

**GALVESTON COUNTY  
DRAINAGE DISTRICT #2**

**GALVESTON COUNTY, TEXAS**

**FINANCIAL REPORT**

**For the Year Ended September 30, 2018**



**GALVESTON COUNTY DRAINAGE DISTRICT #2**  
**TABLE OF CONTENTS**

	<u>Schedule</u>	<u>Page</u>
<b>Annual Filing Affidavit</b>		i
<b>Independent Auditors' Report</b>		1
<b>Management's Discussion and Analysis</b>		5
<b>Basic Financial Statements</b>		
Statement of Net Position and Governmental Funds Balance Sheet		13
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balance		14
Notes to Basic Financial Statements		15
<b>Required Supplementary Information</b>		
Budgetary Comparison Schedule - General Fund		32
Notes to Required Supplementary Information		33
Schedule of Changes in Net Pensions Liability and Related Ratios		34
Schedule of Employer Contributions		35
<b>Texas Supplementary Information</b>		
Services and Rates	TSI - 1	38
General Fund Expenditures	TSI - 2	40
Taxes Levied and Receivable	TSI - 3	41
Comparative Schedule of Revenues and Expenditures - General Fund	TSI - 4a	42
Comparative Schedule of Revenues and Expenditures - Special Revenue Funds	TSI - 4b	44
Board Members, Key Personnel and Consultants	TSI - 5	46



**ANNUAL FILING AFFIDAVIT**

**THE STATE OF TEXAS**

**GALVESTON COUNTY**

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

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Commissioners of the District on the \_\_\_\_\_ day of February, 2019, its annual audit report for the fiscal year or period ended September 30, 2018, and that copies of the annual audit report have been filed in the District's office, located at 5000 F.M. 1765, La Marque, Texas. This filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Code Section 49.194.

Date: \_\_\_\_\_, 2019

By: \_\_\_\_\_  
(Signature of District Representative)

\_\_\_\_\_  
(Typed Name & Title of Above District Representative)

Sworn to and subscribed to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2019.

\_\_\_\_\_  
(Signature of Notary)

(Seal)

My Commission Expires On: \_\_\_\_\_, \_\_\_\_\_, Notary Public in the State of Texas.

Form TCEQ – 0723 (Revised 10/2003)



## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Galveston County Drainage District #2 ("the District") as of and for the year September 30, 2018 and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Commissioners  
Galveston County Drainage District #2

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of Galveston County Drainage District #2 as of September 30, 2018, and the respective changes in the financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-10, budgetary comparison schedule on pages 32-33, and the required pension system supplementary information on pages 34-35, 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 the 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Galveston County Drainage District #2's financial statements as a whole. The Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information and other supplementary information, as listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Texas City, Texas  
March 11, 2019

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

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## **GALVESTON COUNTY DRAINAGE DISTRICT #2**

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

#### **Using this Annual Report**

Within this section of the financial report of Galveston County Drainage District #2 (the "District"), the District's Board of Commissioners provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2018. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget and pension;
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality, (TCEQ).

#### **Financial Highlights**

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$3,742,424.
- The District's net position increased \$710,497 during the year. Unrestricted net position is \$802,081.
- The District's total expenses were \$1,121,104 and revenues were \$1,821,123.

#### **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, as presented in the special-purpose government format, combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. Details of this adjustment column are shown in Note 2 to the financial statements. The notes to the financial statements comprise the final part of the basic financial statements, providing all required disclosure to support the statements as presented. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

#### **Government-Wide Financial Statements**

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using the accrual basis of accounting. The purpose of the statement of net position is to attempt to report all of the assets and liabilities owned by the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

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

The difference between the District's total assets, deferred outflows of resources, total liabilities and deferred inflows of resources is labeled as *net position*. Although the purpose of the District is not to accumulate net position, in general, as the amount increases, it may indicate that the financial position of the District is improving over time. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District's improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements established by external parties, governmental statutes or regulations. All of the District's funds are governmental funds.

**Governmental Funds**

Governmental funds are used to account for essentially the same functions 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 government'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. For this reason, there is an adjustment column on the statement of net position and the statement of revenues, expenditures and changes in fund balances. Details of this adjustment column are shown in Note 2 to the financial statements.

The District has two individual governmental funds, the general fund and special revenue fund, both of which are considered major funds.

The general fund is the chief operating fund of the district. At the end of the fiscal year, the fund balance of the general fund was \$656,437. The fund balance of the general fund increased by \$366,572 this year.

The special revenue fund accounts for the District's impact fees which are received from developers wanting to develop property in a particular watershed area. These monies represent additional costs which will be incurred as a direct result of developing the area. At the end of the fiscal year, the fund balance of the special revenue fund was \$864,525. The fund balance of the special revenue fund increased by \$60,383 this year.

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

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

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget and information required by the Texas Commission on Environmental Quality.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3,742,424 at the close of the most recent fiscal year.

