
GALVESTON COUNTY
DRAINAGE DISTRICT #2

GALVESTON COUNTY, TEXAS

FINANCIAL REPORT

For the Year Ended September 30, 2023

whitleypenn 

CPAs and Professional Consultants

GALVESTON COUNTY DRAINAGE DISTRICT #2

TABLE OF CONTENTS

	<u>Page</u>	<u>Schedule</u>
Annual Filing Affidavit	i	
Independent Auditor's Report	1	
Management's Discussion and Analysis	7	
Basic Financial Statements		
Statement of Net Position and Governmental Funds Balance Sheet	14	
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balance	15	
Notes to Basic Financial Statements	17	
Required Supplementary Information		
Budgetary Comparison Schedule - General Fund	34	
Notes to Required Supplementary Information	35	
Schedule of Changes in Net Pension Liability and Related Ratios	36	
Schedule of Employer Pension Contributions	38	
Texas Supplementary Information		
Services and Rates	40	TSI - 1
General Fund Expenditures	41	TSI - 2
Investments	42	TSI - 3
Taxes Levied and Receivable	43	TSI - 4
Comparative Schedule of Revenues and Expenditures - General Fund	44	TSI - 7a
Board Members, Key Personnel and Consultants	46	TSI - 8

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS

GALVESTON COUNTY

I, Wayne Hobgood, of the Galveston County Drainage District No. 2
(Name of Duly Authorized District Representative)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Commissioners of the District on the 14th day of March, 2024, its annual audit report for the fiscal year or period ended September 30, 2023, and that copies of the annual audit report have been filed in the District's office, located at 5000 F.M. 1765, La Marque, Texas. This filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Code Section 49.194.

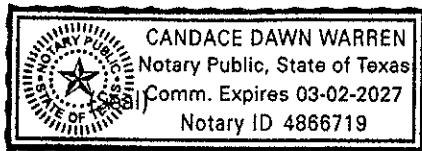
Date: March 14, 2024

By: Wayne Hobgood
(Signature of District Representative)

Wayne Hobgood, Board Chairman
(Typed Name & Title of Above District Representative)

Sworn to and subscribed to before me this 14th day of March, 2024.

Candace Dawn Warren
(Signature of Notary)



My Commission Expires On: 03/02, 2027, Notary Public in the State of Texas.

Form TCEQ – 0723 (Revised 10/2003)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Galveston County Drainage District #2
La Marque, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Galveston County Drainage District #2 (the "District"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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 schedule, and the required pension system supplementary 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 Commissioners
Galveston County Drainage District #2

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 are 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, Texas Supplementary Information and other supplementary information, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Whitley Penn LLP

Houston, Texas
March 14, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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GALVESTON COUNTY DRAINAGE DISTRICT #2

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

Within this section of the financial report of Galveston County Drainage District #2 (the "District"), the District's Board of Commissioners provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2023. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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. 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 \$5,169,804. Of this amount, \$2,008,032 was the investment in capital assets, which represents the carrying value of the capital assets. The remaining amount is comprised of restricted net position in the amount of \$1,176,000 and unrestricted net position in the amount of \$1,985,772.
- The District's total net position increased by \$211,276 during the current fiscal year due to increase property tax revenue.
- The District's governmental funds reported combined ending fund balances of \$2,820,000 as of September 30, 2023. Of this amount, \$1,176,000 is restricted for the special revenue funds and \$1,644,000 is classified as unassigned in the general fund.

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).

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. All of the District's funds are governmental funds.

GALVESTON COUNTY DRAINAGE DISTRICT #2
MANAGEMENT'S DISCUSSION AND 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 has two individual governmental funds, the general fund and special revenue fund, both of which are considered major funds.

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

GALVESTON COUNTY DRAINAGE DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,169,804 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.

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:

	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 3,128,881	\$ 3,617,398
Capital assets	2,008,032	1,797,600
Total Assets	<u>5,136,913</u>	<u>5,414,998</u>
Deferred outflows of resources	327,592	290,798
Total Deferred Outflows of Resources	<u>327,592</u>	<u>290,798</u>
Current and other liabilities	97,132	30,481
Long-term liabilities	124,737	-
Total Liabilities	<u>221,869</u>	<u>30,481</u>
Deferred inflows of resources	72,832	716,787
Total Deferred Inflows of Resources	<u>72,832</u>	<u>716,787</u>
Net Position		
Investment in capital assets	2,008,032	1,797,600
Restricted - special revenue funds	1,176,000	1,029,807
Unrestricted	1,985,772	2,131,121
Total Net Position	<u>\$ 5,169,804</u>	<u>\$ 4,958,528</u>

The remaining balance of net position in the governmental activities consists of an unrestricted net position of \$1,985,772, which may be used to meet the District's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the District also reports restricted net position in the governmental activities in the amount of \$1,176,000. This amount is restricted to ditch 6, ditch 8, and ditch 9.

GALVESTON COUNTY DRAINAGE DISTRICT #2
MANAGEMENT'S DISCUSSION AND 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>
Revenues		
Property taxes	\$ 1,451,039	\$ 1,265,614
Penalties and interest	23,282	20,145
Impact fees	132,025	147,850
Investment income	30,300	-
Miscellaneous	-	16,089
Total Revenues	<u>1,636,646</u>	<u>1,449,698</u>
Expenses		
Service Operations:		
Personnel	696,299	498,636
Professional fees	306,573	48,870
Contracted services	51,265	34,524
Repairs and maintenance	88,908	71,635
Administrative expenditures	93,828	66,635
Commissioner Fees	21,600	22,650
Depreciation	166,897	140,861
Total Expenses	<u>1,425,370</u>	<u>883,811</u>
Change in net position	211,276	565,887
Net position, beginning of year	4,958,528	4,392,641
Net position, end of year	<u>\$ 5,169,804</u>	<u>\$ 4,958,528</u>

Governmental Activities

Governmental activities increased the District's net position by \$211,276. Revenues are generated primarily from two sources. Property taxes and impact fees represent 98 percent of total revenues. The remaining 2 percent is generated from investment revenues.

