

*ANNUAL FINANCIAL REPORT*

of the

**Galveston County Emergency Services District No. 2**

For the Year Ended  
September 30, 2024

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# Galveston County Emergency Services District No. 2

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## ***INDEPENDENT AUDITOR'S REPORT***

To the Board of Commissioners of the  
Galveston County Emergency Services District No. 2:

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and the general fund of Galveston County Emergency Services District No. 2 (the "District") as of and for the year ended September 30, 2024, 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 accompanying financial statements 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, 2024, 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***

The District's 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 one year after the date that the financial statements are issued.

### *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.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the general fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, flowing script.

BrooksWatson & Co., PLLC  
Certified Public Accountants  
Houston, Texas  
June 6, 2025

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***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***

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# Galveston County Emergency Services District No. 2

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2024

The purpose of the Management's Discussion and Analysis (the "MD&A") is to give the readers an objective and easily readable analysis of the financial activities of the Galveston County Emergency Services District No. 2 (the "District") for the year ended September 30, 2024. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Governmental Accounting Standards Board (GASB) Statement No. 34 establishes the content of the minimum requirements for MD&A. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

### THE STRUCTURE OF OUR ANNUAL REPORT

The annual financial report is presented as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. The financial reporting model requires governments to present certain basic financial statements as well as a Management's Discussion and Analysis (MD&A) and certain other Required Supplementary Information (RSI). The basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements.

#### Government-Wide Statements

The government-wide statements report information for the District as a whole. These statements include transactions and balances relating to all assets, including capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the District as an economic entity. The Statement of Net Position and the Statement of Activities report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the District's assets and liabilities. The difference between the two is 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. Other non-financial factors, such as the District's property tax base need to be considered to assess the overall health of the District.

The Statement of Activities presents information showing how the District's net position changed during the most recent year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

# Galveston County Emergency Services District No. 2

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2024

The Statement of Net Position and the Statement of Activities present the District using one class of activity:

1. Governmental Activities – The District's emergency service operations are reported here.

The government-wide financial statements can be found after the MD&A within this report.

### **FUND FINANCIAL STATEMENTS**

Funds may be considered as operating companies of the parent corporation, which is the District. They are usually segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The District's operations are reported using governmental funds.

#### **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 year. Such information may be useful in evaluating the 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund which is considered to be a major fund. The general fund is used to report the District's activities.

The District adopts an annual unappropriated budget for its general fund. A budgetary comparison schedule has been provided to demonstrate compliance with this budget.

# Galveston County Emergency Services District No. 2

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2024

### Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found after the financial statements within this report.

### Other Information

In addition to basic financial statements, this MD&A, and accompanying notes, this report also presents certain RSI. The RSI that GASB Statement No. 34 requires includes a budgetary comparison schedule for the general fund. The RSI can be found after the notes to the financial statements within this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. For the District, assets exceed liabilities by \$5,039,389 as of year end. Unrestricted net position, \$3,766,500, may be used to meet the District's ongoing emergency service operations.

### Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	<b>Governmental Activities</b>		<b>\$ Change</b>
	<b>2024</b>	<b>2023</b>	
Current and other assets	\$ 3,778,256	\$ 3,699,265	\$ 78,991
Capital assets, net	1,575,841	1,349,353	226,488
<b>Total Assets</b>	<b>5,354,097</b>	<b>5,048,618</b>	<b>305,479</b>
<b>Total Deferred Outflows</b>	<b>163,515</b>	<b>-</b>	<b>163,515</b>
Current liabilities	266,745	450,651	(183,906)
Long-term liabilities	211,478	304,743	(93,265)
<b>Total Liabilities</b>	<b>478,223</b>	<b>755,394</b>	<b>(277,171)</b>
Net Position:			
Net investment in capital assets	1,272,889	950,301	322,588
Unrestricted	3,766,500	3,342,923	423,577
<b>Total Net Position</b>	<b>\$ 5,039,389</b>	<b>\$ 4,293,224</b>	<b>\$ 746,165</b>