A significant portion of the District's net position (55 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens within the District; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 1,750,466	\$ 1,482,580
Capital assets	<u>2,075,818</u>	<u>1,728,726</u>
Total assets	<u>3,826,284</u>	<u>3,211,306</u>
Total deferred outflows of resources	<u>80,695</u>	<u>358,485</u>
Current liabilities	43,302	195,891
Net Pension Liability	<u>88,721</u>	<u>321,987</u>
Total liabilities	<u>132,023</u>	<u>517,878</u>
Total deferred inflows of resources	<u>32,532</u>	<u>19,986</u>
Net position:		
Investment in capital assets	2,075,818	1,728,726
Restricted - special revenue funds	864,525	804,142
Unrestricted	<u>802,081</u>	<u>499,059</u>
Total net position	<u>\$ 3,742,424</u>	<u>\$ 3,031,927</u>

The remaining balance of unrestricted net position \$802,081 may be used to meet the District's ongoing obligations to citizens and creditors.

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

The District's net position increased by \$710,497 during the current fiscal year.

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

	<u>2018</u>	<u>2017</u>
<b>Revenues</b>		
Property taxes, penalties and interest	\$ 945,740	\$ 967,927
Impact fees	60,383	308,474
Other revenues	815,000	2,131
<b>Total revenues</b>	<u>1,821,123</u>	<u>1,278,532</u>
<b>Expenses</b>		
Current service operations	877,551	825,084
Depreciation	120,735	108,236
Pension expense	122,818	171,520
<b>Total expenses</b>	<u>1,121,104</u>	<u>1,104,840</u>
Sale of capital assets	<u>10,478</u>	<u>29,623</u>
Change in net position	710,497	203,315
<b>Net position, beginning of year</b>	<u>3,031,927</u>	<u>2,828,612</u>
<b>Net position, end of year</b>	<u>\$ 3,742,424</u>	<u>\$ 3,031,927</u>

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

As noted earlier, all of the District's funds are governmental funds. The focus of Galveston County Drainage District #2'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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported fund balance \$1,520,962, an increase of \$426,955 for the year. This amount of \$1,520,962 constitutes of amounts restricted for special revenue funds \$864,525 and unassigned fund balance \$656,437 which is available for spending at the District's discretion.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$656,437. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 45% of total general fund expenditures.

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

**General Fund Budgetary Highlights**

The District anticipated a decrease in the fund balance of \$1,205,500. The actual net change in fund balance was an increase of \$366,572.

Actual revenues were \$857,800 more than budgeted. Actual expenditures were \$644,934 lower than budgeted primarily due to decreased spending for capital outlay.

**Capital Asset and Debt Administration**

**Capital Assets**

The District's investment in capital assets for its governmental activities as of September 30, 2018, amounts to \$2,075,818 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and equipment. Capital assets, net of depreciation when applicable, held by the District at the end of the past two fiscal years are summarized as follows:

	<u>2018</u>	<u>2017</u>
<b>Capital assets not being depreciated:</b>		
Land and improvements	\$ 407,620	\$ 407,620
<b>Capital assets being depreciated:</b>		
Building and improvements	251,994	230,747
Land improvements	316,800	316,800
Equipment	1,741,170	1,421,919
Less accumulated depreciation	<u>(641,766)</u>	<u>(648,360)</u>
	<u>1,668,198</u>	<u>1,321,106</u>
<b>Capital assets, net of accumulated depreciation</b>	<u>\$ 2,075,818</u>	<u>\$ 1,728,726</u>

Additional information on the District's capital assets can be found in Note 4 on page 24 of this report.

**Debt**

At September 30, 2018, the District did not have long-term debt outstanding.

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

**Property Taxes**

The District's property tax base increased approximately \$170 million for the 2017 tax year from \$1,486,620,466 to \$1,656,473,293. This increase was primarily due to increasing property values. For the 2017 tax year, the District levied a maintenance tax rate of \$0.0564 per \$100 of assessed value. Tax rates for the 2016 tax year were \$0.0630 per \$100 for maintenance and operations.

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

**Budget**

A comparison of next year's budget to current year actual amounts for the General and Special Revenue Funds is as follows:

	<u>2018 Actual</u>	<u>2019 Budget</u>
Total revenues	\$ 1,827,603	\$ 891,283
Total expenditures	<u>1,469,986</u>	<u>2,291,283</u>
Revenues over (under) expenditures	357,617	(1,400,000)
Other financing sources (uses)	<u>69,338</u>	<u>-</u>
Net change	426,955	(1,400,000)
<b>Beginning fund balance</b>	<u>1,094,007</u>	<u>1,520,962</u>
<b>Ending fund balance</b>	<u>\$ 1,520,962</u>	<u>\$ 120,962</u>

The District is not anticipating the collection of impact fees. Next year's budgeted expenditures are higher for all expenditure line items. The District anticipates the use of its unassigned fund balance to cover the budget deficit.

**Request for Information**

This financial report is designed to provide general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Bookkeeper, P.O. Box 624, La Marque, Texas 77568-0624.