	<u>Total Revenues</u>	<u>% of Total Revenues</u>
Property taxes	\$ 1,474,321	90%
Investment Earnings	30,300	2%
Impact fees	132,025	8%
Total Revenues	<u>\$ 1,636,646</u>	<u>100%</u>

GALVESTON COUNTY DRAINAGE DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The primary expenses of the District is personnel, which represents 49 percent of total expenses. The remaining expenses include professional fees, contracted services, repairs and maintenance, administrative costs, commissioner fees, and depreciation, which represent 51 percent of the District's total expenses.

	<u>Total Expenses</u>	<u>% of Total Expenses</u>
Personnel	\$ 696,299	49%
Other Expenses	729,071	51%
Total Expenses	<u>\$ 1,425,370</u>	<u>100%</u>

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 \$1,644,000, a decrease of \$151,904 in comparison with the prior year. This amount 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 93 percent or 339 days of expenditures.

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	\$ 1,441,822	\$ 1,441,822
Total expenditures	3,741,822	3,741,822
Net change in fund balance	<u>\$ (2,300,000)</u>	<u>\$ (2,300,000)</u>

GALVESTON COUNTY DRAINAGE DISTRICT #2
MANAGEMENT'S DISCUSSION AND 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 and Easements	\$ 407,620	\$ 407,620
Building and improvements	181,526	139,973
Land improvements	314,116	308,043
Furniture and equipment	1,084,498	903,310
Vehicles	<u>20,272</u>	<u>38,654</u>
Total capital assets, net of accumulated depreciation	<u>\$ 2,008,032</u>	<u>\$ 1,797,600</u>

The investment in capital assets (capital outlays) increase during the current year amounted by \$551,390. Additional information on the District's capital assets can be found in the notes to the financial statements.

Debt

As of September 30, 2023 the District did not have long-term debt outstanding.

Economic Factors and Next Year's Budget and Rates

- The Districts tax base for the 2023 tax year (2024 fiscal year) has increased to \$3,304,729,758 compared to the 2022 tax base of \$3,304,729,758.
- For the 2024 fiscal year, the District budget decreased expenditures by approximately \$2,000 over the previous year's final budget. The budget decrease was primarily due to capital projects, professional fees and personnel expenditures.
- The Districts tax rate for the 2023 tax year (2024 fiscal year) is \$0.044553, a decrease of \$0.001535 compared to the prior fiscal year.

Request for Information

This financial report is designed to provide general overview of the 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 Bookkeeper, P.O. Box 624, La Marque, Texas 77568-0624.

BASIC FINANCIAL STATEMENTS

GALVESTON COUNTY DRAINAGE DISTRICT #2
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
As of September 30, 2023

	Governmental Fund Financial Statements			Government-wide	
	General Fund	Special Revenue Funds	Total	Adjustments	Statement of Net Position
Assets					
Cash and cash equivalents	\$ 1,875,024	\$ 1,042,108	\$ 2,917,132	\$ -	\$ 2,917,132
Taxes receivable, net	211,749	-	211,749	-	211,749
Due from other funds	-	133,892	133,892	(133,892)	-
Capital assets:					
Land and easements	-	-	-	407,620	407,620
Other depreciable assets, net	-	-	-	1,600,412	1,600,412
Total Assets	\$ 2,086,773	\$ 1,176,000	\$ 3,262,773	1,874,140	5,136,913
Deferred Outflows of Resources					
Deferred outflows - pension	\$ -	\$ -	\$ -	327,592	327,592
Total Deferred Outflows of Resources	\$ -	\$ -	\$ -	327,592	327,592
Liabilities:					
Accounts payable	\$ 75,328	\$ -	\$ 75,328	-	75,328
Accrued wages payable	21,804	-	21,804	-	21,804
Due to other funds	133,892	-	133,892	(133,892)	-
Long-term liabilities					
Net pension liability	-	-	-	124,737	124,737
Total Liabilities	231,024	-	231,024	(9,155)	221,869
Deferred Inflows of Resources					
Deferred inflows - property taxes	211,749	-	211,749	(211,749)	-
Deferred inflows - pension	-	-	-	72,832	72,832
Total Deferred Inflows of Resources	211,749	-	211,749	(138,917)	72,832
Fund Balances/Net Position:					
Fund Balances:					
Restricted	-	1,176,000	1,176,000		
Unassigned	1,644,000	-	1,644,000		
Total Fund Balances	1,644,000	1,176,000	2,820,000		
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 2,086,773	\$ 1,176,000	\$ 3,262,773		
Net Position					
Investment in capital assets				2,008,032	2,008,032
Restricted - special revenue funds				1,176,000	1,176,000
Unrestricted				(834,228)	1,985,772
Total Net Position				\$ 2,349,804	\$ 5,169,804

GALVESTON COUNTY DRAINAGE DISTRICT #2
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2023