# Galveston County Emergency Services District No. 2

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2024

The overall condition of the District experienced increases in property and sales taxes due to continued growth within the District. Current assets represent property, sales tax, and EMS receivables as well as cash, which increased by \$78,991. Capital assets (net of accumulated depreciation) increased by \$226,488 due primarily to the purchase of remounts for two ambulances and various medical equipment. Current liabilities represent amounts owed for expenditures related to current year volunteer fire department ("VFD") and emergency medical services ("EMS"). Current liabilities decreased due to nonrecurring vendor payables owed for a new ambulance purchased in prior year. Long-term liabilities decreased as a result of the District entering into a lease agreement for the purchase of new medical equipment in prior year.

### Statement of Activities:

The following table provides a summary of the District's changes in net position:

	<b>Governmental Activities</b>		
	<b>2024</b>	<b>2023</b>	<b>\$ Change</b>
<b>Revenues</b>			
General revenues:			
Property taxes	\$ 1,462,769	\$ 1,345,531	\$ 117,238
Sales taxes	2,068,131	2,026,096	42,035
EMS revenue	445,421	251,644	193,777
Investment income	142,759	90,550	52,209
Other revenue	168,283	9,477	158,806
<b>Total Revenues</b>	<b>4,287,363</b>	<b>3,723,298</b>	<b>564,065</b>
<b>Expenses</b>			
Public safety	3,531,118	2,964,263	566,855
Interest and fiscal charges	10,080	6,669	3,411
<b>Total Expenses</b>	<b>3,541,198</b>	<b>2,970,932</b>	<b>570,266</b>
<b>Change in Net Position</b>	<b>746,165</b>	<b>752,366</b>	<b>(6,201)</b>
Beginning Net Position	4,293,224	3,540,858	752,366
<b>Ending Net Position</b>	<b>\$ 5,039,389</b>	<b>\$ 4,293,224</b>	<b>\$ 746,165</b>

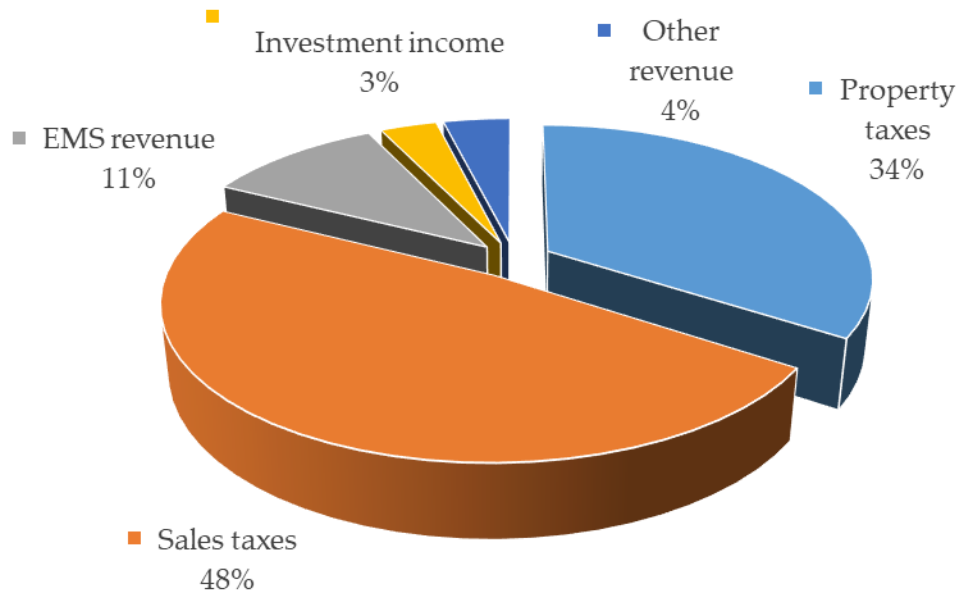
# Galveston County Emergency Services District No. 2

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2024

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the District's activities.