## **BASIC FINANCIAL STATEMENTS**

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**GALVESTON COUNTY DRAINAGE DISTRICT #2**  
**STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET**  
September 30, 2018

	<u>Governmental Fund Financial Statements</u>				<u>Government-wide</u>
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>Assets</b>					
Cash	\$ 664,651	\$ 883,931	\$ 1,548,582	\$ -	\$ 1,548,582
Taxes receivable, net	186,202	-	186,202	-	186,202
Due from other funds	19,406	-	19,406	(19,406)	-
Prepays	14,670	-	14,670	-	14,670
Other receivables	1,012	-	1,012	-	1,012
<b>Capital assets:</b>					
Land	-	-	-	407,620	407,620
Other capital assets, net of accumulated depreciation	-	-	-	1,668,198	1,668,198
<b>Total Assets</b>	<u>\$ 885,941</u>	<u>\$ 883,931</u>	<u>\$ 1,769,872</u>	<u>2,056,412</u>	<u>3,826,284</u>
<b>Deferred Outflows of Resources</b>					
Deferred outflows - pension	-	-	-	80,695	80,695
<b>Total Deferred Outflows of Resources</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>80,695</u>	<u>80,695</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 12,381	\$ -	\$ 12,381	-	12,381
Accrued wages payable	30,921	-	30,921	-	30,921
Due to other funds	-	19,406	19,406	(19,406)	-
Net pension liability	-	-	-	88,721	88,721
<b>Total Liabilities</b>	<u>43,302</u>	<u>19,406</u>	<u>62,708</u>	<u>69,315</u>	<u>132,023</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - property taxes	186,202	-	186,202	(186,202)	-
Deferred inflows - pension	-	-	-	32,532	32,532
<b>Total Deferred Inflows of Resources</b>	<u>186,202</u>	<u>-</u>	<u>186,202</u>	<u>(153,670)</u>	<u>32,532</u>
<b>Fund balances:</b>					
Restricted	-	864,525	864,525	(864,525)	-
Unassigned	656,437	-	656,437	(656,437)	-
<b>Total Fund Balance</b>	<u>656,437</u>	<u>864,525</u>	<u>1,520,962</u>	<u>(1,520,962)</u>	<u>-</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 885,941</u>	<u>\$ 883,931</u>	<u>\$ 1,769,872</u>		
<b>Net position</b>					
Investment in capital assets				2,075,818	2,075,818
Restricted - drainage improvements				864,525	864,525
Unrestricted				802,081	802,081
<b>Total Net Position</b>				<u>\$ 3,742,424</u>	<u>\$ 3,742,424</u>

See notes to financial statements.

**GALVESTON COUNTY DRAINAGE DISTRICT #2**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Year Ended September 30, 2018**

	<b>Governmental Fund Financial</b>				<b>Government-wide</b>
	<b>Statements</b>				<b>Statement of</b>
	<b>General</b>	<b>Special</b>			<b>Activities</b>
	<b>Fund</b>	<b>Revenue</b>	<b>Total</b>	<b>Adjustments</b>	
<b>Revenues:</b>					
Property taxes	\$ 935,511	\$ -	\$ 935,511	\$ (6,480)	\$ 929,031
Impact fees	-	60,383	60,383	-	60,383
Penalties and interest on taxes	16,709	-	16,709	-	16,709
Lago Mar connection fee	815,000	-	815,000	-	815,000
<b>Total Revenues</b>	<b>1,767,220</b>	<b>60,383</b>	<b>1,827,603</b>	<b>(6,480)</b>	<b>1,821,123</b>
<b>Expenditures/Expenses</b>					
<b>Service operations:</b>					
Payroll expenses	757,192	-	757,192	(65,748)	691,444
Professional fees	58,193	-	58,193	-	58,193
Purchased and contracted services	30,118	-	30,118	-	30,118
Consumable supplies	55,237	-	55,237	-	55,237
Recurring operating expenses	42,559	-	42,559	-	42,559
Capital outlay	526,687	-	526,687	(526,687)	-
Depreciation	-	-	-	120,735	120,735
Pension expense	-	-	-	122,818	122,818
<b>Total Expenditures/Expenses</b>	<b>1,469,986</b>	<b>-</b>	<b>1,469,986</b>	<b>(348,882)</b>	<b>1,121,104</b>
Excess of revenues over expenditures	297,234	60,383	357,617	342,402	700,019
<b>Other financing sources (uses)</b>					
Proceeds - Sale of capital assets	69,338	-	69,338	-	69,338
Loss on sale of capital assets	-	-	-	(58,860)	(58,860)
<b>Total other financing sources (uses)</b>	<b>69,338</b>	<b>-</b>	<b>69,338</b>	<b>(58,860)</b>	<b>10,478</b>
Net change in fund balance	366,572	60,383	426,955	(426,955)	-
Change in net position	-	-	-	710,497	710,497
<b>Fund Balance/Net Position:</b>					
<b>Beginning of the year</b>	<b>289,865</b>	<b>804,142</b>	<b>1,094,007</b>	<b>1,937,920</b>	<b>3,031,927</b>
<b>End of the year</b>	<b>\$ 656,437</b>	<b>\$ 864,525</b>	<b>\$1,520,962</b>	<b>\$ 2,221,462</b>	<b>\$ 3,742,424</b>

See notes to financial statements.

## **GALVESTON COUNTY DRAINAGE DISTRICT #2**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

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

The accounting policies of the Galveston County Drainage District #2 (the “District”) conform to accounting principles generally accepted in the United States of America. The following is a summary of the most significant policies:

##### **Creation**

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

##### **Reporting Entity**

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

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

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

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

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

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

**Government-Wide and Fund Financial Statements (continued)**

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

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. The District uses a General Fund to account for its operations and Special Revenue Funds to account for the proceeds of specific revenue sources, expenditures of which are designated for special purposes by the District, State of Texas or United States Government. The principal source of revenue is property taxes. Expenditures include costs associated with the daily operations of the District.

