

AFFIDAVIT

STATE OF TEXAS

COUNTY OF GALVESTON

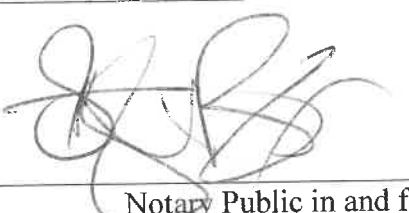
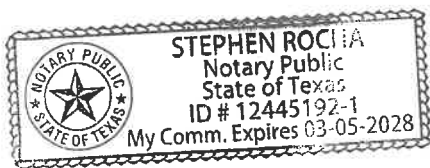
Before me, the undersigned personally appeared and stated:

I, Jack Wilkins, Executive Director of the Galveston County Emergency Communication District, do solemnly swear that the attached report of the operations of the Galveston County Emergency Communication District is a true and correct report of the District for the fiscal year 2023. The accompanying audit report for FY 2023, from Katherine Overbeck Maxwell, PLLC, was reviewed and approved at a meeting of the Board of Managers held on the 20th day of May, 2025.



Jack Wilkins
Executive Director

Sworn to and subscribed this 22ND day of MAY, 2025.



Notary Public in and for the
State of TEXAS



Katherine Overbeck Maxwell, PLLC
Certified Public Accountant

February 14, 2025

Board of Managers and Executive Director
Galveston County Emergency Communication District
1353 FM 646 Rd W Ste 101
Dickinson, TX 77539

We have audited the financial statements of the governmental activities and government fund information of Galveston County Emergency Communication District for the year ended December 31, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 21, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Galveston County Emergency Communication District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2023. We noted no transactions entered into by Galveston County Emergency Communication District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Galveston County Emergency Communication District's financial statements were:

Management's estimate of the Net Pension Liability is based on an actuarial study performed for TCDRS and the OPEB valuation performed to determine Total OPEB Liability. We evaluated the methods, assumptions, and data used to develop the Net Pension Liability and Total OPEB Liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 14, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Galveston County Emergency Communication District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Galveston County Emergency Communication District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the budgetary comparison, schedule of changes in net pension liability and related ratios, schedule of employer contributions and schedule of changes in total OPEB liability and related ratios, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of Galveston County Emergency Communication District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Katherine Overbeck Maxwell, CPA, PLLC

Galveston County Emergency Communication District
Financial Statements
Year Ended December 31, 2023

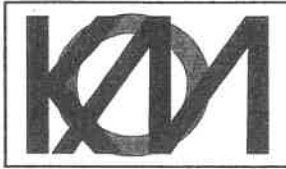
Galveston County Emergency Communication District

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Financial Section



Katherine Overbeck Maxwell, PLLC
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Managers
Galveston County Emergency Communication District
Dickinson, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and the governmental fund information of the Galveston County Emergency Communication District as of and for the year ended December 31, 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, and governmental fund information of the Galveston County Emergency Communication District, as of December 31, 2023, and the respective changes in financial position and, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Galveston County Emergency Communication 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 Galveston County Emergency Communication 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Galveston County Emergency Communication 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 Galveston County Emergency Communication 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 the management's discussion and analysis and budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of employer contributions, and schedule of changes in total OPEB liability and related ratios on pages 3-5, 12 and 32-34 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.



Katherine Overbeck Maxwell, CPA, PLLC
Galveston, Texas
February 14, 2025

**Galveston County Emergency Communication District
Management's Discussion and Analysis
December 31, 2023**

The management of the Galveston County Emergency Communication District, (GCECD) offers readers of the District's financial statements this overview and analysis of the District's financial activities for the fiscal year ended December 31, 2023.

Financial Highlights

During the fiscal year 2023, the District's operating income was \$1,303,880 more than the operating expenses in the fund Financial Statements, with a fund balance of \$7,427,868. Approximately 56% of this total amount, \$4,014,496, is available for spending at the District's discretion (*unassigned fund balance*).

The assets and deferred outflows of resources of the District exceeded its deferred inflows of resources and liabilities at the close of the most recent fiscal year by \$7,719,283 (*net position*). Of this amount, \$6,953,540 (unrestricted net position) may be used to meet the District's ongoing obligations.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements, which begin on page 6 of this report, 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 resource, liabilities, and deferred inflows of resources with the difference between the four reported as net position. Over time, increases or decreases in net assets 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 fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, (e.g., earned but unused compensated absences).

Fund Financial Statements – 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 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.

**Galveston County Emergency Communication District
Management's Discussion and Analysis
December 31, 2023**

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 basic governmental financial statements can be found on pages 8 – 11 of this report.

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. The notes to the financial statements can be found on pages 13 - 30 of this report.

Comparison in Government-Wide Financial Statements

The total assets and deferred outflows for the District was \$8,652,776 at Fiscal Year End of 2023, compared to \$8,053,628 at FYE 2022. This includes capital assets net of accumulated depreciation of \$514,647 and \$662,563 at 2023 and 2022 and also right-of-use assets net of amortization of \$251,096 and \$277,999 at 2023 and 2022, respectively. For FYE 2023, the total liabilities and deferred inflows of resources was \$933,493, resulting to a total net position of \$7,719,283. The total liabilities and deferred inflows of resources for FYE 2022 was \$1,509,517, resulting to a total net position \$6,544,111.

The category of the District's net position with the largest balance totaling \$6,564,047 (85%) is TexPool Funds investments.

Deferred outflows of resources relating to pension activities totaled \$329,977. \$81,786 of this amount represent changes in assumptions, \$21,804 is difference between expected and actual experience, \$117,031 is the net difference between projected and actual earnings, while the remaining \$109,356 represent contributions made subsequent to measurement date. Deferred inflows of resources relating to pension activities totaled \$0.

Capital and Right-of-Use Assets

At Fiscal Year End of 2023, the District had \$765,743 net of accumulated depreciation and amortization invested in capital and right-of-use assets. This includes office equipment, vehicles, E9-1-1 equipment, equipment used on the Regional Trunked Radio System and Tower. \$121,581 in new equipment was purchased during the year and a depreciation of \$269,498 was recognized.

Analysis of Significant Budget Variances

The actual excess of revenues over expenditures was \$1,303,880 compared to budget surplus of \$253,927 resulting in a difference of \$1,049,953 from the budgeted amount. Revenues were over budget by \$494,456. Expenses excluding capital equipment outlays were under budget by \$677,079. Capital outlays for equipment exceeded the budgeted amount by \$121,582.