	<u>Governmental Fund Financial Statements</u>				<u>Government-wide</u>
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues					
Property taxes	\$ 1,437,689	\$ -	\$ 1,437,689	\$ 13,350	\$ 1,451,039
Penalties and interest	23,282	-	23,282	-	23,282
Impact fees	-	132,025	132,025	-	132,025
Investment income	16,132	14,168	30,300	-	30,300
Miscellaneous	7,395	-	7,395	(7,395)	-
Total Revenues	<u>1,484,498</u>	<u>146,193</u>	<u>1,630,691</u>	<u>5,955</u>	<u>1,636,646</u>
Expenditures/Expenses					
Service operations:					
Personnel	689,504	-	689,504	6,795	696,299
Professional fees	306,573	-	306,573	-	306,573
Contracted services	51,265	-	51,265	-	51,265
Repairs and maintenance	88,908	-	88,908	-	88,908
Administrative expenditures	57,162	-	57,162	36,666	93,828
Commissioner Fees	21,600	-	21,600	-	21,600
Capital outlay	551,390	-	551,390	(551,390)	-
Depreciation	-	-	-	166,897	166,897
Total Expenditures/Expenses	<u>1,766,402</u>	<u>-</u>	<u>1,766,402</u>	<u>(341,032)</u>	<u>1,425,370</u>
Excess (deficiency) of revenues over expenditures	(281,904)	146,193	(135,711)	346,987	211,276
Other Financing Sources					
Proceeds - sale of capital assets	130,000	-	130,000	(130,000)	-
Total Other Financing Sources	<u>130,000</u>	<u>-</u>	<u>130,000</u>	<u>(130,000)</u>	<u>-</u>
Net change in fund balance/net position	(151,904)	146,193	(5,711)	216,987	211,276
Fund Balance / Net Position:					
Beginning of the Year	1,795,904	1,029,807	2,825,711	2,132,817	4,958,528
End of the Year	<u>\$ 1,644,000</u>	<u>\$ 1,176,000</u>	<u>\$ 2,820,000</u>	<u>\$ 2,349,804</u>	<u>\$ 5,169,804</u>

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GALVESTON COUNTY DRAINAGE DISTRICT #2

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

The Galveston County Drainage District No. 2 was created by a vote of the people in 1911 under the district provisions of Section 59 of Articles XVI of the Texas Constitution for the sole purpose of reclamation and drainage of its overflowed lands needing drainage and vested with all the rights, powers, privileges, and duties conferred and imposed by the general laws of the State of Texas. The District is also subject to the continuing supervision of the Texas Commission on Environmental Quality. The District's primary activity is the control of flooding within its boundaries. As such, the District works in conjunction with local, state, federal and other county agencies to maintain existing flood control systems, construct additions and modifications and review additions and modifications proposed by others.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected three-member board. As required by generally accepted accounting principles, these basic 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 two individual funds which are 1) 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 and 2) the special revenue funds which is used to account for revenue sources that are legally restricted to expenditures for specified purposes.

GALVESTON COUNTY DRAINAGE DISTRICT #2
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 a 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. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Property tax revenues are generally recognized in the period in which they were collected. Property taxes receivable at the end of the fiscal year are treated as unavailable revenues 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, except for unmatured interest on long-term debt, which is recognized when due.

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*.

GALVESTON COUNTY DRAINAGE DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

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 \$6,548 as of September 30, 2023.

Prepaid items

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. The District did not have any prepaid items as of September 30, 2023.

Capital Assets

Capital assets, which include land, buildings and improvements, tools and heavy equipment, are reported in the government-wide financial statements. The district defines capital assets as assets with an initial cost of \$1,000 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 estimated fair market value at the date of donation.

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>
Building and improvements	50 years
Land improvements	50 years
Tools and equipment	10 years
Heavy equipment	20 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:

Nonspendable fund balance – amounts that are not in spendable form or are required to be maintained intact. As such, inventory and prepaid items, if applicable, are properly classified in the Governmental Funds Balance Sheet.

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.

GALVESTON COUNTY DRAINAGE DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. the Commissioners). 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.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Commissioners delegate the authority.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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. The District has restricted and unassigned fund balances as of September 30, 2023.

Compensated Absences

District employees are paid by a prescribed formula for absences due to vacation. After one year of employment, vacation leave is earned as follows:

1 year of service	1 week
2-5 years of service	2 weeks
6-10 years of service	3 weeks
11-20 years of service	4 weeks
21 and over	5 weeks

Unless approved by the Board, the eligibility for such benefits lapses at year end, and pay in lieu of vacation is not given except in the case of termination. Accordingly, accumulated unpaid vacation pay is expensed in governmental funds when paid. At September 30, 2023, there were no material accumulated unpaid vacation benefits.

Sick Leave

Employees in permanent positions will be eligible for sick leave with full pay on the basis of one working day for each month of service subject to the following conditions:

- (a) Sick leave is not to be taken until the initial six months of service has been completed, but the sick leave balance at the end of the six months initial period will show credit retroactive to the date of original employment (six days of leave available).
- (b) Sick leave may be accumulated for a total of not more than ninety working days.

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.

GALVESTON COUNTY DRAINAGE DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Restricted Assets

Assets held in the special revenue funds are classified as restricted assets.

Impact fees represent monies which are received from developers wanting to develop property in a particular watershed area. These monies represent additional costs which will be incurred as a direct result of developing the area. These monies are restricted for use only for the purpose for which they are collected. Costs are incurred and paid out of the general fund. Once the costs have been incurred, the special revenue fund is entitled to reimburse the general fund by transferring amounts to the general fund.

