net</b>	<u>1,001,876</u>	<u>(28,512)</u>	<u>-</u>	<u>973,364</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 6,488,861</u>	<u>\$ 1,272,681</u>	<u>\$ -</u>	<u>\$ 7,761,542</u>

Depreciation expense amounted to \$139,899 in the current fiscal year.

**Note 7 - Defined Benefit Pension Plan**

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit plan in the state-wide 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 677 nontraditional defined benefit pension plans. TCDRS issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available, upon written request, from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas, 78768-2034 or online at [www.tcdrs.org](http://www.tcdrs.org).

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 5 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 5 years of service but must leave their accumulated contributions to the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits, with interest. 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 commitments to contribute. At retirement, disability or death, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates, as prescribed by the TCDRS Act.

# GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS (continued)

### Note 7 - Defined Benefit Pension Plan (continued)

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Number of inactive employees entitled to but not yet receiving benefits	9
Number of active employees	7
Current retirees and beneficiaries	13

### Funding Policy/Contributions

The employer has chosen a variable rate plan under the provisions 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 was 16.50 percent and the contribution rate for employees was 7.00 percent, as adopted by the governing body of the employer. The contribution rate of the employer is not actuarially determined and is one of the rates that can be adopted in accordance with the TCDRS Act. However, the plan of benefits adopted by the employer at the time of plan inception or when benefit increases were adopted was limited by the TCDRS Act to what the actuary determined could be adequately financed by the commitment of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer with options available in the TCDRS ACT.

If a plan has had adverse experience, the TCDRS Act has provisions which allow the employer to contribute a fixed supplemental contribution rate determined by the system's actuary above the regular rate for 25 years or to reduce benefits earned in the future.

### Net Pension Liability

The District's Net Pension Liability ("NPL") was measured as of December 31, 2022, and the Total Pension Liability ("TPL") used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

### Actuarial Assumptions

The Total Pension Liability in the December 31, 2022 actuarial valuation used for funding valuation was determined using the following actuarial assumptions.

Real rate of return	5.00%
Inflation	2.50%
Long-term investment return	7.50%
Growth in membership	0.00%
Payroll growth	0.00%

**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 7 - Defined Benefit Pension Plan (continued)**

**Actuarial Assumptions (continued)**

The Total Pension Liability in the December 31, 2022 actuarial valuation used for GASB calculations was determined using the following actuarial assumptions.

Valuation date	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	18.0 years (based on contribution rate calculated in 12/31/2022 valuation)
Asset valuation method	5-year smoothed market
Inflation rate	2.50%
Salary increases	Varies by age and service. 4.7% average over career including inflation.
Investment rate of return	7.50%, net of administrative and investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions *	2015: No changes in plan provisions were reflected in the Schedules. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule. 2022: No changes in plan provisions were reflected in the Schedules.

\* Only changes that affect the benefit amount and that are effective 2015 and later are shown above.

**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 7 - Defined Benefit Pension Plan (continued)**

**Actuarial Assumptions (continued)**

Actuarial assumptions used in the December 31, 2022, valuation were based on the results of an actuarial experience study for the period January 1, 2017 through December 31, 2020, except where required to be different by GASB 68. 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 pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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	Target Allocation <sup>(1)</sup>	Geometric Real Rate of Return <sup>(2)</sup>
US Equities	11.50%	4.95%
Global Equities	2.50%	4.95%
International Equities - Developed Markets	5.00%	4.95%
International Equities - Emerging Markets	6.00%	4.95%
Investment-Grade Bonds	3.00%	2.40%
Strategic Credit	9.00%	3.39%
Direct Lending	16.00%	6.95%
Distressed Debt	4.00%	7.60%
REIT Equities	2.00%	4.15%
Master Limited Partnerships	2.00%	5.30%
Private Equity Estate Partnership	6.00%	5.70%
Private Equity	25.00%	7.95%
Hedge Funds	6.00%	2.90%
Cash Equivalents	2.00%	0.20%
<b>Total Assets</b>	<b>100.00%</b>	

**Changes in Actuarial Assumptions and Methods**

There were no changes in assumptions reflected in the December 31, 2022 and 2021 actuarial valuation. There was one method change reflected in the Dec. 31, 2019 actuarial valuation. The asset valuation method was changed so that any remaining unrecognized asset gains or losses from the previous year are updated to the current year to account for the time value of money using the investment return assumption. There were no other changes made to the asset valuation method.