### GOVERNMENTAL REVENUES



The District reported an increase in net position of \$746,165. EMS revenue showed the most significant increase of \$193,777, or 77%, due to overall increase in emergency services used. Property taxes and sales taxes showed increases of \$117,238 and \$42,035, respectively. The increase in property taxes is due to greater property values within the District. Sales tax increased due to growth within the District. In addition, the District had an increase in investment income totaling \$52,209, or 58%, due to greater interest bearing account balances and the realization of higher interest rates. Other revenue increased \$158,806 due to a charity care grant received in the current year.

The District's largest current year expense relates to VFD and EMS service operations totaling \$3,075,533. This increase of \$566,855 is due to growth in the District and increased demand.

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds – The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, the unassigned fund balance

# **Galveston County Emergency Services District No. 2**

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)***

**For the Year Ended September 30, 2024**

may serve as a useful measure of the District's net resources available for spending at the end of the year.

The District's general fund reflects an unassigned fund balance of \$836,054. There was an increase in fund balance of \$288,134 from the prior year. The most significant change in the general fund when compared to the prior year relates to the increase in EMS revenue of \$184,557. In addition, other revenue increased \$158,806 due to a charity care grant received in the current year. Property tax also increased by \$107,085 due to greater assessed values. In addition, EMS expenditures increased by \$429,481, due to greater EMS salaries and retirement benefits.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual general fund revenues were more than final budgeted revenues by \$109,714 for the year. Actual general fund expenditures were under the final budget by \$160,683, for a total positive budget variance of \$270,397 for the year.

### **CAPITAL ASSETS**

As of the end of the year, the Districts' governmental activities funds had invested \$1,575,841 in a variety of capital assets and infrastructure, net of accumulated depreciation. Current year additions include the purchase of a 2023 Ford Expedition for \$69,567, and remounts for two 2015 Dodge Ram ambulances totaling for \$266,358. More detailed information about the District's capital assets is presented in note IV. D to the financial statements.

### **LONG-TERM DEBT**

The District's outstanding notes payable decreased by \$96,100 from the prior year. The total long-term debt was \$302,952 at the close of the fiscal year. More detailed information about the District's long-term liabilities is presented in note IV.D to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The District is located in Galveston County, Texas. The District anticipates an increase in the overall property values in the county resulting in an increase in the assessed valuation of the District. The overall economic recovery and continued development within the District will continue to fuel increased sales tax receipts in the coming year.



# **Galveston County Emergency Services District No. 2**

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)***

**For the Year Ended September 30, 2024**

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning this report or requests for additional financial information should be directed to Greg Fountain, District Treasurer, P.O. Box 1698, Crystal Beach, Texas 77650.

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## ***FINANCIAL STATEMENTS***

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# Galveston County

## Emergency Services District No. 2

### STATEMENT OF NET POSITION

September 30, 2024

	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Cash	\$ 3,164,516
Taxes receivable	509,086
EMS receivable	97,023
Other assets	7,631
<b>Total Current Assets</b>	<u>3,778,256</u>
Capital assets:	
Non-depreciable	440,882
Net depreciable capital assets	1,134,959
<b>Total Capital Assets</b>	<u>1,575,841</u>
<b>Total Assets</b>	<u>5,354,097</u>
<b><u>Deferred Outflows of Resources</u></b>	
Pension contributions	162,330
Pension gains on investments	1,185
<b>Total Deferred Outflows of Resources</b>	<u>163,515</u>
<b><u>Liabilities</u></b>	
Accounts payable	100,736
Accrued interest	4,256
Compensated absences, current	63,251
Long-term debt, current	98,502
<b>Total Current Liabilities</b>	<u>266,745</u>
Noncurrent liabilities:	
Compensated absences, noncurrent	7,028
Long-term debt, noncurrent	204,450
<b>Total Noncurrent Liabilities</b>	<u>211,478</u>
<b>Total Liabilities</b>	<u>478,223</u>
<b><u>Net Position</u></b>	
Net investment in capital assets	1,272,889
Unrestricted	3,766,500
<b>Total Net Position</b>	<u><u>\$ 5,039,389</u></u>

See Notes to Financial Statements.