For the year ended, September 30, 2023 \$132,025 in fees were collected as a direct result of development in the area.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are recorded as liabilities and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The District did not have any debt outstanding as of September 30, 2023.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 one item that qualifies for reporting in this category. It is the deferred amounts related to pension. The deferred amounts related to pension relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension 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 two 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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension 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. Benefits payments are refunds are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

GALVESTON COUNTY DRAINAGE DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Adjustment from Governmental to Government-Wide Basis

Reconciliation of the Government Fund Balance Sheet to the Statement of Net Position	
Total fund balances, governmental funds	\$ 2,820,000
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	2,008,032
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).	211,749
Deferred inflows and outflows related to pension activities	254,760
Long-term assets relatef to pensions are not collectible nor do they represent financial resources and therefore are not reported assets in the governmental funds. The net pension asset is reported at the actuarially determined value under GASB No. 68	<u>(124,737)</u>
Total net position - governmental activities	<u>\$ 5,169,804</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Funds to the Statement of Activities	
Net change in fund balances - total governmental funds	\$ (5,711)
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.	551,390
Depreciation expense taken to Statement of Activities.	(166,897)
Governmental funds report the entire net sales prices (proceeds) from the sales of capital assets as revenue because they provide current financial respirces. The change in net position differs from the change in fund balance by the cost of capital assets removed from service.	(174,061)
	13,350
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.	82,030
Some revenus and 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:	
Pension expense for the plan measurement year	(88,825)
Change in net position of governmental activities	<u>\$ 211,276</u>

GALVESTON COUNTY DRAINAGE DISTRICT #2
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>	<u>Special Revenue Funds</u>	<u>Totals</u>
Cash and Cash Equivalents			
Petty cash	\$ 100	\$ -	\$ 100
Demand Accounts	478,994	22,940	501,934
Money market account	250,000	-	250,000
Investment pools			
Texas Class	1,145,930	1,019,168	2,165,098
Total Cash and Cash Equivalents	<u>\$ 1,875,024</u>	<u>\$ 1,042,108</u>	<u>\$ 2,917,132</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 \$795,134 while the carrying value was \$751,934. Pledged collateral and FDIC insurance for these deposits totaled \$3,667,661.

Investments

The District is authorized by state statutes to invest in the following: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements, (9) bankers’ acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

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 obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, collateralized mortgage obligations, no-load money market mutual funds, certain municipal securities, commercial paper, repurchase agreements, or investment pools.

Texas CLASS is organized under the Sixth Amended and Restated Trust Agreement in accordance with all the requirements contained in section 2256.016 of PFIA. Texas CLASS is administered by Public Trust Advisors, LLC and all funds are held by the custodial agent, Wells Fargo Bank Texas, N.A. Texas CLASS may invest in obligations of the U.S. or its agencies and instrumentalities; repurchase agreements; SEC-registered money market funds rated in the highest rating category by at least one NRSRO; and commercial paper rated A-1, P-1 or equivalent by two nationally recognized rating agencies. For fiscal year 2023, the District’s investments at September 30, 2023 were as follows:

Investments	<u>Fair value</u>	<u>Weighted Average Maturity (WAM)</u>
General Fund		
Texas Class	\$ 1,145,930	72
Special Revenue Fund		
Texas Class	1,019,168	72
Total - All Funds	<u>\$ 2,165,098</u>	

GALVESTON COUNTY DRAINAGE DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 4 - 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.

Property taxes are collected based on rates adopted in the year of the levy. For the current year, the District levied property taxes of \$0.046088 per \$100 of assessed value, which was allocated to maintenance and operations. The resulting tax levy was \$1,442,175 on the adjusted taxable value of \$3,127,079,130 for the 2022 tax year.

Net property taxes receivable, at September 30, 2023, includes penalty and interest receivable on delinquent accounts and an estimated allowance for uncollectible accounts as follows:

Current year taxes receivable	\$ 41,426
Prior years taxes receivable	85,923
Penalty and interest receivable	90,948
Total Taxes Receivable	<u>218,297</u>
Less allowance for uncollectibles	(6,548)
Net Property Taxes Receivable	<u><u>\$ 211,749</u></u>

GALVESTON COUNTY DRAINAGE DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 5 - Capital Assets

Capital assets, which include land, buildings and 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 estimated fair market 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:

	October 01, 2022	Additions	(Retirements)	September 30, 2023
Capital Assets, Not Being Depreciated:				
Land and Easments	\$ 407,620	\$ -	\$ -	\$ 407,620
Total Capital Assets, Not Being Depreciated	<u>407,620</u>	<u>-</u>	<u>-</u>	<u>407,620</u>
Capital Assets, Being Depreciated:				
Building and improvements	251,994	52,856	-	304,850
Land improvements	341,440	13,618	-	355,058
Furniture and equipment	1,699,698	484,917	(349,619)	1,834,996
Vehicles	159,098	-	-	159,098
Total Capital Assets, Being Depreciated	<u>2,452,230</u>	<u>551,391</u>	<u>(349,619)</u>	<u>2,654,002</u>
Less Accumulated Depreciation For:				
Building and improvements	(112,021)	(11,303)	-	(123,324)
Land improvements	(33,397)	(7,545)	-	(40,942)
Furniture and equipment	(796,388)	(129,667)	175,557	(750,498)
Vehicles	(120,444)	(18,382)	-	(138,826)
Total Accumulated Depreciation	<u>(1,062,250)</u>	<u>(166,897)</u>	<u>175,557</u>	<u>(1,053,590)</u>
Total Capital Assets Being Depreciated, Net	<u>1,389,980</u>	<u>384,494</u>	<u>(174,062)</u>	<u>1,600,412</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,797,600</u>	<u>\$ 384,494</u>	<u>\$ (174,062)</u>	<u>\$ 2,008,032</u>

Depreciation expense amounted to \$166,897 in the current fiscal year.

GALVESTON COUNTY DRAINAGE DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 6 - 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 a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available, upon written request, from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas, 78768-2034 or online at 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.

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

Current active members	9
Current inactive members	6
Current retirees and beneficiaries	7
Total	<u><u>22</u></u>

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 and the contribution rate for employees was , 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.