**Galveston County Emergency Communication District
Management's Discussion and Analysis
December 31, 2023**

Economic Factors and Next Year's Budget and Rates

The projected revenue for fiscal year 2024 shows an overall increase of 20.41% compared to the budget for fiscal year 2023. Almost 100% of this increase is as a result of the increase in projected revenue from the NG 911 project CSEC reimbursement and interest income.

Projected expenses for fiscal year 2024 show an increase of 20.55% compared to the budget for fiscal year 2023. The total expenses were increased by \$468,209.

The budgeted amount for capital expenditures for 2024 is \$0. The budgeted net increase or decrease to reserves is \$0 for 2024.

The routine duties of the District involve assuring the 9-1-1 network is functional and the Customer Premise Equipment (CPE) is operating properly. The operation of the Regional Trunked Radio System is also a responsibility of the District.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Executive Director at 1353 FM 646 Road West, Suite 101 in League City, Texas.

Basic Financial Statements

Government-Wide Financial Statements

Galveston County Emergency Communication District
Statement of Net Position
December 31, 2023

Assets	
Cash and Cash Equivalents	\$ 600,705
Investments	6,564,047
Accounts Receivable	99,744
Prepaid Expenses	163,372
ROU Assets, Net of Amortization	251,096
Capital Assets, Net Accumulated Depreciation	514,647
Net Pension Asset	<u>129,188</u>
Total Assets	<u>8,322,799</u>
Deferred Outflows of Resources	
Deferred Outflows Relating to Pension Activities	<u>329,977</u>
Total Deferred Outflows of Resources	<u>329,977</u>
Liabilities	
Accounts Payable	-
Lease Liability	29,883
Noncurrent Liabilities	
Due in More Than One Year	
Compensated Absences	207,094
Net OPEB Obligation	465,278
Lease Liability	<u>231,238</u>
Total Liabilities	<u>933,493</u>
Deferred Inflows of Resources	
Deferred Inflows Relating to Pension Activities	<u>-</u>
Total Deferred Outflows of Resources	<u>-</u>
Net Position	
Investments in Capital Assets, Net of Related Debt	765,743
Unrestricted	<u>6,953,540</u>
Total Net Position	<u>\$ 7,719,283</u>

The accompanying notes are an integral part of these financial statements

Galveston County Emergency Communication District
Statement of Activities
For the Year Ended December 31, 2023

Expenses		
System Operating Expenses	\$	134,422
Wireless and Data Base Management		-
PSAP Equipment Maintenance		19,579
CPE Maintenance		96,567
Payroll and Related Expenses		765,756
Office Supplies and Equipment		16,153
Postage		781
Utilities, Administrative and RTRS		57,255
Education and Seminars		33,906
Regional and State Meetings		5,508
Insurance		138,569
Professional Memberships and Services		45,555
Promotions and Public Information		14,430
Communications		9,438
Training and Training Library		1,775
Vehicle Allowance/Mileage Expenses		18,296
RTRS Maintenance Agreement		207,101
Operational and RTRS Contingency		2,612
RTRS Tower Rental		-
Depreciation		269,498
Amortization		26,903
Interest Expense		6,270
Capital Additions		(18,764)
Total Expenses		<u>1,851,610</u>
Revenues		
Service Fees		2,269,320
Inter-local Agreements		441,809
Interest Income		315,653
Other Revenue		-
Total Revenues		<u>3,026,782</u>
Change in Net Position		<u>1,175,172</u>
Net Position Beginning of Year		<u>6,544,111</u>
Net Position End of Year	\$	<u><u>7,719,283</u></u>

The accompanying notes are an integral part of these financial statements

Fund Financial Statements

Galveston County Emergency Communication District
Balance Sheet
Governmental Funds
December 31, 2023

	General Fund
Assets	
Cash and Cash Equivalents	\$ 600,705
Investments	6,564,047
Accounts Receivable	99,744
Prepaid Expense	<u>163,372</u>
Total Assets	\$ <u>7,427,868</u>
Liabilities and Fund Balances	
Liabilities	
Accounts Payable	\$ <u>-</u>
Total Liabilities	<u>-</u>
Fund Balance	
Nonspendable	
Prepaid Assets	163,372
Committed	
New Equipment	1,250,000
RTRS Upgrades	1,000,000
Catastrophic Events	1,000,000
Unassigned	<u>4,014,496</u>
Total Fund Balance	<u>7,427,868</u>
Total Liabilities and Fund Balance	\$ <u>7,427,868</u>

The accompanying notes are an integral part of these financial statements

**Galveston County Emergency Communication District
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
December 31, 2023**

Total Fund Balance, Governmental Funds	\$ 7,427,868
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital Assets Used in Governmental Activities are not Financial Resources and, therefore, are not Reported in the Governmental Fund	765,743
Net Pension Asset	129,188
Noncurrent Liabilities of Governmental Activities are not Financial Resources and, therefore are not Reported in the Funds	
Net Pension Liability	-
Compensated Absences	(207,094)
Estimated Net OPEB Obligation	(465,278)
Lease Liability	(261,121)
Deferred Outflows and Deferred Inflows Relating to Pension Activities	<u>329,977</u>
Net Position of Governmental Activities	\$ <u>7,719,283</u>

The accompanying notes are an integral part of these financial statements

Galveston County Emergency Communication District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2023

	<u>General Fund</u>
Revenues	
Service Fees	\$ 2,269,320
Inter-local Agreements	441,809
Interest Income	315,653
Other Revenue	<u>-</u>
Total Revenues	<u>3,026,782</u>
Expenditures	
Current	
System Operating Expenses	134,422
Wireless and Database Management	-
PSAP Equipment Maintenance	19,579
CPA Maintenance	96,567
Payroll and Related Expense	788,993
Office Supplies and Equipment	16,153
Postage	781
Utilities, Administrative and RTRS	57,255
Education and Seminars	33,906
Regional and State Meetings	5,508
Insurance	138,569
Professional Memberships and Services	45,555
Promotions and Public Information	14,430
Communications	9,438
Training and Training Library	1,775
Vehicle Allowance/Mileage Expenses	18,296
RTRS Maintenance Agreement	207,101
Operational and RTRS Contingency	2,612
RTRS Tower Rental	29,145
Capital Additions	(18,764)
Capital Outlay	<u>121,581</u>
Total Expenditures	<u>1,722,902</u>
Net Change in Fund Balance	1,303,880
Fund Balance, Beginning of Year	<u>6,123,988</u>
Fund Balance, End of Year	<u><u>\$ 7,427,868</u></u>