**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 7 - Defined Benefit Pension Plan (continued)**

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 7.60%, which was the same as prior year’s 7.60% rate. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	<b>Total Pension Liability (a)</b>	<b>Fiduciary Net Position (b)</b>	<b>Net Pension Liability/(Asset) (a) - (b)</b>
<b>Balances as of December 31, 2021</b>	\$ 5,132,234	\$ 5,566,212	\$ (433,978)
Changes for the Year:			
Service cost	95,365	-	95,365
Interest on total pension liability	390,896	-	390,896
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(25,424)	-	(25,424)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(1,380)	(1,380)	-
Benefit payments	(170,238)	(170,238)	-
Administrative expenses	-	(3,041)	3,041
Member contributions	-	36,699	(36,699)
Net investment income	-	(322,124)	322,124
Employer contributions	-	85,947	(85,947)
Other	-	(2,243)	2,243
<b>Balances as of December 31, 2022</b>	<u>\$ 5,421,453</u>	<u>\$ 5,189,832</u>	<u>\$ 231,621</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the District, calculated using the discount rate of 7.60%, as well as what the District’s net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

	<b>1% Decrease 6.60%</b>	<b>Discount Rate 7.60%</b>	<b>1% Increase 8.60%</b>
<b>Total Pension Liability</b>	\$ 6,042,249	\$ 5,421,453	\$ 4,893,383
Fiduciary net position	5,189,832	5,189,832	5,189,832
<b>Net Pension Liability \ (Asset)</b>	<u>\$ 852,417</u>	<u>\$ 231,621</u>	<u>\$ (296,449)</u>



**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 7 - Defined Benefit Pension Plan (continued)**

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

For the year ended **September 30, 2023**, the District recognized pension expense of \$87,144 .

As of **September 30, 2023**, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ -	\$ 39,033
Changes of assumptions	-	3,865
Net difference between projected and actual earnings	101,563	-
Contributions made subsequent to measurement date	62,513	-
	<u>\$ 164,076</u>	<u>\$ 42,898</u>

The \$62,513 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2023.

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions subsequent to the measurement date, will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2024	\$ (104,563)
2025	(2,224)
2026	16,824
2027	148,628
	<u>\$ 58,665</u>

# GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS (continued)

### Note 8 - Other Post Employment Benefit Plans

#### Plan Description

The District participates in the retiree Group Term Life (GTL) program for the Texas County & District Retirement System (TCDRS), which is a statewide, multiple-employer, public employee retirement system described more fully in Note 7. The benefit terms of this program are established under the TCERS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of January 1st of each year. The district's contribution rate for the retiree GTL program is calculated annually on an actuarial basis and is equal to the cost of providing a one-year death benefit equal to \$5,000. The benefits provided by this program are as follows:

- All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year and are eligible for the TCERS pension plan. Only employers that have elected participation in the retiree Group Term Life program are included in the OPEB plan.
- The plan provides a \$5,000 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the retiree GTL program.
- The OPEB benefit is a fixed \$5,000 lump-sum benefit.
- No future increases are assumed in the \$5,000 benefit amount.
- Benefit terms are established under the TCERS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of Jan. 1 each year.

#### Membership Information

At the December 31, 2022, valuation and measurement date, the following employees were covered by the benefit terms:

Current active members	7
Current inactive members	5
Current retirees	8

"Receiving benefits" indicates the member is retired and receiving monthly pension benefits, and his or her beneficiary is eligible for the \$5,000 lump sum upon the retiree's death.

#### Contributions

Under the GTL program, the employer's benefit payments for the year are treated as being equal to its annual retiree GTL contributions. Employers in the Program make a combined contribution for both the active and retiree coverage; however, only the retiree coverage is considered an OPEB plan and therefore only the contributions associated with retiree covered are included under GASB 75.

The contributions for retiree GTL coverage are assigned to the OPEB plan under GASB 75 and are used to determine the benefit payments shown on the exhibit on the next page. The contributions for active coverage are not considered an OPEB benefit under GASB 75 and are treated as a current benefit. Contributions made by the employer for retiree GTL benefits have been made at 0.41 percent and 0.33 percent for the 2021 and 2022 plan (calendar) years, respectively.

Contributions made to the retiree GTL Program are held in the GTL Fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan.