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# Galveston County

## Emergency Services District No. 2

### STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2024

	<u>Governmental Activities</u>
<b><u>Expenses</u></b>	
Public safety - fire protection and emergency medical services	
General and administrative	\$ 373,352
Fire department services	163,696
Emergency medical services	2,994,070
Interest	10,080
<b>Total Program Expenses</b>	<u>3,541,198</u>
<b><u>General Revenues</u></b>	
Property taxes	1,462,769
Sales taxes	2,068,131
EMS revenue	445,421
Investment income	142,759
Other revenue	168,283
<b>Total General Revenues</b>	<u>4,287,363</u>
<b>Change in Net Position</b>	<u>746,165</u>
Beginning Net Position	<u>4,293,224</u>
<b>Ending Net Position</b>	<u><u>\$ 5,039,389</u></u>

See Notes to Financial Statements.

# Galveston County

## Emergency Services District No. 2

### BALANCE SHEET

September 30, 2024

	<u>General Fund</u>
<b><u>Assets</u></b>	
Cash	\$ 3,164,516
Taxes receivable	509,086
EMS receivable, net	97,023
Other assets	7,631
<b>Total Assets</b>	<u><u>3,778,256</u></u>
<b><u>Liabilities</u></b>	
Accounts payable	100,736
<b>Total Liabilities</b>	<u>100,736</u>
<b><u>Deferred inflows of resources</u></b>	
Unavailable revenue - property taxes	91,695
Unavailable revenue - EMS	53,921
<b>Total Deferred Inflows of Resources</b>	<u>145,616</u>
<b><u>Fund balance</u></b>	
Committed	2,695,850
Unassigned	836,054
<b>Total Fund Balance</b>	<u>3,531,904</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<u><u>\$ 3,778,256</u></u>

See Notes to Financial Statements.



# Galveston County

## Emergency Services District No. 2

### RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUND

September 30, 2024

Fund Balances - Total Governmental Funds	\$	3,531,904
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**Adjustments for the Statement of Net Position:**

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - non-depreciable		440,882
Capital assets - net depreciable		1,134,959

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.

Property taxes receivable		91,695
EMS receivable		53,921

Deferred outflows of resources represent a consumption of net position that applies to a future period and is not recognized as an outflow of resources (expense/expenditures) until then

Pension contributions		162,330
OPEB contributions		1,185

Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.

Compensated absences		(70,279)
Accrued interest		(4,256)
Note payable - Due in one year		(98,502)
Note payable - Due in more than one year		(204,450)

<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>5,039,389</b>
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See Notes to Financial Statements.

# Galveston County

## Emergency Services District No. 2

### *STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE*

For the Year Ended September 30, 2024

	<b>General Fund</b>
<b>Revenues</b>	
Property taxes	\$ 1,447,203
Sales taxes	2,068,131
EMS revenue	436,201
Investment income	142,759
Other revenue	168,283
<b>Total Revenues</b>	<u>4,262,577</u>
<b>Expenditures</b>	
General and administrative	305,048
EMS expenses	2,782,261
Dues and subscriptions	4,881
Fire department	163,696
Professional and legal fees	63,829
Travel	13,066
Insurance	520
Capital outlay	535,452
<b>Debt service</b>	
Principal	96,100
Interest	9,590
<b>Total Expenditures</b>	<u>3,974,443</u>
<b>Net Change in Fund Balance</b>	288,134
Beginning Fund Balance	<u>3,243,770</u>
<b>Ending Fund Balance</b>	<u><u>\$ 3,531,904</u></u>

See Notes to Financial Statements.