The accompanying notes are an integral part of these financial statements

**Galveston County Emergency Communication District
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2023**

Net Change in Fund Balance	\$ 1,303,880
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Capital Outlays are Reported as Expenditures in Governmental Funds. However, in the Statement of Activities, the Cost of Capital Assets is Allocated over their Estimated Useful Lives as Depreciation Expense. In the Current Period, these Amounts are:	
Capital Outlay	121,581
Depreciation Expense	(269,498)
Net difference between rental expense and (Amortization plus Interest expense)	(4,027)
Contributions for Defined Benefit Pension Plans are Recognized as Expenditures in the Governmental Funds when the Contributions are Made. Pension Expense is Recognized in the Government-Wide Statement of Activities based on Changes in the Long-Term Net Pension Liability.	
	109,356
Some Items 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. This Activity Consists of:	
Pension Expense for the Pension Plan Measurement Year	(60,174)
Decrease in Compensated Absences	(25,946)
Increase in Estimated Net OPEB Obligation	-
Change in Net Position of Governmental Activities	\$ <u>1,175,172</u>

The accompanying notes are an integral part of these financial statements

Galveston County Emergency Communication District
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2023

	<u>Actual</u>	<u>Budget</u>	<u>(Unfavorable) Favorable Variance</u>
Revenues			
Service Fees	\$ 2,269,320	\$ 2,055,836	\$ 213,484
Inter-local Agreement	441,809	437,130	4,679
Interest Income	315,653	39,260	276,393
Other Revenue	-	100	(100)
Total Revenues	<u>3,026,782</u>	<u>2,532,326</u>	<u>494,456</u>
Expenditures			
Current			
System Operating Expenses	134,422	149,400	14,978
Wireless and Database Management	-	7,300	7,300
PSAP Equipment Maintenance	19,578	50,017	30,439
CPE Maintenance	96,568	91,000	(5,568)
Payroll and Related Expenses	788,992	842,326	53,334
Office Supplies and Equipment	16,153	15,000	(1,153)
Postage	781	700	(81)
Utilities, Administrative and RTRS	57,255	63,180	5,925
Education and Seminars	33,906	79,350	45,444
Regional and State Meetings	5,508	16,220	10,712
Insurance	138,569	117,812	(20,757)
Professional Memberships and Services	45,555	52,390	6,835
Promotions and Public Information	14,430	15,000	570
Communications	9,439	10,000	561
Training and Training Library	1,775	5,500	3,725
Vehicle Allowance/Mileage Expenses	18,295	18,340	45
RTRS Maintenance Agreement	207,101	207,192	91
Operational and RTRS Contingency	2,612	10,000	7,388
RTRS Tower Rental	29,145	27,672	(1,473)
Capital Additions	(18,764)	-	18,764
Capital Outlay	121,582	-	(121,582)
Sinking Fund for 9-1-1 Equipment	-	500,000	500,000
Total Expenditures	<u>1,722,902</u>	<u>2,278,399</u>	<u>555,497</u>
Net Change in Fund Balance	<u><u>\$ 1,303,880</u></u>	<u><u>\$ 253,927</u></u>	<u><u>\$ 1,049,953</u></u>

The accompanying notes are an integral part of these financial statements

Notes to Financial Statements

Galveston County Emergency Communication District
Notes to Financial Statements
December 31, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Galveston County Emergency Communication District (District) was authorized by the Emergency Telephone Number Act of the Texas Legislature. The District was created by a referendum held on November 3, 1987, in Galveston County for the establishment of enhanced 9-1-1 emergency telephone service. The cities of Friendswood and League City have opted not to participate with Galveston County District. The District commenced collection of the 9-1-1 service fee on December 1, 1988.

Principles Determining Scope of Reporting Entity

The financial statements of the Galveston County Emergency Communication District consist only of the funds and account groups of the District. The District has no oversight responsibility of any other governmental entity since no other entities are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The basic financial statements include both government-wide and fund financial statements. The focus of the government-wide financial statements is on the District as a whole and the focus of the fund financial statements is on major individual funds. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental.

The government-wide Statement of Net Position is presented on a full accrual basis of accounting, with an economic resource measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations. The government-wide Statement of Activities reflects the gross expenditures that are used to carry on the function of the District. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. In the fund financial statements, financial transactions and accounts of the District are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Governmental fund 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 District considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Galveston County Emergency Communication District
Notes to Financial Statements
December 31, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the government-wide financial statements. The entity has no fiduciary funds.

Each presentation provides valuable information that can be analyzed and compared (between governments) to enhance the usefulness of the information.

Fund Balances and Net Position

The governmental fund financial statements of the District will present fund balances based on classifications including a hierarchy that is based primarily on the extent to which the District is bound to honor restrictions on the specific purposes for which amounts in a particular governmental fund can be spent. The five classifications used in the governmental fund financial statements will be as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. These amounts would include inventories and prepaid items as being nonspendable as these items are not expected to be converted to cash within the next year.
- **Restricted –** Restricted net assets are net assets upon which constraints have been externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Committed –** These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances, the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless this authority modifies the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- **Assigned –** This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board of Managers has the authority to assign amounts to be used for specific purposes.
- **Unassigned –** This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

Galveston County Emergency Communication District
Notes to Financial Statements
December 31, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances and Net Position (Continued)

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

Compensated Absences

The District accrues earned but unpaid vacation and sick leave pay in accordance with the District's personnel policies. The amount of accrued compensated absences at December 31, 2023 was \$207,094. All paid time off is accrued when incurred in the government-wide financial statements.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of deposits in interest-bearing checking accounts of \$600,505 and petty cash of \$200.

Use of 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 to 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.

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. The government has one item that qualifies for reporting in this category:

Deferred outflows of resources for pension – Reported in the government-wide Statement of Net Position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability, and from the results of differences between projected and actual earnings. The deferred outflows of resources related to pensions resulting from district contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension-related deferred outflows will be amortized over the expected remaining service life.

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 or fund balance that applies to a

Galveston County Emergency Communication District
Notes to Financial Statements
December 31, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

future period (s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one item that qualifies for reporting in this category:

Deferred inflows of resources for pension – Reported in the government-wide Statement of Net Position, the deferred inflows result primarily from differences between the expected and actual actuarial experience. The amounts are amortized over a five-year period.