**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 8 - Other Post Employment Benefit Plans (continued)**

**Actuarial Assumptions**

The District’s Total OPEB Liability (“TOL”) was measured as of December 31, **2022** and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Valuation date	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial cost method	Entry Age Normal
Amortization method	Straight line amortization over expected working life
Investment rate of return	3.72%; 20 Year Bond GO Index published by bondbuyer.com as of December 30, 2021.
Salary increases	Salary increases do not affect benefits, but are used in the allocation of costs under the actuarial cost method.
Disability	Custom table based on TCDRS experience
Mortality - depositing members	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Mortality - service retirees, beneficiaries and non-depositing members	135% of Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Mortality - disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Retirement	Custom table based on TCDRS experience
Other Termination of Employment	Custom table based on TCDRS experience

**Discount Rate**

The TCDRS GTL program is treated as unfunded OPEB plan because the GTL trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 2.06% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2022.

**Changes in Total OPEB Liability**

	<u><b>Total OPEB Liability</b></u>	
<b>Balances as of December 31, 2021</b>	\$	45,457
Changes for the Year:		
Service cost		1,389
Interest on total pension liability		960
Effect of economic/demographic gains or losses		990
Effect of assumptions changes or inputs		(13,428)
Benefit payments		(524)
<b>Balances as of December 31, 2022</b>	<u>\$</u>	<u>34,844</u>

**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

**Note 8 - Other Post Employment Benefit Plans (continued)**

**Sensitivity Analysis**

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 2.06%, as well as what the District’s Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.06%) or 1 percentage point higher (3.06%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

	<b>1% Decrease</b> <b>2.72%</b>	<b>Discount Rate</b> <b>3.72%</b>	<b>1% Increase</b> <b>4.72%</b>
Total OPEB Liability	\$ 42,154	\$ 34,844	\$ 29,272

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Activity**

For the year ended September 30, **2023**, the District recognized OPEB expense of \$144.

As of September 30, **2023**, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<b>Deferred Outflows</b> <b>of Resources</b>	<b>Deferred Inflows</b> <b>of Resources</b>
Differences between expected and actual experiences	\$ 817	\$ 82
Changes in assumptions	3,330	8,952
Contributions made subsequent to the measurement date	403	-
	<u>\$ 4,550</u>	<u>\$ 9,034</u>

The \$403 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending September 30, 2023.

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEBs, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

<b>Year Ended</b> <b>December 31,</b>	<b>Amount</b>
2024	\$ (880)
2025	(4,007)
	<u>\$ (4,887)</u>

**Note 9 - 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; personal injuries; and natural disasters. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**

*For the Year Ended September 30, 2023*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>				
Charges for drainage	\$ 12,000	\$ 12,000	\$ 224,803	\$ 212,803
Charges for flood control	9,000	9,000	86,974	77,974
Property taxes	6,116,611	6,116,611	6,247,788	131,177
Penalties and interest	-	-	35,311	35,311
Investment Earnings	30,000	30,000	485,431	455,431
Miscellaneous	-	-	20,649	20,649
<b>Total Revenues</b>	<u>6,167,611</u>	<u>6,167,611</u>	<u>7,100,956</u>	<u>933,345</u>
<b>Expenditures</b>				
<b>Service operations:</b>				
Personnel	1,086,500	1,086,500	835,778	250,722
Professional fees	103,500	103,500	163,160	(59,660)
Contracted services	86,500	86,500	94,182	(7,682)
Repairs and maintenance	5,432,000	6,332,000	6,444,507	(112,507)
Administrative expenditures	92,050	92,050	81,050	11,000
Director Fees	30,000	30,000	29,750	250
Other	48,000	48,000	42,470	5,530
Capital Outlay	1,960,000	1,160,000	1,412,580	(252,580)
<b>Total Expenditures</b>	<u>8,838,550</u>	<u>8,938,550</u>	<u>9,103,477</u>	<u>(164,927)</u>
Excess (deficiency) of revenues over expenditures	(2,670,939)	(2,770,939)	(2,002,521)	768,418
<b>Fund Balance</b>				
<b>Beginning of the Year</b>	<u>9,703,345</u>	<u>9,703,345</u>	<u>9,703,345</u>	<u>-</u>
<b>End of the Year</b>	<u>\$ 7,032,406</u>	<u>\$ 6,932,406</u>	<u>\$ 7,700,824</u>	<u>\$ 768,418</u>

**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**September 30, 2023**

**A. Legal Compliance - Budgets**

The District annually adopts a budget for use in planning and controlling costs. The budget takes into consideration all district revenues, including, but not limited to taxes, fees and interest, if any, and all projected district obligations and expenditures. The budget may be amended any time but such amendments require approval in advance by the Board of Directors. The budget is legally enacted prior to October 1. All annual appropriations lapse at fiscal year-end. The following functions were in excess of appropriations at the end of fiscal year 2023 - professional services \$59,660, contracted services \$7.682 and capital outlay \$252,580.