GALVESTON COUNTY DRAINAGE DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 6 - Defined Benefit Pension Plan (continued)

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 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%

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	17.8 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 were reflected.	
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions *	2015: No changes in plan provisions were reflected in the Schedule. 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 Schedule.	

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

GALVESTON COUNTY DRAINAGE DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 6 - 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	Geometric Real Rate of Return (Expected Minus Inflation)
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 Real Estate Partnerships	6.00%	5.70%
Private Equity	25.00%	7.95%
Hedge Funds	6.00%	2.90%
Cash Equivalents	2.00%	0.20%
Total Assets	100.00%	

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 DRAINAGE DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 6 - Defined Benefit Pension Plan (continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.60%. 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.

	<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability (Assets)</u>
Balances as of December 31, 2021	\$ 5,770,899	\$ 6,333,707	\$ (562,808)
Changes for the Year			
Service cost	80,988	-	80,988
Interest on total pension liability	436,481	-	436,481
Effect of economic/demographic gains or losses	(85,438)	-	(85,438)
Effect of assumptions changes or inputs	-	-	-
Benefit payments	(221,497)	(221,497)	-
Administrative expenses	-	(3,432)	3,432
Member contributions	-	33,847	(33,847)
Net investment income	-	(362,600)	362,600
Employer contributions	-	85,728	(85,728)
Other	-	(9,057)	9,057
Balances as of December 31, 2022	<u>\$ 5,981,433</u>	<u>\$ 5,856,696</u>	<u>\$ 124,737</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 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:

	<u>1% Decrease 6.60%</u>	<u>Discount Rate 7.60%</u>	<u>1% Increase 8.60%</u>
Total pension liability	\$ 6,778,489	\$ 5,981,433	\$ 5,318,893
Fiduciary net position	5,856,696	5,856,696	5,856,696
Net pension (asset) liability	<u>\$ 921,793</u>	<u>\$ 124,737</u>	<u>\$ (537,803)</u>

GALVESTON COUNTY DRAINAGE DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 6 - 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 \$88,825.

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	\$ 6,104	\$ (72,832)
Changes of assumptions	142,933	-
Net difference between projected and actual earnings	117,634	-
Contributions made subsequent to measurement date	60,921	-
	<u>\$ 327,592</u>	<u>\$ (72,832)</u>

The \$60,921 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 fiscal year ended September 30, 2024.

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 September 30:</u>	<u>Amount</u>
2024	\$ (22,758)
2025	50,245
2026	(1,585)
2027	167,937
	<u>\$ 193,839</u>

GALVESTON COUNTY DRAINAGE DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 7 - 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 participation in Texas Municipal League (TML), an intergovernmental risk pool. This pool is a risk-sharing pool providing insurance coverage to more than 2,800 Texas municipalities and other governmental units. The risk pool is governed by a board of trustees that consists of 15 members, plus 3 ex-officio non-voting members, either elected or appointed in the manner specified by the TML bylaws. Each member of the board must be either an employee or official of the governing body of an employee member of the pool. The board controls the operations of the risk pool and has various powers and duties as specified in the bylaws. Audited financial information for each risk pool may be obtained from the Chief Financial Officer, Texas Municipal League Intergovernmental Risk Pool, PO Box 149194, Austin, TX 78714-9194. The District has not had any significant reductions in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years.

During the current fiscal year, the District paid out of its general fund net premiums of approximately \$26,531 for provisions of various liability, property, and casualty insurance. The District has deductibles ranging from \$500 to \$10,000 on various policies. TML will pay damages and claims subject to the limits of liability and stated deductibles in accordance with approved declarations of coverage. Amounts over the stated limits of liability become the responsibility and risk of the District. Claim liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. At year-end, the District did not have any significant probable claims.

The District also provides workers compensation insurance on its employees through TML. This policy covers claims up to the statutory limit. The District has no deductible for these claims. During the current fiscal year, the District contributed out of its general fund premiums of approximately \$16,761 for this coverage. The contributed amount is based on the District's estimated payroll applied to a classification rate (determined by TML), multiplied by the District's experience modifier and fund discount. These premiums are subject to change upon audit by TML. As of the current year-end, the District believed the amounts paid would not change significantly from the amounts recorded.

Both group health and life insurance coverage for eligible employees of the District are covered through commercial insurance. The District does not retain any risk of loss on health or life insurance.

Note 8 – Interfund Transactions

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll, and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate fund. Additionally, some lending/borrowing may occur between two or more non-major governmental funds. The General Fund owes the Special Revenue Funds \$133,892 for impact fees collected on behalf of the Special Revenue Funds and investment income.

Note 9 - Commitments and Contingencies

In the opinion of management and legal counsel, there is no known litigation pending against the District as of September 30, 2023.

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REQUIRED SUPPLEMENTARY INFORMATION

GALVESTON COUNTY DRAINAGE DISTRICT #2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
For the Year Ended September 30, 2023