Implementation of New Standards

In 2018, the District implemented the Governmental Accounting Standards Board ("GASB") Statement No.75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information.

Effective January 1, 2022, the District adopted the provisions of GASB 87, *Leases*. GASB 87 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases, except for those with a lease term of twelve months or less. The District has elected to record in its financial statements the effect of GASB 87 as of the beginning of the year of adoption, which is January 1, 2022.

Accordingly, the District has recognized the right-of-use assets and lease liabilities measured under GASB 87 in its statement of financial position, and the related cumulative effect on earnings as an adjustment to net assets, as of the adoption date. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

NOTE B – DEPOSITS AND INVESTMENTS

The District's Board policy authorizes the District to invest in obligations of, or guaranteed by, government entities with less than two years to stated maturity or secured certificates of deposit issued by state or national banks domiciled in Texas or a savings and loan association domiciled in Texas that is insured by the FDIC or secured by other means as described in the Board policy and Texas Local Government Investment Act.

The District invests in TexPool and TexPool Prime, both were created under the Interlocal Cooperation Act, Texas Government Code Ann. Chapter 791 and the Texas Public Funds Investment Act. The Texas Treasury Safekeeping Trust Company (the Trust) is trustee of TexPool and TexPool Prime and is a limited purpose trust company authorized pursuant to Texas Government Code Ann. Section 404.103 for which the Texas State Comptroller is sole officer, director and shareholder. The advisory boards of Texpool and TexPool Prime are

Galveston County Emergency Communication District
Notes to Financial Statements
December 31, 2023

NOTE B – DEPOSITS AND INVESTMENTS (CONTINUED)

composed of the State Comptroller and other members appointed pursuant to the requirements of the Texas Public Funds Investment Act.

Local government investment pools in Texas are required to be rated AAA, or equivalent, by at least one nationally recognized rating agency.

The District's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The District's management believes that it complied with the requirements of the PFIA and the District's investment policies.

The District's deposits and investments are categorized under investment categories to give an indication of credit risk. Credit risk is the risk that another party to a deposit or investment transaction will not fulfill its obligations. This is not to be confused with market risk, which is the risk that the market value of an investment, collateral protecting a deposit, or securities underlying a repurchase agreement will decline. Market risk is not depicted in this note.

The following categories of credit risk are included:

Category 1

Deposits that are insured or collateralized with securities held by the District or by its agent in the District's name; investments insured or registered in the name of the District, or securities held by the District or its agent in the District's name.

Category 2

Deposits collateralized with securities held by the pledging financial institution's trust department or agent in the District's name, with securities held by the counter party's trust department or agent in the District's name.

Category 3

Deposits uncollateralized, including securities used for collateral held by the pledging financial institution or by its trust department or agent but not in the District's name; investments uninsured or unregistered in the District's name, with the securities held by the counter party's trust department or agent but not in the District's name.

At December 31, 2023, the District's deposits are categorized as follows:

<u>Description</u>	<u>Carrying Amount</u>	<u>Risk Category</u>
Cash in Interest Bearing Accounts	\$ 600,505	1
Certificate of Deposit	\$ -	2
Texas Local Government Investment Pools	\$ 6,564,047	3

Interest rates on certificates of deposit ranged from 0.30 % to 0.50 % during the year. Accrued interest on these deposits at December 31, 2023 was \$555.

Galveston County Emergency Communication District
Notes to Financial Statements
December 31, 2023

NOTE B – DEPOSITS AND INVESTMENTS (CONTINUED)

The investments are reported by the District at amortized cost in accordance with Government Accounting Standards Board Statement (GASB) No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

NOTE C – ACCOUNTS RECEIVABLE

Accounts receivable, as of December 31, 2023 is comprised of the following:

	<u>2023</u>
Service Fees:	
AT&T	\$ 12,000
Frontier	12,005
Cameron	350
Wireless Fees:	
State of Texas Advisory Commission on State Emergency Communications	75,025
Other	<u>363</u>
Total Accounts Receivable	<u>\$ 99,744</u>

All amounts are considered to be fully collectible.

NOTE D – PREPAID ASSETS

Prepaid assets consist of the following:

<u>Prepaid Expense</u>	<u>2023</u>
Insurance	\$ 107,041
Maintenance Contracts	56,331
Total	<u>\$ 163,372</u>

NOTE E – INTER-LOCAL AGREEMENT

Trunked radio is a computer controlled common radio system that takes advantage of trunked radio technology to provide wide area radio communications. The District has entered into inter-local agreements with the user entities. Subscriber fees are differentiated between governmental users and nongovernmental users. For participating and non-participating governmental users, the user fee is \$7.50 and \$9.00, respectively, per month per unit; the nongovernmental fee is \$10.00 per month per unit, effective when the radios are activated. User fees billed during the year ended December 31, 2023 were \$441,809.

Galveston County Emergency Communication District
Notes to Financial Statements
December 31, 2023

NOTE F – CAPITAL ASSETS

Capital assets as of December 31, 2023 are comprised of the following:

	Balance December 31, 2022	Additions	Retirements	Balance December 31, 2023
Enhanced 9-1-1 Equipment	\$ 1,952,300	\$ 39,679	\$ -	\$ 1,991,979
Office Equipment	44,755	6,454	-	51,209
RTRS Equipment	4,723,541	75,448	-	4,798,989
Furniture and Fixtures	47,655	-	-	47,655
Tower Sites	564,699	-	-	564,699
Vehicles	17,849	-	-	17,849
	7,350,799	121,582	-	7,472,380
Less Accumulated Depreciation	(6,688,236)	(269,498)	-	(6,957,733)
Total	\$ 662,563	\$ (147,916)	\$ -	\$ 514,647

Depreciation Method

The depreciation method is straight line using the estimated useful life. Estimated life of furniture and fixtures is seven years; five years for mapping equipment, office equipment, enhanced 911 equipment, and vehicles. RTRS equipment's useful lives are either 5, 8, or 10 years. New computer purchases are depreciated for 2 years. Maintenance and repairs are charged to expense as incurred. Renewals, improvements, and equipment acquisitions exceeding \$1,000 in cost are capitalized by charges to capital assets and depreciated at appropriate rates.