Encumbrance accounting is employed in governmental funds. Encumbrances (i.e., purchase orders) outstanding at year end are reported as assignments of fund balances and do not constitute expenditures or liabilities because the commitments will be re- appropriated and honored during the subsequent year.

**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

**TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS**

For the Last Nine Measurement Years Ended December 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total Pension Liability</b>					
Service cost	\$ 95,365	\$ 101,038	\$ 89,576	\$ 90,470	\$ 99,399
Interest on total pension liability	390,896	375,373	356,547	331,920	314,354
Effect of plan changes	-	-	-	-	-
Effect of economic/demographic gains or losses	(25,424)	(78,965)	2,202	8,735	(41,215)
Effect of assumptions changes or inputs	-	(11,595)	249,246	-	-
Refund of contributions	-	-	-	-	-
Benefit payments	(171,618)	(180,092)	(163,483)	(90,322)	(201,031)
Net change in total pension liability	289,219	205,759	534,088	340,803	171,507
<b>Total Pension Liability, Beginning</b>	<u>5,132,234</u>	<u>4,926,475</u>	<u>4,392,387</u>	<u>4,051,584</u>	<u>3,880,077</u>
<b>Total Pension Liability, Ending (a)</b>	<u>5,421,453</u>	<u>5,132,234</u>	<u>4,926,475</u>	<u>4,392,387</u>	<u>4,051,584</u>
<b>Fiduciary Net Position</b>					
Employer contributions	85,947	85,805	91,212	83,618	81,297
Member contributions	36,699	40,043	43,199	43,747	43,708
Refund of contributions	-	-	-	-	-
Benefit payments	(171,618)	(180,092)	(163,483)	(90,322)	(201,031)
Administrative expenses	(3,041)	(3,011)	(3,378)	(3,211)	(2,883)
Net investment income	(322,124)	1,007,684	435,244	589,300	(70,525)
Other (3)	(2,243)	(266)	(441)	1,855	(1,889)
Net change in fiduciary net position	(376,380)	950,163	402,353	624,987	(151,323)
<b>Fiduciary Net Position, Beginning</b>	<u>5,566,212</u>	<u>4,616,049</u>	<u>4,213,696</u>	<u>3,588,709</u>	<u>3,740,032</u>
<b>Fiduciary Net Position, Ending (b)</b>	<u>5,189,832</u>	<u>5,566,212</u>	<u>4,616,049</u>	<u>4,213,696</u>	<u>3,588,709</u>
<b>Net Pension Liability, Ending = (a) - (b)</b>	<u>\$ 231,621</u>	<u>\$ (433,978)</u>	<u>\$ 310,426</u>	<u>\$ 178,691</u>	<u>\$ 462,875</u>
<b>Fiduciary Net Position as a % of Total Pension Liability</b>	95.73%	108.46%	93.70%	95.93%	88.58%
<b>Covered Payroll</b>	\$ 524,273	\$ 572,036	\$ 617,134	\$ 624,950	\$ 624,396
<b>Net Pension Liability as a % of Covered Payroll</b>	44.18%	-75.87%	50.30%	28.59%	74.13%

Note: GASB 68 requires ten years of data to be provided in this schedule. However, because this standard was implemented in fiscal year 2014, data for previous years is unavailable.