# Galveston County

## Emergency Services District No. 2

### *RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES*

**For the Year Ended September 30, 2024**

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

Net change in fund balance	\$	288,134
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		453,219
Depreciation expense		(226,731)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		24,786
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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.

Accrued interest		(490)
Compensated absences		(52,368)
Pension expense		162,330
OPEB expense		1,185

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments		96,100
<b>Net Change in Net Position</b>	<b>\$</b>	<b><u>746,165</u></b>

See Notes to Financial Statements.

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# Galveston County Emergency Services District No. 2

## NOTES TO FINANCIAL STATEMENTS

September 30, 2024

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Description of Government-Wide Financial Statements and Reporting Entity

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government.

Galveston County Emergency Services District No. 2 (the "District") operates under Chapter 775 of V.T.C.A, Health and Safety Code. The District was formed on May 11, 2013 by a vote of the local citizens to support fire protection and emergency medical services for the benefit of the citizens and visitors of Bolivar Peninsula, Galveston County, Texas.

During the 2019 fiscal year, Peninsula Emergency Medical Services Inc. ("PEMSI") and the District announced an organizational restructuring to improve and enhance emergency medical services on the Bolivar Peninsula. PEMSI was created through the dedicated efforts of the three local volunteer fire departments (High Island VFD, Crystal Beach VFD, Port Bolivar VFD) and has been the provider for ambulance services on the Bolivar Peninsula since 2012. Previously, the District contracted with PEMSI to provide their ambulance service, as well as the Volunteer Fire Departments providing the fire protection. The District's Board of Commissioners and PEMSI Board of Directors worked together to facilitate the District's assumption of providing emergency medical services to peninsula residents and visitors. Beginning in January of 2019, the District became the new provider of the ambulance service on the Bolivar Peninsula and all PEMSI employees were retained by the District.

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. The District has adopted Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*. No other entities have been included in the District's 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.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the District's financial reporting entity are 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 is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted

# Galveston County Emergency Services District No. 2

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to 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.

### **B. Basis of Presentation Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the District as a whole. These statements include all activities of the primary government. Governmental activities are normally supported by taxes and intergovernmental revenues.

The Statement of Activities presents a comparison between direct expenses and program revenues of each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

The fund financial statements provide information about the government's funds. Separate statements for each fund category are presented.

The government reports the following governmental funds:

#### **Governmental Funds**

Governmental funds are those funds through which most governmental functions are typically financed.

##### **General Fund**

The general fund is used to account for the operations of the District's emergency service operations and all other financial transactions not properly includable in other funds. The principal sources of revenue are related to property taxes and sales taxes. Expenditures include all costs associated with the daily operations and contractual obligations of the District.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial

# Galveston County Emergency Services District No. 2

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

### C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using 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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or

# Galveston County Emergency Services District No. 2

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

#### **1. 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 the date of acquisition.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the District reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940 are reported using the pools' share price.

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the District is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

#### **2. Fair Value**

The District has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

#### **3. Receivables and Interfund Transactions**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables"



# Galveston County Emergency Services District No. 2

## *NOTES TO FINANCIAL STATEMENTS, Continued*

September 30, 2024

(i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds” in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as “due to/from component unit/primary government.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

### **4. Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the District.

### **5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Property, plant, and equipment of the government are depreciated using the straight-line method over the following estimated useful years.

# Galveston County Emergency Services District No. 2

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	5 to 15 years
Furniture and equipment	5 to 10 years
Buildings and improvements	15 to 30 years

### 6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

### 7. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

### 8. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption

# Galveston County Emergency Services District No. 2

## *NOTES TO FINANCIAL STATEMENTS, Continued*

September 30, 2024

must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### **9. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing Board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (Board of Commissioners) has by resolution authorized the Treasurer to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

### **10. Long-Term Obligations**

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

# Galveston County Emergency Services District No. 2

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

### **11. Compensated Absences**

The liability for compensated absences reported in the government-wide fund statements consist of unpaid, accumulated paid time off ("PTO") balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or PTO of government-wide funds are recognized as an expense and liability of those funds as the benefits accrue to employees. Full-time employees who have completed three-hundred and sixty five days of continuous employment are entitled to begin accruing PTO at the rate of one-hundred and twenty hours per calendar year. Employees may carry over up to 40% (48) hours of paid time off with District Manager approval. Upon termination of employment, employees will be paid for unused PTO that was accrued during the calendar year of the termination of employment.