NOTE G – SERVICE FEES

Revenues are collected by local telephone companies operating in the District's 9-1-1 service area. The revenues are then remitted to the District net of amount not collected from the telephone companies' customers and an administrative fee for processing and collection. Beginning in 1995, the District began collecting the 9-1-1 fee from owners of private telephone switches that provide residential service.

In November 1995, the District's Board of Managers authorized the levying of 9-1-1 service fees for all wireless telephones, which includes all cellular and PCN/PCS providers, beginning March 1, 1996. The rate levied was equivalent to the residential rate of \$0.62 per month. Effective September 1, 1998, the Texas legislature passed legislation requiring a payment of \$0.50 per wireless phone per month. The fee is collected through the State of Texas 9-1-1 Commission and distributed to the District from there.

Galveston County Emergency Communication District
Notes to Financial Statements
December 31, 2023

NOTE G – SERVICE FEES (CONTINUED)

The following is a breakdown of service fee revenues recognized for the year ended December 31, 2023:

	<u>Fees Billed</u>	<u>Administrative Fees</u>	<u>Not Collected</u>	<u>Service Fee Adjustments</u>	<u>Total</u>
Service Fees:					
AT&T	\$ 160,366	\$ (1,600)	\$ (553)	\$ (0)	\$ 158,212
Frontier	76,030	(760)	-	-	75,270
Cameron	2,261	(18)	-	-	2,244
CLEC	676,115	-	-	-	676,115
Wireless:					
State 9-1-1 Commission	1,354,548	-	-	-	1,354,548
Total	\$ 2,269,320	\$ (2,379)	\$ (553)	\$ (0)	\$ 2,266,388

NOTE H – ENHANCED 9-1-1 SERVICE COSTS

The District incurs monthly charges for the Enhanced 9-1-1 services provided by Southwestern Bell Telephone Company and Verizon, which is subject to rates as approved by the Public Utility Commission of Texas. The total charge for these services for the year ended December 31, 2023 was \$134,422.

NOTE I – OPERATING LEASE

Beginning July 2005, the District leases its office space in a building in Dickinson, Texas. The District had a ten-year lease at the facility, which was prepaid in the amount of \$200,000. The prepaid rent is being amortized at the rate of \$1,667 per month. The amortization was complete in June of 2015. The District now is billed monthly for the direct and allocable indirect building operation costs.

NOTE J – INSURANCE

All risk of loss is purchased through standard commercial insurance carriers. Risk of loss retained by the District is the annual premium plus the related deductibles. No uninsured losses for the year exceeded these amounts.

NOTE K – EMPLOYEE DEFINED BENEFIT PENSION RETIREMENT PLAN

Pensions

The District reports a liability (asset) for pension obligations and related deferred inflows and outflows of resources in accordance with Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement 68. Changes in the net pension liability (asset) from year to year will be recognized as pension expense on the government-

Galveston County Emergency Communication District
Notes to Financial Statements
December 31, 2023

NOTE K – EMPLOYEE DEFINED BENEFIT PENSION RETIREMENT PLAN (CONTINUED)

wide Statement of Activities or reported as deferred inflows or outflows of resources on the Statement of Net Position, depending on the nature of the change. Transactions giving rise to deferred inflows and outflows of resources are not entirely recognized in the Statement of Activities in the period in which they arise but are instead amortized over multiple years.

Plan Description

Galveston County Emergency Communication District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the state-wide, agent multiple-employer, public employer 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 in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or online at www.tcdrs.org.

The plan provisions are adopted by the governing body of the employers, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 20 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 but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contribution in a lump sum are not entitled to any amounts contributed by the employer.

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

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan 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 is actuarially determined annually. It was 20% for the calendar year 2023. The contribution rate payable by the employee members is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Galveston County Emergency Communication District
Notes to Financial Statements
December 31, 2023

NOTE K – EMPLOYEE DEFINED BENEFIT PENSION RETIREMENT PLAN (CONTINUED)

If the plan suffers an adverse experience, provisions of the ACT allow the employer to contribute for twenty-five years at a fixed, increased rate determined actuarially by TCDRS, or to reduce the benefits earned in the future.

Membership Information

Members	December 31, 2021	December 31, 2022
Number of inactive employees entitled to but not yet receiving benefits:	2	2
Number of active employees:	5	5
Average monthly salary	\$8,127	\$8,432
Average age	54.58	55.58
Average length of service in years	17.38	18.38

Inactive Employees (or their Beneficiaries) Receiving Benefits

Number of benefit recipients	2	2
Average monthly benefit	\$4,997	\$5,005

Net Pension Liability

The Districts 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 actuarial assumptions that determined the total pension liability as of December 31, 2022 were based on the results of a study of the actuarial experience for the period January 1, 2013, through December 31, 2016, except where Governmental Accounting Standards Board Statement No. 68 required otherwise. The following are the key assumptions and methods applied to this measurement period:

Valuation Date	December 31, 2022
Actuarial Cost Method	Entry Age (level percent pay)
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line Amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line Amortization over Expected Working Life

Galveston County Emergency Communication District
Notes to Financial Statements
December 31, 2023

NOTE K – EMPLOYEE DEFINED BENEFIT PENSION RETIREMENT PLAN (CONTINUED)

Asset Valuation Method:	
Smoothing Period	5 years
Recognition Method	Non-Asymptotic
Corridor	None
Inflation	2.50%
Salary Increases	4.7% average over career including inflation
Investment Rate of Return	7.50% net of administrative and investment expenses, including inflation
Cost of Living Adjustments	Cost-of-living adjustments for Galveston County Emergency Communication District are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations or the funding valuation.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.

Discount Rate

The discount rate used to measure the total pension liability was 7.60% which is the same as previous year. The projection of cash flows used to determine this discount rate assumed that plan members and the employer contributed at the statutorily required rates. Based upon that assumption, the plan's fiduciary net position was projected to be sufficient to make all future benefit payments to current members of the plan. 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 (asset).

The annual salary increases rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of general wage inflation component of 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.7% per year for a career employee.

Galveston County Emergency Communication District
Notes to Financial Statements
December 31, 2023

NOTE K – EMPLOYEE DEFINED BENEFIT PENSION RETIREMENT PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments is 7.60% and was determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2023 information for a 10-year time horizon.