**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

**TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS**

For the Last Nine Measurement Years Ended December 31,

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>				
Service cost	\$ 96,052	\$ 103,424	\$ 101,880	\$ 110,016
Interest on total pension liability	291,389	264,359	247,060	239,456
Effect of plan changes	-	-	(11,543)	-
Effect of economic/demographic gains or losses	17,984	(5,388)	(66,858)	(173,115)
Effect of assumptions changes or inputs	20,535	-	17,311	-
Refund of contributions	(36,503)	-	-	(12,871)
Benefit payments	(56,140)	(56,140)	(87,677)	(62,338)
Net change in total pension liability	333,317	306,255	200,173	101,148
<b>Total Pension Liability, Beginning</b>	<u>3,546,761</u>	<u>3,240,507</u>	<u>3,040,334</u>	<u>2,939,186</u>
<b>Total Pension Liability, Ending (a)</b>	<u>3,880,078</u>	<u>3,546,762</u>	<u>3,240,507</u>	<u>3,040,334</u>
<b>Fiduciary Net Position</b>				
Employer contributions	81,923	71,950	80,485	86,325
Member contributions	47,908	45,130	46,029	49,571
Refund of contributions	(36,503)	-	-	(12,871)
Benefit payments	(56,140)	(56,140)	(87,677)	(62,338)
Administrative expenses	(2,487)	(2,372)	(2,128)	(2,220)
Net investment income	472,422	218,275	(50,880)	185,294
Other (3)	475	5,587	(2,179)	(73,042)
Net change in fiduciary net position	507,598	282,430	(16,350)	170,719
<b>Fiduciary Net Position, Beginning</b>	<u>3,232,435</u>	<u>2,950,006</u>	<u>2,966,356</u>	<u>2,795,637</u>
<b>Fiduciary Net Position, Ending (b)</b>	<u>3,740,033</u>	<u>3,232,436</u>	<u>2,950,006</u>	<u>2,966,356</u>
<b>Net Pension Liability, Ending = (a) - (b)</b>	<u>\$ 140,045</u>	<u>\$ 314,326</u>	<u>\$ 290,501</u>	<u>\$ 73,978</u>
<b>Fiduciary Net Position as a % of Total Pension Liability</b>	96.39%	91.14%	91.04%	97.57%
<b>Covered Payroll</b>	\$ 684,404	\$ 644,709	\$ 657,560	\$ 708,164
<b>Net Pension Liability as a % of Covered Payroll</b>	20.46%	48.75%	44.18%	10.45%

Note: GASB 68 requires ten years of data to be provided in this schedule. However, because this standard was implemented in fiscal year 2014, data for previous years is unavailable.

**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**  
**TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM**  
**SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS**  
*For the Last Ten Fiscal Years*

<b>Year Ending September 30,</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Actual Contribution as a % of Covered Payroll</b>
2014	\$ 90,615	\$ 90,615	\$ -	\$ 719,485	12.6%
2015	81,352	81,352	-	667,548	12.2%
2016	77,970	77,970	-	658,264	11.8%
2017	81,475	81,475	-	668,940	12.2%
2018	81,755	81,755	-	648,585	12.6%
2019	82,685	82,685	-	626,641	13.2%
2020	87,958	87,958	-	602,604	14.6%
2021	83,611	83,611	-	568,185	14.7%
2022	89,582	89,582	-	559,835	16.0%
2023	84,395	84,395	-	538,790	15.7%

**Notes to Schedule of Employer Contributions**

Valuation date	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	18.0 years (based on contribution rate calculated in 12/31/2022 valuation)
Asset valuation method	5-year smoothed market
Inflation rate	2.50%
Salary increases	Varies by age and service. 4.7% average over career including inflation.
Investment rate of return	7.50%, net of administrative and investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions *	2015: No changes in plan provisions were reflected in the Schedules. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule. 2022: No changes in plan provisions were reflected in the Schedules.

\* Only changes that affect the benefit amount and that are effective 2015 and later are shown above.

**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**  
**TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITIES AND RELATED RATIOS**  
**For the Last Six Measurement Years Ended December 31,**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Total OPEB Liability</b>			
Service cost	\$ 1,389	\$ 1,460	\$ 1,195
Interest on total OPEB liability	960	937	1,015
Effect of economic/demographic gains or losses	990	(164)	49
Effect of assumptions changes or inputs	(13,428)	723	5,171
Benefit payments	(524)	(515)	(494)
Net Change in Total OPEB Liability	(10,613)	2,441	6,936
<b>Total OPEB Liability, Beginning</b>	45,457	43,016	36,080
<b>Total OPEB Liability, Ending</b>	<u>\$ 34,844</u>	<u>\$ 45,457</u>	<u>\$ 43,016</u>

<b>Covered Payroll</b>	\$ 524,273	\$ 572,036	\$ 617,134
<b>Total OPEB Liability as a % of Covered Payroll</b>	6.65%	7.95%	6.97%

Note: GASB 75 requires ten years of data to be provided in this schedule.