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final Amended</u>		
Revenues				
Property taxes	\$ 1,418,540	\$ 1,418,540	\$ 1,437,689	\$ 19,149
Penalties and interest	23,282	23,282	23,282	-
Investment income	-	-	16,132	16,132
Miscellaneous	-	-	7,395	7,395
Total Revenues	<u>1,441,822</u>	<u>1,441,822</u>	<u>1,484,498</u>	<u>42,676</u>
Expenditures				
Service operations:				
Personnel	689,300	689,300	689,504	(204)
Professional fees	251,000	251,000	306,573	(55,573)
Contracted services	90,000	90,000	51,265	38,735
Repairs and maintenance	125,000	125,000	88,908	36,092
Administrative expenditures	55,500	55,500	57,162	(1,662)
Commissioner Fees	31,600	31,600	21,600	10,000
Capital outlay	2,499,422	2,499,422	551,390	1,948,032
Total Expenditures/Expenses	<u>3,741,822</u>	<u>3,741,822</u>	<u>1,766,402</u>	<u>1,975,420</u>
Excess (deficiency) of revenues over expenditures	<u>(2,300,000)</u>	<u>(2,300,000)</u>	<u>(281,904)</u>	<u>2,018,096</u>
Other Financing Sources:				
Proceeds - sale of capital assets	-	-	130,000	130,000
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>130,000</u>	<u>130,000</u>
Net change in fund balance	(2,300,000)	(2,300,000)	(151,904)	2,148,096
Fund Balance / Net Position:				
Beginning of the Year	1,795,904	1,795,904	1,795,904	-
End of the Year	<u>\$ (504,096)</u>	<u>\$ (504,096)</u>	<u>\$ 1,644,000</u>	<u>\$ 2,148,096</u>

GALVESTON COUNTY DRAINAGE DISTRICT #2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2023

A. Legal Compliance - Budgets

The Board of Commissioners annually adopts a budget for the general fund. At least ten days before the beginning of the fiscal year, the Board of Commissioners shall approve the budget plan. One or more public hearings are conducted to obtain taxpayer comments. 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 - personnel \$204, professional fees \$55,573 and administrative expenditures \$1,662.

The appropriated budget is prepared by function. Transfers of appropriations between functions require the approval of the Board of Commissioners.

GALVESTON COUNTY DRAINAGE DISTRICT #2
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSIONS LIABILITY AND RELATED RATIOS
For the Last Nine Measurement Years ended December 31,
(Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Pension Liability				
Service cost	\$ 80,988	\$ 82,961	\$ 69,195	\$ 68,166
Interest on total pension liability	436,481	411,843	386,944	368,756
Effect of plan changes	-	-	-	-
Effect of assumption changes or inputs	-	(593)	324,016	-
Effect of economic/demographic (gains) or losses	(85,438)	23,344	14,002	(42,281)
Benefit payments/refunds of contributions	<u>(221,497)</u>	<u>(162,401)</u>	<u>(169,316)</u>	<u>(172,867)</u>
Net Change in Total Pension Liability	210,534	355,154	624,841	221,774
Total Pension Liability, Beginning	<u>5,770,900</u>	<u>5,415,746</u>	<u>4,790,905</u>	<u>4,569,131</u>
Total Pension Liability, Ending (a)	<u>\$ 5,981,434</u>	<u>\$ 5,770,900</u>	<u>\$ 5,415,746</u>	<u>\$ 4,790,905</u>
Fiduciary Net Position				
Employer contributions	\$ 85,728	\$ 221,283	\$ 70,696	\$ 160,777
Member contributions	33,847	35,432	33,710	31,016
Investment income net of investment expenses	(362,600)	1,132,443	484,566	659,445
Benefit payments/refunds of contributions	(221,497)	(162,401)	(169,316)	(172,867)
Administrative expenses	(3,432)	(3,427)	(3,736)	(3,575)
Other	<u>(9,057)</u>	<u>4,078</u>	<u>(1,458)</u>	<u>1,302</u>
Net Change in Fiduciary Net Position	(477,011)	1,227,408	414,462	676,098
Fiduciary Net Position, Beginning	<u>6,333,707</u>	<u>5,106,299</u>	<u>4,691,837</u>	<u>4,015,739</u>
Fiduciary Net Position, Ending (b)	<u>\$ 5,856,696</u>	<u>\$ 6,333,707</u>	<u>\$ 5,106,299</u>	<u>\$ 4,691,837</u>
Net Pension Liability (Asset), Ending = (a) - (b)	<u>\$ 124,738</u>	<u>\$ (562,807)</u>	<u>\$ 309,447</u>	<u>\$ 99,068</u>
Fiduciary Net Position as a % of Total Pension Liability	97.91%	109.75%	94.29%	97.93%
Pensionable Covered Payroll	\$ 483,522	\$ 506,171	\$ 481,575	\$ 443,082
Net Pension Liability (Asset) as a % of Covered Payroll	25.80%	-111.19%	64.26%	22.36%

Note: GASB 68 requires ten years of data to be provided in this schedule, however, because this standard was implemented in 2014, only eight years are currently available.

GALVESTON COUNTY DRAINAGE DISTRICT #2
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSIONS LIABILITY AND RELATED RATIOS
For the Last Nine Measurement Years ended December 31,
(Unaudited)