**Measurement Focus and Basis of Accounting**

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

Governmental fund financial statements are organized on the basis of funds, each of which is considered to be a separate accounting entity. They use the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Property tax revenues are generally recognized in the period in which they were collected. Property taxes receivable at the end of the fiscal year are treated as unavailable revenues because they are not considered available to pay liabilities of the current period. The District levies taxes for operating purposes only. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

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

**Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, cash deposits, and short term investments with original maturities of three months or less from the date of acquisition.

**Capital Assets**

Capital assets, which include land, buildings and improvements, tools and heavy equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair market value at the date of donation.

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

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

**Capital Assets (continued)**

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Capital assets are depreciated over their remaining useful lives using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Building and improvements	50 years
Land improvements	50 years
Tools and equipment	10 years
Heavy equipment	20 years

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 34 - *Basic Financial Statements Management's Discussion and Analysis - for State and Local Governments*, the District has elected not to report major general infrastructure assets retroactively.

**Short-Term Interfund Receivables/Payables**

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are classified as "due from other fund" or "due to other funds" on the combined fund balance sheets.

**Prepays**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**Fund Equity**

The District classifies all or portions of governmental fund balances which are legally segregated for specific future use or which do not represent available spendable resources and therefore not available for appropriation. Unassigned fund balance indicates the portion of fund balance which is available for appropriation in future periods. The restricted fund balances for governmental funds represent the amount that has been identified for specific purposes.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

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

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

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

**Fund Equity (continued)**

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

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

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

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds. The District has restricted and unassigned fund balances as of September 30, 2018.

**Compensated Absences**

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

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

Unless approved by the Board, the eligibility for such benefits lapses at year end, and pay in lieu of vacation is not given except in the case of termination. Accordingly, accumulated unpaid vacation pay is expensed in governmental funds when paid. At September 30, 2018, there were no material accumulated unpaid vacation benefits.

**Sick Leave**

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

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

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

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

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At September 30, 2018, an allowance for uncollectible accounts totaled \$5,758. This allowance amount was for property taxes.

**Use of Estimates**

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

**Restricted Assets**

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

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

For the year ended, September 30, 2018, no costs were incurred as a direct result of development in the area.

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, are recorded as liabilities and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The District did not have any debt outstanding as of September 30, 2018.

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

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

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

**Long-Term Obligations (continued)**

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

*A deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has one item that qualifies for reporting in this category:

- Deferred outflows of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumption; 3) differences between expected and actual actuarial experiences; and 4) changes in the District's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

*A deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has two items that qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues – Reported only in the governmental funds balance sheet, the unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for pension – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions; 2) difference between expected and actual actuarial experiences; and 3) changes in the district's proportional share of pension liabilities. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefits payments are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

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

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

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

Total fund balance, governmental funds	\$ 1,520,962
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	2,075,818
Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	186,202
Net pension liability	(88,721)
Deferred outflow related to pension	80,695
Deferred inflow for pension	<u>(32,532)</u>
<b>Total net position - governmental activities</b>	<b><u><u>\$ 3,742,424</u></u></b>

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

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

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

Net change in fund balances - total governmental funds		\$ 426,955
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. The difference is for property taxes and related penalties.		(6,480)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of the assets are allocated over their estimated lives as depreciation expense.		
Capital outlay expenditures	\$ 526,687	
Depreciation expense	<u>(120,735)</u>	
		405,952
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		65,748
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.		
Pension expense		<u>(122,818)</u>
Governmental funds report proceeds from the sale of capital assets. However, in the Statement of Activities, the gain/loss on sale or disposition of capital assets is recorded.		
Gain/Loss on disposition of capital assets	<u>(58,860)</u>	<u>(58,860)</u>
<b>Change in net position of governmental activities</b>		<u><u>\$ 710,497</u></u>

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

**Note 3 - Cash and Investments**

At September 30, 2018, cash and temporary investments consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Totals</u>
<b>Cash</b>			
Petty cash	\$ 100	\$ -	\$ 100
Checking accounts	22,557	883,931	906,488
Money market account	<u>641,994</u>	<u>-</u>	<u>641,994</u>
<b>Total Cash</b>	<u>664,651</u>	<u>883,931</u>	<u>1,548,582</u>
<b>Total Cash and Investments</b>	<u>\$ 664,651</u>	<u>\$ 883,931</u>	<u>\$ 1,548,582</u>

**Deposit Custodial Credit Risk**

Custodial credit risk as it applies to deposits is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. State statutes require that all amounts deposited in financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third party custodian. The types of collateral to be pledged to secure District funds are specified in the District's investment policy and state statutes.

At September 30, 2018, the reported amount of the District's bank balance was \$1,556,495. The District's deposits at September 30, 2018, were secured by depository insurance or by collateral held by a third-party custodian in the District's name, and thus were not exposed to custodial credit risk.

**Investments**

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

The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. The District further limits its investments to obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, collateralized mortgage obligations, no-load money market mutual funds, certain municipal securities, commercial paper, repurchase agreements, or investment pools.

For fiscal year 2018, the District did not own any investments.

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

**Note 4 - Capital Assets**

Capital assets, which include land, buildings and equipment, are reported in the government-wide financial statements. Assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair market value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives.