However, because this standard was implemented in fiscal year 2017, data for previous years is unavailable.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>			
Service cost	\$ 802	\$ 1,008	\$ 868
Interest on total OPEB liability	1,072	1,058	1,128
Effect of economic/demographic gains or losses	716	(2,523)	(2,220)
Effect of assumptions changes or inputs	8,393	(3,476)	1,448
Benefit payments	(500)	(437)	(479)
Net Change in Total OPEB Liability	10,483	(4,370)	745
<b>Total OPEB Liability, Beginning</b>	25,597	29,967	29,222
<b>Total OPEB Liability, Ending</b>	<u>\$ 36,080</u>	<u>\$ 25,597</u>	<u>\$ 29,967</u>

<b>Covered Payroll</b>	\$ 624,396	\$ 624,396	\$ 684,404
<b>Total OPEB Liability as a % of Covered Payroll</b>	5.78%	4.10%	4.38%

Note: GASB 75 requires ten years of data to be provided in this schedule.

However, because this standard was implemented in fiscal year 2017, data for previous years is unavailable.

**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

**TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM**

**SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS**

*Last Six Years*

<b>Year Ending September 30,</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Actual Contribution as a % of Covered Payroll</b>
2018	\$ 479	\$ 815	\$ (336)	\$ 648,585	0.13%
2019	437	819	(382)	626,641	0.13%
2020	367	867	(500)	602,604	0.14%
2021	362	856	(494)	617,134	0.14%
2022	387	902	(515)	572,036	0.16%
2023	403	927	(524)	524,273	0.18%

Note: GASB 75 requires ten years of data to be provided in this schedule. However, because this standard was implemented in fiscal year 2018, data for previous years is unavailable.

Valuation date	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial cost method	Entry Age Normal
Amortization method	Straight line amortization over expected working life
Investment rate of return	3.72%; 20 Year Bond GO Index published by bondbuyer.com as of December 30, 2021.
Salary increases	Salary increases do not affect benefits, but are used in the allocation of costs under the actuarial cost method.
Disability	Custom table based on TCDRS experience
Mortality - depositing members	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Mortality - service retirees, beneficiaries and non-depositing members	135% of Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Mortality - disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Retirement	Custom table based on TCDRS experience

## **TEXAS SUPPLEMENTARY INFORMATION**



**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

Schedule TSI-1

**SERVICES AND RATES**

For the Year Ended September 30, 2023

**1. Services provided by the District during the Fiscal Year:**

<input type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input type="checkbox"/> Security
<input type="checkbox"/> Solid Waste/Garbage	<input checked="" type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input type="checkbox"/> Participants in joint venture, regional system, and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> Other (specify): _____		

**2. Total Water Consumption during the fiscal year (rounded to the nearest thousand):**

(You may omit this information if your district does not provide water)

Gallons pumped into system:	_____ N/A _____	Water Accountability Ratio: _____
Gallons billed to customers:	_____ N/A _____	(Gallons billed / Gallons pumped) _____

**3. Standby Fees (authorized only under TWC Section 49.231):**

(You may omit this information if your district does not levy standby fees)

Does the District have Debt Service standby fees? Yes  No

If yes, Date of the most recent commission Order: \_\_\_\_\_

Does the District have Operation and Maintenance standby fees? Yes  No

If yes, Date of the most recent commission Order: \_\_\_\_\_

**4. Location of District**

(Required for first audit year or when information changes otherwise this information may be omitted):

County(ies) in which the District is located: Galveston County

Is the District located entirely within one county? Yes  No

Is the District located within a city? Entirely  Partly  Not at all

City(ies) in which the District is located: Friendswood and League City

Is the District located within a city's extra territorial jurisdiction (ETJ)? Entirely  Partly  Not at all

ETJs in which the District is located: \_\_\_\_\_

Are Board members appointed by an office outside the district? Yes  No

If Yes, by whom? \_\_\_\_\_

**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

*Schedule TSI-2*

**GENERAL FUND EXPENDITURES**

*For the Year Ended September 30, 2023*

<b>Personnel Expenditures</b> (including benefits)*	<u>\$ 835,778</u>
<b>Professional Fees</b>	
Accounting and auditing	18,000
Legal	19,224
Engineering	<u>125,936</u>
	<u>163,160</u>
<b>Contracted Services</b>	
Appraisal District	43,672
Other Contracted Services	<u>50,510</u>
	<u>94,182</u>
<b>Repairs and Maintenance</b>	<u>6,444,507</u>
<b>Administrative Expenditures</b>	
Directors Fees	29,750
Office Supplies	9,672
Insurance	44,234
Other Administrative Expenditures	<u>27,144</u>
	<u>110,800</u>
<b>Other Expenditures</b>	<u>42,470</u>
<b>Capital Outlay</b>	
Capitalized Assets	<u>1,412,580</u>
	<u>1,412,580</u>
<b>Total Expenditures</b>	<u><u>\$ 9,103,477</u></u>