It is the District's policy to liquidate compensated absences with currently available expendable resources. Accordingly, the District's governmental funds recognize accrued compensated absences when it is paid.

### **12. Estimates**

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

## **II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

### **A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.**

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term assets,

# Galveston County Emergency Services District No. 2

## NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2024

such as property tax receivable, are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.

### B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “Revenue in the Statement of Activities that does not provide current financial resources are not reported as revenue in the funds.”

## III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. The budget is prepared using the same method of accounting as for financial reporting and serves as a planning tool. Encumbrance accounting is not utilized.

An unappropriated budget is prepared by fund and function. The legal level of control is considered to be the fund level. Appropriations lapse at the end of the year. Several supplemental budget appropriations were made during the year.

## IV. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

As of September 30, 2024, the District had the following investments:

Investments Type	Value	Weighted Average Maturity (Days)
External investment pools	\$ 2,825,733	24
Total value	<u>\$ 2,825,733</u>	
Portfolio weighted average maturity		24

Applicable state laws and regulations allow the District to invest its funds in direct or indirect obligations of the United States, the State, or any county, city, school district, or other political subdivision of the State. Funds may also be placed in certificates of deposit of state or national banks or savings and loan associations (depository institutions) domiciled within the State. Related state statutes and provisions included in the District’s bond resolutions require that all funds invested in depository institutions be guaranteed by

# Galveston County Emergency Services District No. 2

## NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2024

federal depository insurance and/or be secured in the manner provided by law for the security of public funds.

*Custodial Credit Risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District requires funds on deposit at the depository bank to be collateralized by securities when in excess of FDIC coverage. As of September 30, 2024, checking deposits were collateralized by an amount over and above the yearend balances.

The District invests in TexStar. At year end, the value of TexStar investments was \$2,825,733.

### TexStar

TexSTAR has been established for governmental entities pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexSTAR's governing body is a five-member Board consisting of three representatives of participants and one member designated by each of the co-administrators. The Board holds legal title to all money, investments, and assets and has the authority to employ personnel, contract for services, and engage in other administrative activities necessary or convenient to accomplish the objectives of TexSTAR. Board oversight of TexSTAR is maintained through daily, weekly, and monthly reporting requirements. TexSTAR is rated AAAm by Standard & Poor's. The District's fair value position is stated at the value of the position upon withdrawal. There were no limitations or restrictions on withdrawals.

### **B. Receivables**

The following comprise receivable balances of the primary government at year end:

	<u>General</u>
Property Taxes	\$ 91,695
Sales Tax	417,391
EMS	539,210
Due from Emergicon	43,102
Allowance	(485,289)
	<u>\$ 606,109</u>

# Galveston County Emergency Services District No. 2

## NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2024

### C. Capital Assets

The following is a summary of changes in capital assets for the year ended September 30, 2024:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Construction in progress	\$ 556,476	\$ 39,106	\$ (154,700)	\$ 440,882
Total capital assets not being depreciated	556,476	39,106	(154,700)	440,882
Capital assets, being depreciated:				
Vehicles	1,388,123	335,926	-	1,724,049
Equipment	472,819	78,187	154,700	705,706
Total capital assets being depreciated	1,860,942	414,113	154,700	2,429,755
Less accumulated depreciation				
Vehicles	(625,801)	(185,880)	-	(811,681)
Equipment	(442,264)	(40,851)	-	(483,115)
Total accumulated depreciation	(1,068,065)	(226,731)	-	(1,294,796)
Net capital assets being depreciated	792,877	187,382	154,700	1,134,959
<b>Total Capital Assets</b>	<b>\$ 1,349,353</b>	<b>\$ 226,488</b>	<b>\$ -</b>	<b>\$ 1,575,841</b>