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected Return Minus Inflation)
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.95%
Global Equities	MSCI World (Net) Index	2.50%	4.95%
International Equities - Developed	MSCI World Ex USA (net) Index	5.00%	4.95%
International Equities – Emerging	MSCI EM Standard (net) Index	6.00%	4.95%
Investment-Grade Bonds	Bloomberg Barclays Aggregate Bond Index	3.00%	2.40%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	3.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.95%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	7.60%
REIT Equities	67% FTSE NAREIT Equity REITs Index +33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate	Cambridge Associates Real Estate Index	6.00%	5.70%
Partnerships	Cambridge Associates Global Private Equity & Venture	25.00%	7.95%
Private Equity	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	2.90%
Hedge Funds	90-Day U.S Treasury	2.00%	0.20%
Cash Equivalents			

Galveston County Emergency Communication District
Notes to Financial Statements
December 31, 2023

NOTE K – EMPLOYEE DEFINED BENEFIT PENSION RETIREMENT PLAN (CONTINUED)

Changes in Net Pension Liability/(Asset)

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balances as of December 31, 2021	\$ 4,533,082	\$ 5,279,146	\$ (746,063)
Changes for the Year:			
Service Cost	85,547	-	85,547
Interest on Total Pension Liability	344,482	-	344,482
Effect of Plan Changes	-	-	-
Effect of Economic/Demographic Gains of Losses	13,358	-	13,358
Effect of Assumptions Changes or Inputs	-	-	-
Refund of Contributions	-	-	-
Benefit Payments	(175,146)	(175,146)	-
Administrative Expenses	-	(2,889)	2,889
Member Contributions	-	35,415	(35,415)
Net Investment Income	-	(306,185)	306,185
Employer Contributions	-	101,186	(101,186)
Other	-	(1,015)	1,015
Balances as of December 31, 2022	\$ 4,801,324	\$ 4,930,512	\$ (129,188)

Sensitivity of the District's Share of the Net Pension Liability/(Asset)
Discount Rate Sensitivity Analysis

The following presents the net pension liability of the county/district, calculated using the discount rate of 7.60%, as well as what the Galveston County Emergency Communication District 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.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total Pension Liability	\$ 5,318,232	\$ 4,801,324	\$ 4,350,068
Fiduciary Net Position	4,930,512	4,930,512	4,930,512
Net Pension Liability/(Asset)	\$ 387,720	\$ (129,188)	\$ (580,444)

Galveston County Emergency Communication District
Notes to Financial Statements
December 31, 2023

NOTE K – EMPLOYEE DEFINED BENEFIT PENSION RETIREMENT PLAN (CONTINUED)

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

For the year ended December 31, 2022, the District recognized pension expense of \$60,174.

At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Inflows/Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences Between Expected and Actual Experience	-	21,804
Changes of Assumptions	-	81,786
Net Difference Between Projected and Actual Earnings	-	117,031
Contributions Made Subsequent to Measurement Date	N/A	Employer Determined

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

Year Ended December 31:

2023	\$(67)
2024	51,555
2025	25,299
2026	143,834
2027	0
Thereafter	0

NOTE L – DEFERRED COMPENSATION PLAN

All employees participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, or death. The plan is administrated by an insurance company.

NOTE M – EMPLOYEE DEFINED BENEFIT HEALTHCARE RETIREMENT PLAN

Plan Description

The District's defined benefit OPEB plan provides certain post-employment retirement benefits for its qualifying employees through a single-employer defined benefit health care plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Galveston County Emergency Communication District
Notes to Financial Statements
December 31, 2023

NOTE M – EMPLOYEE DEFINED BENEFIT HEALTHCARE RETIREMENT PLAN
(CONTINUED)

Prior to 2018, Galveston County Emergency Communication District provided its employees health benefits upon retirement. Effective January 1, 2018, the District revised its retiree medical policy to state that all future retirees will receive a reimbursement in the amount of \$500 per month for their medical insurance benefits. Current retirees will still be provided full medical insurance coverage. Benefit provisions are established or may be amended under the authority of the District's management. The District administers the single-employer defined benefit plan.

Employees covered by OPEB plan as of December 31, 2022 were as follows:

Inactive plan members or beneficiaries currently receiving benefits	2
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	5
Total plan members	7

Funding Policy

This plan represents an unfunded OPEB program. Employer contributions will be made on a pay-as-you-go basis subject to the originating policy adopted by the District's management. Retired plan members are not required to contribute to the plan.

Total OPEB Liability

The District's total OPEB liability was measured as of December 31, 2023 and determined using the Alternative Measurement Method in accordance with GASB 74/75. There are currently no plan assets.

Changes in Net OPEB Liability

Changes in the City's OPEB liability presented below are calculated for the year ended December 31, 2023 (measurement year):

	Total OPEB Liability (a)	Change in Fiduciary Net Position (b)	NET OPEB Liability (a)-(b)
Balance as of Prior Measurement Date	\$ 465,278	\$ -	\$ 465,278
Service Cost	\$ 11,998	N/A	\$ 11,998
Interest on Total OPEB Liability	\$ 17,131	N/A	\$ 17,131
Effect of Plan Changes	\$ -	N/A	\$ -
Effect of Economic/Demographic Gains or Losses	\$ 12,560	N/A	\$ 12,560
Effect of Assumptions Changes or Inputs	\$ 33,426	N/A	\$ 33,426
Benefit Payments	\$ (13,420)	\$ (13,420)	\$ -
Employer Contributions	N/A	\$ 13,420	\$ (13,420)
Employee Contributions	N/A	\$ -	\$ -
Net Investment Income	N/A	\$ -	\$ -
Administrative Expenses	N/A	\$ -	\$ -
Balance as of Current Measurement Date	\$ 526,973	\$ -	\$ 526,973

Galveston County Emergency Communication District
Notes to Financial Statements
December 31, 2023

NOTE M – EMPLOYEE DEFINED BENEFIT HEALTHCARE RETIREMENT PLAN
(CONTINUED)

Changes of assumptions reflects a change in discount rate from 3.64% in 2022 to 3.06% in 2023.

OPEB Expense

For the year ended December 31, 2023, the District recognized total OPEB expense of \$75,115.

Service Cost	\$ 11,998
Interest on the Total OPEB Liability	17,131
Economic/Demographic Gains or Losses	12,560
Assumptions Changes or Inputs	33,426
Total OPEB Expense	<u>\$ 75,115</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, calculated using the discount rate of 3.06% as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is 1- percentage point lower or 1-percentage point higher than the current rates used:

	<u>Discount Rate -1%</u>	<u>Baseline</u>	<u>Discount Rate + 1%</u>
Discount Rate	2.06%	3.06%	4.06%
Net OPEB Liability	\$592,741	\$526,793	\$471,233
Change from Baseline	\$65,768	\$0	(\$55,740)

Healthcare Cost Trend Rate Sensitivity Analysis

The following schedule shows the impact to the total OPEB liability if the Healthcare Cost Trend Rate used was 1% less than and 1% greater than what was used in measuring the total OPEB liability.