\* Number of persons employed by the District:      11 Full-Time      0 Part-Time

**Reporting of Utility Services in Accordance with HB 3693:**

	<u>Usage</u>	<u>Cost</u>
Electrical	83,644 KW/h	\$ 15,966
Water	68,000	3,174
Natural Gas	N/A	N/A



**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

*Schedule TSI-3*

**INVESTMENTS**

*For the Year Ended September 30, 2023*

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
<b>General Fund</b>				
TexPool	7885900001	Variable	N/A	\$ 1,621,267
TexPool	7885900003	Variable	N/A	6,234,611
<b>Total General Fund</b>				<u>\$ 7,855,878</u>



**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**

*Schedule TSI-4*

**TAXES LEVIED AND RECEIVABLE**

*For the Year Ended September 30, 2023*

	<u>Maintenance Taxes</u>
<b>Taxes Receivable, Beginning of Year</b>	\$ 51,560
Adjustments to prior year receivable	4,770
Adjusted Beginning Receivable	<u>56,330</u>
2022 Original Tax Levy	6,156,438
Plus adjustments	100,590
2022 Adjusted Levy	<u>6,257,028</u>
<b>Total to be accounted for</b>	<u>6,313,358</u>
<b>Tax Collections:</b>	
Current year	6,224,384
Prior years	23,404
<b>Total Collections</b>	<u>6,247,788</u>
<b>Taxes Receivable, End of Year</b>	<u>\$ 65,570</u>
<b>Taxes Receivable, By Years</b>	
2018 and prior	\$ 14,927
2020	3,942
2021	5,091
2022	8,966
2023	32,644
<b>Taxes Receivable, End of Year</b>	<u>\$ 65,570</u>

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Property Valuations:</b>				
Land	\$ 5,605,017,170	\$ 5,116,817,489	\$ 4,346,367,986	\$ 3,506,699,100
<b>Total Property Valuations</b>	<u>\$ 5,605,017,170</u>	<u>\$ 5,116,817,489</u>	<u>\$ 4,346,367,986</u>	<u>\$ 3,506,699,100</u>
<b>Tax Rates per \$100 Valuation:</b>				
Maintenance tax rates	\$ 0.1298	\$ 0.1320	\$ 0.1131	\$ 0.1122
<b>Total Tax Rates per \$100 Valuation</b>	<u>\$ 0.1298</u>	<u>\$ 0.1320</u>	<u>\$ 0.1131</u>	<u>\$ 0.1122</u>
<b>Original Tax Levy:</b>	<u>\$ 6,156,438</u>	<u>\$ 5,575,500</u>	<u>\$ 4,284,578</u>	<u>\$ 3,934,516</u>
<b>Percentage of Taxes Collected to Taxes Levied **</b>	<u>99.48%</u>	<u>99.58%</u>	<u>99.52%</u>	<u>99.32%</u>

\*\* Calculated as taxes collected for a tax year divided by taxes levied for that tax year