A summary of changes in capital assets, for the year ended September 30, 2018, follows:

	<b>Balance September 30, 2017</b>	<b>Additions</b>	<b>Deletions / Adjustments</b>	<b>Balance September 30, 2018</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 407,620	\$ -	\$ -	\$ 407,620
<b>Total capital assets, not being depreciated</b>	<u>407,620</u>	<u>-</u>	<u>-</u>	<u>407,620</u>
Capital assets, being depreciated:				
Building and improvements	230,747	21,247	-	251,994
Land improvements	316,800	-	-	316,800
Furniture and equipment	1,278,508	431,914	(126,716)	1,583,706
Vehicles	143,411	73,526	(59,473)	157,464
<b>Total capital assets, being depreciated</b>	<u>1,969,466</u>	<u>526,687</u>	<u>(186,189)</u>	<u>2,309,964</u>
Less accumulated depreciation for:				
Building and improvements	(83,059)	(4,890)	-	(87,949)
Land improvements	(52)	(6,336)	-	(6,388)
Furniture and equipment	(497,758)	(94,775)	86,585	(505,948)
Vehicles	(67,491)	(14,734)	40,744	(41,481)
<b>Total accumulated depreciation</b>	<u>(648,360)</u>	<u>(120,735)</u>	<u>127,329</u>	<u>(641,766)</u>
<b>Total capital assets being depreciated, net</b>	<u>1,321,106</u>	<u>405,952</u>	<u>(58,860)</u>	<u>1,668,198</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 1,728,726</u>	<u>\$ 405,952</u>	<u>\$ (58,860)</u>	<u>\$ 2,075,818</u>

Depreciation expense amounted to \$120,735 in the current fiscal year.

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

**Note 5 - Property Taxes**

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

**Property Tax Calendar**

October	Taxes are levied and are due upon receipt of the tax bill.
January 1	Tax lien attaches to properties within District.
February 1	Penalty and interest charged if taxes are not paid.

Property taxes are collected based on rates adopted in the year of the levy. For the current year, the District levied property taxes of \$0.05640 per \$100 of assessed value, which was allocated to maintenance and operations. The resulting tax levy was \$934,251 on the adjusted taxable value of \$1,656,473,293 for the 2017 tax year.

Net property taxes receivable, at September 30, 2018, includes penalty and interest receivable on delinquent accounts and an estimated allowance for uncollectible accounts as follows:

Current year taxes receivable	\$ 24,138
Prior years taxes receivable	82,011
Penalty and interest receivable	<u>85,811</u>
	191,960
Less allowance for uncollectibles	<u>(5,758)</u>
Net property taxes receivable	<u>\$ 186,202</u>

**Note 6 - Defined Benefit Pension Plan**

The District provides retirement, disability and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (“TCDRS”). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 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.

The plan provisions are adopted by the District’s Board of Commissioners (the “Board”), 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 of service but must leave their accumulated contributions in the plan to receive any District financed benefit. Vested members are eligible for a partial lump-sum payment option.

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

**Note 6 - Defined Benefit Pension Plan (continued)**

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest earned thereon, and District financed monetary credits. The level of these monetary credits is adopted by the District's Board within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the District'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 District financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

**Funding Policy**

The District has elected the annually determined contribution rate (variable-rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the District based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the District is actuarially determined annually as a percentage of employee earnings subject to plan changes (e.g. for cost -of-living benefit increases) adopted by the District's governing body within the constraints of the TCDRS Act. The District contributed using the actuarially determined rate of 9.29% for October 2017 through September 2018.

The employee contribution rate is also a percentage of employee earnings subject to adjustment by the District's Board within the constraints of the TCDRS Act. The employee contribution rate was 7% during the current fiscal year.

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

**Actuarial Assumptions**

The actuarial assumptions that determined the total pension liability as of December 31, 2017 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 68.

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

**Note 6 - Retirement Plan (continued)**

**Actuarial Assumptions (continued)**

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

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	
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
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	3.25%
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Galveston County Drainage District #2 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. No assumption for future cost-of-living adjustments is included in the funding valuation.
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.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	The RP-2000 Active Employee Mortality Table for males with a two-year setback and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.

**Discount Rate**

The discount rate used to measure the total pension liability was 8.10%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. 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.

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

**Note 6 - Retirement Plan (continued)**

**Long-Term Expected Rate of Return**

The long-term expected rate of return on pension plan investments is 8.10%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the systems target asset allocation as of December 31, 2017 are summarized below:

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities - Developed Markets	MSCI World Ex USA (net)	11.00%	4.55%
International Equities - Emerging Markets	MSCI Emerging Markets (net) Index	8.00%	5.55%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leverage Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associate Distressed Securities Index	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%

**Changes in Net Pension Liability**

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2016	\$ 4,433,551	\$ 4,111,564	\$ 321,987
Changes for the year:			
Service cost	76,673	-	76,673
Interest on total pension liability	363,518	-	363,518
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	3,532	-	3,532
Effect of assumptions changes	11,560	-	11,560
Refund of contributions	-	-	-
Benefits payments	(45,575)	(45,575)	-
Administrative expenses	-	(3,162)	3,162
Member contributions	-	35,343	(35,343)
Net investment income	-	600,864	(600,864)
Employer contributions	-	54,934	(54,934)
Other	-	570	(570)
Balance at December 31, 2017	\$ 4,843,259	\$ 4,754,538	\$ 88,721

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

**Note 6 - Retirement Plan (continued)**

**Sensitivity of the District's Share of the Net Pension Liability**

The following presents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what the Galveston County Drainage District #2 net pension liability would be if it were calculated using the a discount rate that is 1% percentage point lower (7.10%) or 1% point higher (9.10%) than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 5,473,913	\$ 4,843,259	\$ 4,303,126
Fiduciary net position	4,754,538	4,754,538	4,754,538
Net pension liability/(asset)	<u>\$ 719,375</u>	<u>\$ 88,721</u>	<u>\$ (451,412)</u>

**Deferred Inflows/Outflows of Resources**

For the year ended September 30, 2018, the District recognized pension expense of \$123,079.