### D. Long-Term Obligations

The following is a summary of long-term obligations for the year ended September 30, 2024:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
<b>Governmental Activities:</b>					
Bonds, notes and other payables:					
Notes payable	\$ 399,052	\$ -	\$ (96,100)	\$ 302,952	\$ 98,502
<b>Total Governmental Activities</b>	<b>\$ 399,052</b>	<b>\$ -</b>	<b>\$ (96,100)</b>	<b>\$ 302,952</b>	<b>\$ 98,502</b>
Long-term liabilities due in more than one year				<u>\$ 204,450</u>	

September 30, 2024

The District entered into a note agreement with Stryker Sales, LLC. to purchase medical equipment in the amount of \$154,700 with an interest rate of 1.97%. Payments are due in quarterly installments in the amount of \$10,188 through 2027. The note is secured by future property tax and underlying assets of the District.

Year ending	Notes Payable		
September 30,	Principal	Interest	Total
2025	\$ 98,502	\$ 7,189	\$ 105,691
2026	100,964	4,727	105,691
2027	103,486	2,204	105,690
	<u>\$ 302,952</u>	<u>\$ 14,120</u>	<u>\$ 317,072</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Compensated Absences	\$ 17,911	\$ 75,051	\$ (22,683)	\$ 70,279	\$ 63,251
<b>Total Governmental Activities</b>	<u>\$ 17,911</u>	<u>\$ 75,051</u>	<u>\$ (22,683)</u>	<u>\$ 70,279</u>	<u>\$ 63,251</u>
		Long-term liabilities due in more than one year			\$ 7,028



# Galveston County Emergency Services District No. 2

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

### V. OTHER INFORMATION

#### A. 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; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past year.

#### B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

#### C. Fire Protection and EMS Services

On April 1, 2014, the District entered into agreements with the Crystal Beach, High Island, and Port Bolivar Volunteer Fire Departments as well as the Peninsula Emergency Medical Services, Inc. ("PEMSI") to provide fire protection and prevention services and emergency services to the residents of the District. The District reviews and approves the funding budget for each contracted entity prior to the start of the fiscal year. Amounts paid to each entity under this agreement for the current year totaled, \$25,939, \$74,190, and \$47,870, respectively.

In January 2019, PEMSI and the District announced an organizational restructuring to improve and enhance emergency medical services on the Bolivar Peninsula. Beginning in January 2019, the District became the new provider of the ambulance service on the Bolivar Peninsula and all PEMSI employees were retained by the District.

#### D. Emergency Fund

The District has established separate savings accounts which is reserved for emergencies. As of year end, the accounts contained \$2,695,850 and is committed within fund balance.

# Galveston County Emergency Services District No. 2

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2024

### E. Pension Plans

#### **1. Plan Description**

As of January 1, 2024, the District began providing retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCERS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of over 600 nontraditional defined benefit pension plans. TCERS in the aggregate issues a comprehensive annual financial report on a calendar year basis. The annual report is available upon request from the TCERS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

#### **2. Benefits Provided**

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

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

#### **3. Funding Policy**

The District has elected the annually determined contribution rate (ADCR) plan provisions of the TCERS 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 TCERS Act, the contribution rate of the employer is actuarially determined annually.

The District contributed using the ADCR of 9.59% for calendar year 2024.

# Galveston County Emergency Services District No. 2

## NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2024

The District adopted the rate of 7% as the contribution rate payable by the employee members for calendar year 2024. The District may change the employee contribution rate and the employer contribution rate within the options available in the TCDRS Act.

### 3. Net Pension Liability

The District's Net Pension Liability (NPL) will be measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability will be determined by an actuarial valuation as of that date. As of the end of the current fiscal year ending September 30, 2024, a valuation has not been completed. Therefore, no pension liability has been estimated and reported on the District's financial statements.