	<u>Baseline Trend -1%</u>	<u>Baseline Trend</u>	<u>Baseline Trend +1%</u>
Discount Rate	2.06%	3.06%	4.06%
Net OPEB Liability	\$505,613	\$526,973	\$549,144
Change from Baseline	(\$21,359)	\$0	\$22,172

Galveston County Emergency Communication District
Notes to Financial Statements
December 31, 2023

NOTE M – EMPLOYEE DEFINED BENEFIT HEALTHCARE RETIREMENT PLAN
(CONTINUED)

Key Assumptions and Methods Used in the Valuation

The following exhibit documents the key assumptions and methods used for the valuation:

<u>Assumptions</u>	<u>Values</u>
Age Adjustment Factor	1
Average Retirement Age	62
Employer Future Premium Contribution	Remain at the current \$ level over time
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Assets Backing OPEB Liability	\$0
Plan Asset Return	0.000%
Bond Yield	3.060%
Discount Rate	3.060%
Measurement Date	12/31/2023
Prior Measurement Date	12/31/2022
Prior Year Discount Rate	3.640%
Projected Salary Increases	3.00%
Amortization Period	20
Percentage Participation	100.00%
NOL and ADC	Calculated using the Alternative Measurement Method in accordance with GASB Methodology
Mortality Table	Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years.
Turnover Assumption	Derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System

NOTE N – LEASES

Galveston County Emergency Communication District (District) entered into a tower lease agreement with CGS Investments, Inc. on February 26, 2013. The agreed lease commencement date was May 1, 2013. According to the terms of the lease agreement, the District was issued a license to use approximately 1,600 square feet of land and space on the Tower at 1310 Ginger Road, Santa Fe (Galveston County) Texas. The lease agreement also provided an initial lease payment of \$2,135 per month with a lease term of 10 years.

Furthermore, on the 5th anniversary of the initial term, the license fee increases eight percent (8.00%) to \$2,305.80. Then at the expiration of the initial lease term (10 years), the license will be automatically extended for an additional 5 years unless notification is received 90 days prior. Likewise, the First Extension Term will automatically be extended for an additional 5 years (the "Second Extension Term") unless the "District" notifies CGS, Investment, Inc. of intention not to renew at least 90 days prior to the expiration of the First Extension Term. An 8% escalator will

**Galveston County Emergency Communication District
Notes to Financial Statements
December 31, 2023**

NOTE N – LEASES (CONTINUED)

become applied to the license fee at each 5-year interval (First and Second Extension). After the second extension, the lease will continue on a month-to-month basis (the "Holdover" Term) which can be terminated by either party upon 30 days written notice.

In addition, Xcell Towers II, LLC entered into an agreement to purchase the tower site at 1310 Ginger Street, Santa Fe, TX 77510 from CGS Investment, Inc. on December 31, 2019. A written notification of the ownership change was sent to the District on January 7, 2020.

The District has elected the option to use the incremental borrowing rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. We have applied the incremental borrowing rate option to the equipment classes of assets.

Reported under GASB 87-year ended December 31, 2023:

Lease agreement summarized as follows:

Description	Date	Payment Terms	Payment Amount	Interest Rate	Total Lease Liability	Balance Dec 31, 2023
Tower	1/1/2022	11.3 yrs	Variable	2.29%	304,902	261,121

Schedule of Future Minimum Lease Payments-Capital Lease Obligations are as follow:

Year Ended Dec 31	Principal	Interest
2024	29,883	5,727
2025	29,883	5,168
2026	29,883	4,596
2027	29,883	4,011
2028-32	160,571	10,186
2033	10,758	51
Total	290,861	29,740

The total rental expense was \$29,145 and \$27,670 in 2023 and 2022, respectively.

NOTE O – NEXT GENERATION 9-1-1 SERVICE

Galveston County Emergency Communication district was approved as one of the subrecipient s of federal awards by the State of Texas through the Commission on State Emergency Communications (CSEC), a state agency, to carry out the implementation of NG 9-1-1 services.

**Galveston County Emergency Communication District
Notes to Financial Statements
December 31, 2023**

NOTE O – NEXT GENERATION 9-1-1 SERVICE (CONTINUED)

In May 2021, the Texas Legislature passed House Bill 2911 ("HB 2911") amending Health and Safety Code Chapter 771 to establish September 1, 2025, as the target date for "all parts of the state to be covered by next generation 9-1-1 service. HB 2911 includes a new Health and Safety Code 771.0713 creating the Next Generation 9-1-1 Fund ("NG9-1-1" Fund) and authorizing it to be funded with *"Coronavirus state and Local Fiscal Recovery Funds under Section 9901 of the American Rescue Plan Act of 2021.*

On April 6, 2022, following submission by the Commission of a grant application, the Office of the Governor awarded the Commission \$150 million in CSFRF funds per SB 8. On May 17, 2022, the Commission voted to allocate the NG9-1-1 Fund to 70 (out of 77) Texas 9-1-1 entities expressing interest in applying for the Subrecipient grant award. The total amount of federal funds awarded to Galveston County Emergency Communication District by the Commission (CSEC) to go towards the cost of implementing the NG9-1-1 services was \$1,500,000. The terms of the agreement include a period of performance, which begins on November 8, 2021 through December 31, 2024. The funds must be encumbered by December 31, 2024, but eligible costs would be reimbursed through December 31, 2026. The total amount received as CSEC reimbursement during the year was \$285,754.

NOTE P – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 14, 2025, the date the financial statements were available to be issued.