As of September 30, 2018, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 15,989	\$ 7,925
Changes of Assumptions	-	22,179
Net difference between projected and actual earnings	16,543	-
Contributions made subsequent to measurement date	-	50,591
	<u>\$ 32,532</u>	<u>\$ 80,695</u>

The \$50,591 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019.

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:

<u>Year ended December 31:</u>	
2018	\$ 50,347
2019	38,912
2020	(45,169)
2021	(51,418)
2022	2,743
Thereafter	2,157
<b>Total</b>	<u>\$ (2,428)</u>

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

**Note 7 - Risk Management**

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; personal injuries; and natural disasters. The risk of loss is covered by participation in Texas Municipal League (TML), an intergovernmental risk pool. This pool is a risk-sharing pool providing insurance coverage to more than 2,600 Texas municipalities and other governmental units. The risk pool is governed by a board of trustees that consists of 15 members, plus 3 ex-officio non-voting members, either elected or appointed in the manner specified by the TML bylaws. Each member of the board must be either an employee or official of the governing body of an employee member of the pool. The board controls the operations of the risk pool and has various powers and duties as specified in the bylaws. Audited financial information for each risk pool may be obtained from the Chief Financial Officer, Texas Municipal League Intergovernmental Risk Pool, PO Box 149194, Austin, TX 78714. The District has not had any significant reductions in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years.

During the current fiscal year, the District paid out of its general fund net premiums of approximately \$15,315 for provisions of various liability, property, and casualty insurance. The District has deductibles ranging from \$500 to \$10,000 on various policies. TML will pay damages and claims subject to the limits of liability and stated deductibles in accordance with approved declarations of coverage. Amounts over the stated limits of liability become the responsibility and risk of the District. Claim liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. At year-end, the District did not have any significant probable claims.

The District also provides workers compensation insurance on its employees through TML. This policy covers claims up to the statutory limit. The District has no deductible for these claims. During the current fiscal year, the District contributed out of its general fund premiums of approximately \$13,705 for this coverage. The contributed amount is based on the District's estimated payroll applied to a classification rate (determined by TML), multiplied by the District's experience modifier and fund discount. These premiums are subject to change upon audit by TML. As of the current year-end, the District believed the amounts paid would not change significantly from the amounts recorded.

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

**Note 8 - Commitments and Contingencies**

In the opinion of management and legal counsel, there is no known litigation pending against the District as of September 30, 2018.

**Note 9 - Interfund Receivables, Payables and Transfers**

Interfund balances consist of short term lending/borrowing arrangements that result primarily from payroll and fuel charges that are paid by general fund related to ditch improvement and are charged back to appropriate other fund. The due to due from amount below is related to Ditch 6 charges paid by general in fiscal year 2014.

	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
General Fund	\$ 19,406	\$ -
Special Revenue Fund	-	19,406
Total - All Funds	<u>\$ 19,406</u>	<u>\$ 19,406</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**GALVESTON COUNTY DRAINAGE DISTRICT NO. 2**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
*For the Year Ended September 30, 2018*

	<b>Budget</b>		<b>Actual</b>	<b>Positive (Negative)</b>
	<b>Original</b>	<b>Final Amended</b>		
<b>Revenues</b>				
Property taxes	\$ 909,420	\$ 909,420	\$ 935,511	\$ 26,091
Penalties and interest	-	-	16,709	16,709
Lago Mar connection fee	-	-	815,000	815,000
<b>Total Revenues</b>	<u>909,420</u>	<u>909,420</u>	<u>1,767,220</u>	<u>857,800</u>
<b>Expenditures</b>				
<b>Service operations:</b>				
Ditch improvements	14,718	14,718	-	14,718
Payroll expenses	764,182	769,182	757,192	11,990
Professional fees	134,400	134,400	58,193	76,207
Purchased and contracted services	54,000	54,000	30,118	23,882
Consumable supplies	102,500	103,000	55,237	47,763
Recurring operating expense	51,000	51,000	42,559	8,441
Capital outlay	988,620	988,620	526,687	461,933
<b>Total expenditures/expenses</b>	<u>2,109,420</u>	<u>2,114,920</u>	<u>1,469,986</u>	<u>644,934</u>
Excess (deficiency) of revenues over expenditures	<u>(1,200,000)</u>	<u>(1,205,500)</u>	<u>297,234</u>	<u>1,502,734</u>
<b>Other financing sources:</b>				
Proceeds - sale of capital assets	-	-	69,338	69,338
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>69,338</u>	<u>69,338</u>
Net change in fund balance	(1,200,000)	(1,205,500)	366,572	1,572,072
<b>Fund balance:</b>				
<b>Beginning of the year</b>	<u>289,865</u>	<u>289,865</u>	<u>289,865</u>	<u>-</u>
<b>End of the year</b>	<u>\$ (910,135)</u>	<u>\$ (915,635)</u>	<u>\$ 656,437</u>	<u>\$ 1,572,072</u>

**GALVESTON COUNTY DRAINAGE DISTRICT #2**

***NOTES TO REQUIRED SUPPLEMENTARY INFORMATION***

*September 30, 2018*

**A. Legal Compliance - Budgets**

The Board of Commissioners annually adopts a budget for the general fund. At least ten days before the beginning of the fiscal year, the Board of Commissioners shall approve the budget plan. One or more public hearings are conducted to obtain taxpayer comments. The budget is legally enacted prior to October 1. All annual appropriations lapse at fiscal year-end.