### 4. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2024, the District recognized pension expense of \$0.

At September 30, 2024, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Contributions subsequent to the measurement date	\$ 162,330	\$ -
<b>Total</b>	<b>\$ 162,330</b>	<b>\$ -</b>

The District reported \$162,330 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2025.

### F. **Other Postemployment Benefits**

The District also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas County and District Retirement System (TCDRS) effective January 1, 2024. This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and to retired employees. The coverage provided to retired employees is a postemployment benefit other than pension benefits (OPEB). Retired employees are insured for \$5,000.

The GTLF is a separate trust administered by the TCDRS Board of Trustees. TCDRS issues a publicly available comprehensive annual financial report (ACFR) that includes financial

# Galveston County Emergency Services District No. 2

## NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2024

statements and required supplementary information for the GTLF. This report is available at [www.tcds.org](http://www.tcds.org). TCDRS' ACFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782.

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The District contributions to the GTLF for the years ended September 30, 2024, was \$1,185 which equaled the contractually required contributions for the year.

### Schedule of Contribution Rates (RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2024	0.19%	0.19%	100.0%

### Total OPEB Liability

The District's Postemployment Benefits Other Than Pensions Liability for the Group Term Life Fund (GTLF OPEB) will be measured as of December 31, 2024, and the Total OPEB Liability will be determined by an actuarial valuation as of that date. As of the end of the current fiscal year ending September 30, 2024, a valuation has not been completed. Therefore, no pension liability has been estimated and reported on the District's financial statements.

### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2024, the District recognized OPEB expense of \$0.

At September 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Contributions subsequent to measurement date	\$ 1,185	\$ -
<b>Total</b>	<b>\$ 1,185</b>	<b>\$ -</b>

# Galveston County Emergency Services District No. 2

## *NOTES TO FINANCIAL STATEMENTS, Continued*

September 30, 2024

The District reported \$1,185 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2025.

### **G. Subsequent Events**

There were no material subsequent events through June 6, 2025, the date the financial statements were issued.

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## ***REQUIRED SUPPLEMENTARY INFORMATION***

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**Galveston County**  
**Emergency Services District No. 2**  
*BUDGETARY COMPARISON SCHEDULE - GENERAL FUND*  
For the Year Ended September 30, 2024

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 1,370,000	\$ 1,370,000	\$ 1,447,203	\$ 77,203
Sales taxes	1,500,000	1,500,000	2,068,131	568,131
EMS revenue	200,000	200,000	436,201	236,201
Investment income	60,000	60,000	142,759	82,759
Other revenue	1,022,863	1,022,863	168,283	(854,580)
<b>Total Revenues</b>	<u>4,152,863</u>	<u>4,152,863</u>	<u>4,262,577</u>	<u>109,714</u>
<b>Expenditures</b>				
Administrative				
General and administrative	330,600	329,530	305,048	24,482
EMS expenses	2,690,550	2,690,550	2,782,261	(91,711)
Dues and subscriptions	5,400	5,400	4,881	519
Fire department	214,820	214,820	163,696	51,124
Professional and legal fees	63,650	64,350	63,829	521
Travel	15,000	15,250	13,066	2,184
Insurance	6,400	6,520	520	6,000
Capital outlay	808,706	808,706	535,452	273,254
Debt Service				
Principal	-	-	96,100	(96,100)
Interest	-	-	9,590	(9,590)
<b>Total Expenditures</b>	<u>4,135,126</u>	<u>4,135,126</u>	<u>3,974,443</u>	<u>160,683</u>
<b>Net Change in Fund Balance</b>	<u>\$ 17,737</u>	<u>\$ 17,737</u>	<u>288,134</u>	<u>\$ 270,397</u>
Beginning Fund Balance			<u>3,243,770</u>	
<b>Ending Fund Balance</b>			<u>\$ 3,531,904</u>	

**Notes to Required Supplementary Information:**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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