Required Supplementary Schedules and Other Information

Galveston County Emergency Communication District
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended December 31, 2022

	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Total Pension Liability									
Service cost	\$ 85,547	\$ 83,148	\$ 83,427	\$ 77,729	76,961	101,043	101,689	94,301	89,204
Interest on total pension liability	344,482	323,697	306,395	280,171	271,111	253,998	220,169	196,699	175,667
Effect of plan changes	-	-	-	(60,191)	-	-	-	(5,147)	-
Effect of assumption changes or inputs	-	744	203,347	-	-	18,418	-	18,063	-
Effect of economic/demographic (gains) or losses	13,358	10,539	3,634	6,826	6,388	(37,546)	87,747	(5,590)	(9,189)
Benefit payments/refunds of contributions	(175,146)	(119,936)	(119,936)	(119,936)	(119,936)	(81,914)	(5,870)	(5,870)	(4,402)
Net Change in total pension liability	268,242	298,192	476,867	194,599	234,534	253,998	403,755	292,456	251,300
Total pension liability, beginning	4,533,062	4,234,890	3,758,023	3,563,424	3,328,890	3,074,892	2,671,157	2,378,701	2,127,401
Total pension liability, ending (a)	\$ 4,801,324	\$ 4,533,082	\$ 4,234,890	\$ 3,758,023	\$ 3,563,424	\$ 3,328,890	\$ 3,074,892	\$ 2,671,157	\$ 2,378,701
Fiduciary Net Position									
Employer contributions	\$ 101,186	\$ 397,521	\$ 90,887	\$ 70,831	59,892	55,862	51,927	52,236	276,649
Member contributions	35,415	34,132	35,345	33,055	31,874	38,125	40,343	38,024	37,468
Investment income net of investment expenses	(306,185)	922,700	377,707	518,383	(60,835)	412,695	186,975	(76,558)	139,735
Benefit payments/refunds of contributions	(175,146)	(119,936)	(119,936)	(119,936)	(119,936)	(81,914)	(5,870)	(5,870)	(4,402)
Administrative expense	(2,889)	(2,856)	(2,954)	(2,786)	(2,535)	(2,160)	(2,055)	(1,836)	(1,766)
Other	(1,015)	9,943	549	(40)	(513)	139	11,408	(511)	1,524
Net change in fiduciary net position	(346,634)	1,241,505	381,598	469,505	(92,094)	422,546	284,729	6,484	449,167
Fiduciary net position, beginning	5,279,146	4,037,641	3,656,043	3,156,537	3,248,592	2,826,045	2,541,317	2,534,834	2,085,646
Fiduciary net position, ending (b)	\$ 4,930,512	\$ 5,279,146	\$ 4,037,641	\$ 3,656,043	\$ 3,156,538	\$ 3,248,592	\$ 2,826,046	\$ 2,541,317	\$ 2,534,834
Net pension liability/ (asset), ending = (a) - (b)	\$ (129,188)	\$ (746,063)	\$ 197,249	\$ 101,979	\$ 406,886	\$ 80,298	\$ 248,846	\$ 129,839	\$ (156,133)
Fiduciary net position as a % of total pension liability	102.69%	116.46%	95.34%	97.23%	88.58%	97.59%	91.91%	95.14%	106.56%
Pensionable covered payroll	505,929	487,605	504,929	472,206	455,338	544,639	576,327	557,480	535,257
Net pension liability/asset as a % of covered payroll	-25.53%	-153.01%	39.06%	21.60%	89.36%	14.74%	43.18%	23.29%	-29.17%

GASB Statements No. 68 and No. 71 were implemented during the fiscal year ended December 31, 2015.

**Galveston County Emergency Communication District
Schedule of Employer Contributions
For the Ten Fiscal Years**

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll (1)	Actual Contribution as a % of Covered Payroll
2013	69,853	69,853	-	514,383	13.6%
2014	76,649	276,649	(200,000)	535,257	51.7%
2015	52,236	52,236	-	557,480	9.4%
2016	51,927	51,927	-	576,327	9.0%
2017	55,662	55,662	-	544,639	10.2%
2018	59,892	59,892	-	455,338	13.2%
2019	68,659	70,831	(2,172)	472,208	15.0%
2020	68,872	90,887	(22,015)	504,929	18.0%
2021	63,194	397,521	(334,327)	487,605	81.5%
2022	54,590	101,186	(46,596)	505,929	20.0%

(1) Payroll is calculated based on contributions as reported to TCDRS.

GASB Statements No. 68 and 71 were implemented during the fiscal year ended December 31, 2015.

The following are the key assumptions and methods applied to this measurement period:

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	0.8 years (based on contribution rate calculated in 12/31/22 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017 : New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions are reflected in the Schedule. 2016: No changes in plan provisions are 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: Employer contributions reflect that the current service matching rate was decreased to 200% 2021: No changes in plan provisions were reflected in the Schedule. 2022: No changes in plan provisions were reflected in the Schedule.

**Galveston County Emergency Communication District
Schedule of Changes in Total OPEB Liability and Related Ratios
For the Last Measurement Year**

	<u>2023</u>
Service Cost	\$ 11,998
Interest on Total OPEB Liability	17,131
Effect of Economic/Demographic Gains or Losses	12,560
Effect of Assumption Changes or Inputs	33,426
Employer Contributions - Benefit Payments	<u>(13,420)</u>
Net Change in Total Pension Liability	61,695
Total OPEB Liability - beginning	<u>465,278</u>
Total OPEB Liability - ending	<u><u>\$ 526,973</u></u>
Covered Payroll	546,777
Total OPEB Liability as a Percentage of Covered Payroll	96%

The amounts presented are for each measurement year, which end the preceeding December 31. Total OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75. Ten years of data should be presented in this schedule but data was unavailable prior to 2018.

Notes to Schedule:

Changes of Assumption: Changes of assumption reflects the effect of changes in the discount rate each period. The following are the discount rates used in each period:

2021	3.01%
2022	3.64%
2023	3.06%

Plan Changes: Prior to 2018, the District provided health insurance coverage to all retirees. Beginning in 2018, new retirees will receive a \$500 per month reimbursement for health insurance.



Katherine Overbeck Maxwell, PLLC
Certified Public Accountant

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

To the Board of Directors
Galveston County Emergency Management

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and governmental fund information of City of the Galveston County Emergency Communication District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Galveston County Emergency Communication District's basic financial statements, and have issued our report thereon dated February 14, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Galveston County Emergency Communication District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Galveston County Emergency Communication District's internal control. Accordingly, we do not express an opinion on the effectiveness of Galveston County Emergency Communication District's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Galveston County Emergency Communication District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of

our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

A handwritten signature in black ink that reads "Katherine Overbeck Maxwell, CPA, PLLC". The signature is written in a cursive, flowing style.

Katherine Overbeck Maxwell, CPA, PLLC

Galveston, Texas

February 14, 2025