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

**GALVESTON COUNTY DRAINAGE DISTRICT #2**  
**TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM**  
**SCHEDULE OF CHANGES IN NET PENSIONS LIABILITY AND RELATED RATIOS**  
**LAST FOUR MEASUREMENT YEARS**

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
<b>Total Pension Liability</b>				
Service cost	\$ 76,673	\$ 76,113	\$ 72,395	\$ 69,109
Interest on total pension liability	363,518	330,735	305,317	279,770
Effect of plan changes	-	-	(4,005)	-
Effect of assumption changes or inputs	3,532	-	21,473	-
Effect of economic/demographic (gains) or losses	11,560	4,108	(27,980)	4,582
Benefit payments/refunds of contributions	(45,575)	(45,575)	(47,705)	(48,769)
Net change in total pension liability	409,708	365,381	319,495	304,692
Total pension liability, beginning	4,433,551	4,068,170	3,748,675	3,443,983
Total pension liability, ending (a)	<u>\$ 4,843,259</u>	<u>\$ 4,433,551</u>	<u>\$ 4,068,170</u>	<u>\$ 3,748,675</u>
<b>Fiduciary Net Position</b>				
Employer contributions	\$ 54,934	\$ 44,452	\$ 44,976	\$ 45,063
Member contributions	35,343	33,487	31,963	30,566
Investment income net of investment expenses	600,864	281,084	(102,224)	239,879
Benefit payments/refunds of contributions	(45,575)	(45,575)	(47,705)	(48,769)
Administrative expenses	(3,162)	(3,055)	(2,765)	(2,892)
Other	570	34	(8,121)	2,464
Net change in fiduciary net position	642,974	310,427	(83,876)	266,311
Fiduciary net position, beginning	4,111,564	3,801,137	3,885,012	3,618,701
Fiduciary net position, ending (b)	<u>\$ 4,754,538</u>	<u>\$ 4,111,564</u>	<u>\$ 3,801,136</u>	<u>\$ 3,885,012</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 88,721</u>	<u>\$ 321,987</u>	<u>\$ 267,034</u>	<u>\$ (136,337)</u>
Fiduciary net position as a % of total pension liability	98.17%	92.74%	93.44%	103.64%
Pensionable covered payroll	\$ 504,905	\$ 478,386	\$ 456,612	\$ 436,656
Net pension liability as a % of covered payroll	17.57%	67.31%	58.48%	-31.22%

*GASB 68 and 71 were implemented during the fiscal year ended September 30, 2015*

**GALVESTON COUNTY DRAINAGE DISTRICT #2**  
**TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**LAST FIVE FISCAL YEARS**

<b>Year Ending September 30,</b>	<b>Actuarially Determined Contribution <sup>(1)</sup></b>	<b>Actual Employer Contribution <sup>(1)</sup></b>	<b>Contribution Deficiency (Excess)</b>	<b>Pensionable Covered Payroll <sup>(2)</sup></b>	<b>Actual Contribution as a % of Covered Payroll</b>
2014	\$ 50,852	\$ 50,852	\$ -	\$ 419,759	12.1%
2015	44,975	44,975	-	453,403	9.9%
2016	47,368	47,368	-	483,505	9.8%
2017	51,855	51,855	-	507,856	10.2%
2018	54,934	54,934	-	504,905	10.9%

<sup>(1)</sup> TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

<sup>(2)</sup> Payroll is calculated based on contributions as reported to TCDRS.

**GALVESTON COUNTY DRAINAGE DISTRICT NO. 2**  
**TEXAS SUPPLEMENTARY INFORMATION INCLUDED WITHIN THIS REPORT**  
**For the Year Ended September 30, 2018**

<u>  √  </u>	TSI-1	Services and Rates
<u>  √  </u>	TSI-2	General Fund Expenditures
<u>  √  </u>	TSI-3	Taxes Levied and Receivable
<u>  √  </u>	TSI-4	Comparative Schedule of Revenues and Expenditures - General Fund and Special Revenue Funds - Five Years
<u>  √  </u>	TSI-5	Board Members, Key Personnel, and Consultants

**TEXAS SUPPLEMENTARY INFORMATION**

**TSI-1. SERVICES AND RATES**

September 30, 2018

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

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

**2. Retail Service Providers**

**A. Retail Rates for a 5/8" meter (or equivalent): \***

N/A

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Minimum	Rate Per 1,000 Gals. Over Usage Levels
Water:	\$ _____	0	_____	\$ _____	0 to 0
				\$ _____	0 to 0
				\$ _____	0 to 0
Wastewater:	\$ _____	_____	_____	\$ _____	0 to 0
				\$ _____	to _____
Surcharge:	\$ _____	_____	_____	\$ _____	to _____
District employs winter averaging for wastewater usage?				<input type="checkbox"/> Yes	<input type="checkbox"/> No
Total water and wastewater charges per 10,000 gallons usage including surcharges):					\$ _____

**B. Water and Wastewater Retail Connections:**

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	_____	_____	x 1.0	_____
less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____		_____
Total Wastewater	_____	_____	x 1.0	_____

\* The section below is not applicable as the District does not provide water or wastewater services.