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 75,928	\$ 76,673	\$ 76,113	\$ 72,395	\$ 69,109
Interest on total pension liability	369,682	363,518	330,735	305,317	279,770
Effect of plan changes	-	-	-	(4,005)	-
Effect of assumption changes or inputs	-	3,532	-	21,473	-
Effect of economic/demographic (gains) or losses	4,797	11,560	4,108	(27,980)	4,582
Benefit payments/refunds of contributions	(724,535)	(45,575)	(45,575)	(47,705)	(48,769)
Net Change in Total Pension Liability	(274,128)	409,708	365,381	319,495	304,692
Total Pension Liability, Beginning	4,843,259	4,433,551	4,068,170	3,748,675	3,443,983
Total Pension Liability, Ending (a)	\$ 4,569,131	\$ 4,843,259	\$ 4,433,551	\$ 4,068,170	\$ 3,748,675
Fiduciary Net Position					
Employer contributions	\$ 67,054	\$ 54,934	\$ 44,452	\$ 44,976	\$ 45,063
Member contributions	35,483	35,343	33,487	31,963	30,566
Investment income net of investment expenses	(95,523)	600,864	281,084	(102,224)	239,879
Benefit payments/refunds of contributions	(724,535)	(45,575)	(45,575)	(47,705)	(48,769)
Administrative expenses	(3,225)	(3,162)	(3,055)	(2,765)	(2,892)
Other	(18,053)	570	34	(8,121)	2,464
Net Change in Fiduciary Net Position	(738,799)	642,974	310,427	(83,876)	266,311
Fiduciary Net Position, Beginning	4,754,538	4,111,564	3,801,137	3,885,012	3,618,701
Fiduciary Net Position, Ending (b)	\$ 4,015,739	\$ 4,754,538	\$ 4,111,564	\$ 3,801,136	\$ 3,885,012
Net Pension Liability (Asset), Ending = (a) - (b)	\$ 553,392	\$ 88,721	\$ 321,987	\$ 267,034	\$ (136,337)
Fiduciary Net Position as a % of Total Pension Liability	87.89%	98.17%	92.74%	93.44%	103.64%
Pensionable Covered Payroll	\$ 506,898	\$ 504,905	\$ 478,386	\$ 456,612	\$ 436,656
Net Pension Liability (Asset) as a % of Covered Payroll	109.17%	17.57%	67.31%	58.48%	-31.22%

Note: GASB 68 requires ten years of data to be provided in this schedule, however, because this standard was implemented in 2014, only eight years are currently available.

GALVESTON COUNTY DRAINAGE DISTRICT #2
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
For the Last Ten Years Ended September 30,
(Unaudited)

Year Ending September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 50,852	\$ 50,852	\$ -	\$ 419,759	12.1%
2015	44,975	44,975	-	453,403	9.9%
2016	47,368	47,368	-	483,505	9.8%
2017	51,855	51,855	-	507,856	10.2%
2018	54,934	54,934	-	504,905	10.9%
2019	62,144	62,144	-	432,020	14.4%
2020	68,830	168,830	(100,000)	461,730	36.6%
2021	69,894	119,894	(50,000)	477,073	25.1%
2022	71,320	221,283	(149,963)	506,171	43.7%
2023	82,032	82,032	-	483,522	17.0%

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	17.8 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. 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.
Retirement age	
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 were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions *	2015: No changes in plan provisions were reflected in the Schedule. 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 Schedule.

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

TEXAS SUPPLEMENTARY INFORMATION

GALVESTON COUNTY DRAINAGE DISTRICT #2

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): _____		

GALVESTON COUNTY DRAINAGE DISTRICT #2
TSI-2. GENERAL FUND EXPENDITURES
For the Year Ended September 30, 2023

Personnel Expenditures (including benefits)*	<u>\$ 689,504</u>
Professional Fees:	
Auditing	19,000
Legal	78,043
Information technology	7,070
Engineering	209,530
	<u>313,643</u>
Contracted Services:	
Contract Labor	12,754
Equipment Rental	3,652
Outside Equipment Repair	14,141
Appraisal District	9,758
Tax Collector	3,890
	<u>44,195</u>
Utilities	<u>5,439</u>
Repairs and Maintenance:	
Operating Supplies	12,318
Chemicals	9,768
Fuel and Lube	31,643
Repair and Maintenance Material	33,979
Equipment hauling	1,200
	<u>88,908</u>
Administrative Expenditures:	
Commissioner Fees	21,600
Office Supplies	4,811
Insurance	26,531
Other Administrative Expenditures	20,381
	<u>73,323</u>
Capital Outlay:	
Acquisition of Capital Assets	551,390
	<u>551,390</u>
Total Expenditures	<u><u>\$ 1,766,402</u></u>

* Number of persons employed by the District: 7 Full-Time 0 Part-Time

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	31,488 kW/h	\$ 4,386
Water	20,000	1,053

GALVESTON COUNTY DRAINAGE DISTRICT #2

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>
General Fund				
Texas Class	TX-01-1051-0002	5.521%	N/A	\$ 1,145,930
Total General Fund				<u>1,145,930</u>
Special Revenue Fund				
Texas Class	TX-01-1051-0003	5.521%	N/A	466,485
Texas Class	TX-01-1051-0004	5.521%	N/A	116,621
Texas Class	TX-01-1051-0005	5.521%	N/A	436,062
Total Special Revenue Fund				<u>1,019,168</u>
Total - All Funds				<u>\$ 2,165,098</u>

GALVESTON COUNTY DRAINAGE DISTRICT #2

TSI-4. TAXES LEVIED AND RECEIVABLE

For the Year Ended September 30, 2023

	<u>Maintenance Taxes</u>
Taxes Receivable, Beginning of Year	\$ 119,212
Adjustments	<u>3,651</u>
Adjusted Taxes Receivable, Beginning of Year	<u>122,863</u>
2022 Original Tax Levy	1,398,382
Additions and corrections	<u>43,793</u>
Adjusted 2022 Tax Levy	<u>1,442,175</u>
Total to be Accounted for	<u>1,565,038</u>
Tax Collections:	
Current year	1,400,749
Prior years	<u>36,940</u>
Total Collections	<u>1,437,689</u>
Taxes Receivable, End of Year	<u>\$ 127,349</u>
Taxes Receivable, By Years	
2018 and prior	\$ 49,583
2019	6,680
2020	10,130
2021	19,530
2022	<u>41,426</u>
Taxes Receivable, End of Year	<u>\$ 127,349</u>