**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUE AND EXPENDITURES – GENERAL FUND**  
*For the Last Five Years*

General Fund	AMOUNTS				
	2023	2022	2021	2020	2019
<b>Revenues:</b>					
Charges for flood control	\$ 86,974	\$ 75,919	\$ 65,469	\$ 40,166	\$ 44,806
Charges for drainage	224,803	193,588	129,633	60,316	91,227
Property taxes	6,247,788	5,758,906	4,405,011	4,005,256	3,690,605
Penalties and interest	35,311	27,436	27,436	24,274	24,068
Investment Earnings	485,431	70,537	14,540	76,920	201,416
Intergovernmental	-	-	-	5,525,212	500,000
Miscellaneous	20,649	1,651	1,787	4,932	4,137
<b>Total Revenues</b>	<b>7,100,956</b>	<b>6,128,037</b>	<b>4,643,876</b>	<b>9,737,076</b>	<b>4,556,259</b>
<b>Expenditures:</b>					
Personnel	835,778	834,804	850,278	892,045	886,753
Professional fees	163,160	128,163	82,448	55,448	49,653
Contracted services	94,182	107,612	71,280	64,454	65,294
Repairs and maintenance	6,444,507	2,994,214	4,382,180	6,502,904	4,756,728
Administrative expenditures	81,050	70,953	67,350	83,018	71,815
Director Fees	29,750	32,000	29,500	29,500	30,000
Other	42,470	35,330	35,029	42,005	33,871
Capital Outlay	1,412,580	304,043	49,507	227,982	463,425
<b>Total Expenditures</b>	<b>9,103,477</b>	<b>4,507,119</b>	<b>5,567,572</b>	<b>7,897,356</b>	<b>6,357,539</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>\$ (2,002,521)</b>	<b>\$ 1,620,918</b>	<b>\$ (923,696)</b>	<b>\$ 1,839,720</b>	<b>\$ (1,801,280)</b>

**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUE AND EXPENDITURES – GENERAL FUND**  
*For the Last Five Years*

Schedule TSI-7a

Page 2 of 2

General Fund	PERCENT OF FUND TOTAL REVENUES				
	2023	2022	2021	2020	2019
<b>Revenues:</b>					
Charges for flood control	1.2%	1.2%	1.4%	0.4%	1.0%
Charges for drainage	3.2%	3.2%	2.8%	0.6%	2.0%
Property taxes	88.0%	94.0%	94.9%	41.1%	81.0%
Penalties and interest	0.5%	0.4%	0.6%	0.2%	0.5%
Investment Earnings	6.8%	1.2%	0.3%	0.8%	4.4%
Intergovernmental	0.0%	0.0%	0.0%	56.7%	10.9%
Miscellaneous	0.3%	0.0%	0.0%	0.1%	0.1%
<b>Total Revenues</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Expenditures:</b>					
Personnel	11.8%	13.6%	18.3%	9.2%	19.5%
Professional fees	2.3%	2.1%	1.8%	0.6%	1.1%
Contracted services	1.3%	1.8%	1.5%	0.7%	1.4%
Repairs and maintenance	90.8%	48.9%	94.4%	66.8%	104.4%
Administrative expenditures	1.1%	1.2%	1.4%	0.9%	1.6%
Director Fees	0.4%	0.5%	0.6%	0.3%	0.7%
Other	0.6%	0.6%	0.8%	0.4%	0.7%
Capital Outlay	19.9%	5.0%	1.1%	2.3%	10.1%
<b>Total Expenditures</b>	<b>128.2%</b>	<b>73.6%</b>	<b>119.9%</b>	<b>81.1%</b>	<b>139.4%</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(28.2%)</b>	<b>26.4%</b>	<b>(19.9%)</b>	<b>18.9%</b>	<b>(39.5%)</b>

**GALVESTON COUNTY CONSOLIDATED DRAINAGE DISTRICT**  
**BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS**  
**For the Year Ended September 30, 2023**

Schedule TSI-8

Complete District Mailing Address: 1605 Whitaker Drive; Friendswood, Texas 77546

District Business Telephone Number: (281) 482-0404

Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200

(Set by Board Resolution - TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	September 30, 2023		Title at Year End
		Fees of Office Paid *	Expense Reimbursements	
<b>Board Members:</b>				
Kevin Holland	Elected 5/18/2020 - current	\$ 6,500	\$ -	President
James Gibson	Elected 5/18/2022 - current	6,000	-	Vice President
Theresa Gustafson	Appointed 4/11/2023 - current	4,500	-	Treasurer
Rusty Burkett	Elected 5/18/2022 - current	6,000	-	Secretary
Lonnie Moffitt	Appointed	3,250	-	Member
Gary Harris	Retired March 2023	1,000	-	Former Member
Don Barcak	Retired May 2023	2,500	-	Former Member
<b>Key Administrative Personnel:</b>				
Joseph Anderson	September 1, 2008	153,134	-	Operations Manager
Kathy Grace	February 1, 2019	68,717	-	Administrative Manager
<b>Professional Services</b>				
Olson & Olson LLP		19,224	-	Attorney
Daniel Scott Engineering		104,548	-	Engineer
Ward, Getz & Associates, Inc.		21,388	-	Engineer
Whitley Penn, LLP		18,000	-	External Auditor

\* Fees of Office are the amounts actually paid to a director during the District's fiscal year