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Property Valuations:				
Land	\$ 488,480,786	\$ 488,480,786	\$ 448,564,543	\$ 411,631,238
Improvements	2,552,209,078	2,552,209,078	1,982,866,973	1,673,433,810
Personal Property	<u>284,203,755</u>	<u>284,203,755</u>	<u>275,397,804</u>	<u>271,443,235</u>
Total Property Valuations	<u>\$ 3,324,893,619</u>	<u>\$ 3,324,893,619</u>	<u>\$ 2,706,829,320</u>	<u>\$ 2,356,508,283</u>
Tax Rates per \$100 Valuation:				
Maintenance tax rates	<u>\$ 0.048552</u>	<u>\$ 0.048552</u>	<u>\$ 0.050245</u>	<u>\$ 0.055231</u>
Tax Levy:	<u>\$ 1,442,175</u>	<u>\$ 1,271,586</u>	<u>\$ 1,117,098</u>	<u>\$ 1,078,524</u>
Percentage of Taxes Collected to Taxes Levied	<u>97%</u>	<u>98%</u>	<u>98%</u>	<u>97%</u>

GALVESTON COUNTY DRAINAGE DISTRICT #2

TSI-7a. COMPARATIVE SCHEDULE OF REVENUE AND EXPENDITURES – GENERAL FUND
For the Last Five Years Ended September 30,

General Fund	Amounts				
	2023	2022	2021	2020	2019
Revenues:					
Property taxes	\$ 1,437,689	\$ 1,269,777	\$ 1,115,657	\$ 1,071,274	\$ 917,054
Penalties and interest	23,282	20,145	16,510	14,428	15,076
Investment income	16,132	-	-	-	-
Miscellaneous	7,395	16,089	21,025	14,079	5,185
Total Revenues	1,484,498	1,306,011	1,153,192	1,099,781	937,315
Expenditures:					
Personnel	689,504	795,441	711,162	747,046	588,047
Professional fees	306,573	48,870	48,520	37,176	49,287
Contracted services	51,265	34,524	38,600	32,969	30,475
Repairs and maintenance	88,908	71,635	55,796	50,110	54,532
Administrative expenditures	57,162	66,635	29,049	39,133	37,453
Commissioner Fees	21,600	22,650	14,400	14,400	28,050
Capital outlay	551,390	2,612	205,093	9,669	35,498
Total Expenditures	1,766,402	1,042,367	1,102,620	930,503	823,342
Other Financing Sources					
Proceeds - sale of capital assets	130,000	-	-	-	-
Transfers in	-	500,000	-	-	-
Total Other Financing Sources	130,000	500,000	-	-	-
Excess (deficiency) of revenues over expenditures	\$ (151,904)	\$ 763,644	\$ 50,572	\$ 169,278	\$ 113,973

GALVESTON COUNTY DRAINAGE DISTRICT #2

TSI-7a. COMPARATIVE SCHEDULE OF REVENUE AND EXPENDITURES – GENERAL FUND
For the Last Five Years Ended September 30,

	Percent of Total Fund Revenues				
	2023	2022	2021	2020	2019
General Fund					
Revenues:					
Property taxes	96.85%	97.23%	96.75%	97.41%	97.84%
Penalties and interest	1.57%	1.54%	1.43%	1.31%	1.61%
Investment income	1.09%	0.00%	0.00%	0.00%	0.00%
Miscellaneous	0.50%	1.23%	1.82%	1.28%	0.55%
Total Revenues	100.00%	100.00%	100.00%	100.00%	100.00%
Expenditures:					
Personnel	46.45%	60.91%	61.67%	67.93%	62.74%
Professional fees	20.65%	3.74%	4.21%	3.38%	5.26%
Contracted services	3.45%	2.64%	3.35%	3.00%	3.25%
Repairs and maintenance	5.99%	5.49%	4.84%	4.56%	5.82%
Administrative expenditures	3.85%	5.10%	2.52%	3.56%	4.00%
Commissioner Fees	1.46%	1.73%	1.25%	1.31%	2.99%
Capital outlay	37.14%	0.20%	17.78%	0.88%	3.79%
Total Expenditures	118.99%	79.81%	95.61%	84.61%	87.84%
Other Financing Sources					
Proceeds - sale of capital assets	8.76%	0.00%	0.00%	0.00%	0.00%
Transfers in	0.00%	38.28%	0.00%	0.00%	0.00%
Total Other Financing Sources	8.76%	38.28%	0.00%	0.00%	0.00%
Excess (deficiency) of revenues over expenditures	-10.23%	58.47%	4.39%	15.39%	12.16%

GALVESTON COUNTY DRAINAGE DISTRICT #2
TSI-8. BOARD MEMBERS, KEY PERSONNEL, AND PROFESSIONAL SERVICES
For the Year Ending September 30, 2023

Complete District Mailing Address: P O Box 624, La Marque, Texas, 77568-0624

District Business Telephone Number: 409-935-2041

Limit on Fees of Office that a Commissioner 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	
Board Members:				
Douglas W Hobgood	Elected 05/22 - 05/26	\$ 7,200	\$ -	Chairman
Jack Ellison, Jr.	Elected 05/22 - 05/26	7,200	-	Assistant Chairman
Tykish (Angel) Murphy	Elected 05/22 - 05/26	7,200	-	Secretary
Key Administrative Personnel:				
Landry Cravens	2022	100,800	-	District Manager
Candace Warren	2022	57,588	-	Office Administrator
Eva Livy	N/A	29,737	-	Former Office Administrator
Professional Services:				
Radcliffe Bobbitt Adams Polley PLLC	N/A	76,443	-	Attorney
Carlton Getty	N/A	1,600	-	Attorney
Whitley Penn, LLP	Annual	19,000	-	Auditor
Costello, Inc.	N/A	209,530	-	Engineer

* Fees of Office are the amounts actually paid to a commissioner during the district's fiscal year.