**GALVESTON COUNTY DRAINAGE DISTRICT #2**  
**TSI-2 GENERAL FUND EXPENDITURES**  
*September 30, 2018*

**Personnel Expenditures** (including benefits)\* \$ 757,192

**Professional Fees**

Auditing	11,750
Legal	6,000
Engineering	27,928
Appraisal District	8,218
Tax Collector	4,297
	58,193

**Purchased and Contracted Services**

Equipment Rental	23,561
Outside Equipment Repair	6,557
	30,118

**Consumable Supplies:**

Office Supplies	2,551
Operating Supplies	9,168
Chemicals	4,245
Fuel and Lube	23,068
Repair and Maintenance Materials	16,205
	55,237

**Recurring Operating Expenditures:**

Utilities	6,558
Legal Notices and Publications	1,518
Telephone	7,263
Postage	94
Travel	1,138
Insurance	15,315
Election expense	9,341
Miscellaneous operating expense	1,332
	42,559

**Ditch Improvements**

-

**Capital Outlay**

Acquisition of Capital Assets	474,686
	474,686

**Total Expenditures**

\$ 1,417,985

\* Number of persons employed by the District:

Full-Time	7
Part-Time	0

**GALVESTON COUNTY DRAINAGE DISTRICT #2**

**TSI-3. TAXES LEVIED AND RECEIVABLE**

September 30, 2018

	<u>General Fund</u>
Taxes Receivable, Beginning of Year	\$ 109,111
Adjustments	(1,702)
Adjusted Taxes Receivable, Beginning of Year	<u>107,409</u>
2017 Original Tax Levy	884,898
Additions and corrections	49,353
Adjusted 2017 Tax Levy	<u>934,251</u>
Total to be Accounted for	<u>1,041,660</u>
<b>Tax collections:</b>	
Current year	910,113
Prior years	25,398
<b>Total Collections</b>	<u>935,511</u>
<b>Taxes Receivable, End of Year</b>	<u>\$ 106,149</u>
<b>Taxes Receivable, By Years</b>	
2017	\$ 24,138
Prior years	82,011
<b>Taxes Receivable, End of Year</b>	<u>\$ 106,149</u>

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Property Valuations:</b>				
Land	\$ 370,579,510	\$ 324,138,458	\$ 318,263,498	\$ 315,247,637
Improvements	1,085,170,198	963,252,836	896,793,637	915,818,692
Personal Property	200,723,585	199,229,172	206,527,166	190,240,872
<b>Total Property Valuations</b>	<u>\$ 1,656,473,293</u>	<u>\$ 1,486,620,466</u>	<u>\$ 1,421,584,301</u>	<u>\$ 1,421,307,201</u>

Tax Rates per \$100 Valuation:

Maintenance tax rates	\$ 0.0564	\$ 0.0630	\$ 0.0630	\$ 0.0630
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Tax Levy:	<u>\$ 884,898</u>	<u>\$ 916,815</u>	<u>\$ 896,591</u>	<u>\$ 895,822</u>
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Percentage of Taxes Collected to Taxes Levied	<u>97%</u>	<u>97%</u>	<u>98%</u>	<u>96%</u>
-----------------------------------------------	------------	------------	------------	------------

**GALVESTON COUNTY DRAINAGE DISTRICT #2****TSI-4a. COMPARATIVE SCHEDULE OF REVENUES AND****EXPENDITURES - GENERAL FUND****Five Years Ended September 30, 2018**

	<b>Amounts</b>				
<b>General Fund</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Revenues</b>					
Property taxes	\$ 935,511	\$ 950,516	\$ 929,799	\$ 893,704	\$ 883,169
Penalties and interest on taxes	16,709	14,562	13,058	14,615	14,891
Interest income	-	-	-	-	-
Miscellaneous	815,000	2,131	-	376,000	-
<b>Total Revenues</b>	<b>1,767,220</b>	<b>967,209</b>	<b>942,857</b>	<b>1,284,319</b>	<b>898,060</b>
<b>Expenditures</b>					
Ditch improvements	-	316,800	-	-	-
Payroll expenses	757,192	682,093	646,586	613,016	581,818
Professional fees	58,193	99,155	50,054	47,854	42,991
Purchased and contracted services	30,118	22,666	23,205	13,596	7,524
Consumable supplies	55,237	43,430	44,616	45,880	82,074
Recurring operating expenditures	42,559	29,595	34,068	33,382	33,972
Capital Outlay	526,687	227,803	25,796	6,954	517,354
<b>Total Expenditures</b>	<b>1,469,986</b>	<b>1,421,542</b>	<b>824,325</b>	<b>760,682</b>	<b>1,265,733</b>
<b>Other Financing Sources</b>					
Proceeds - sale of capital assets	69,338	34,987	-	20,600	31,452
<b>Total Other Financing Sources</b>	<b>69,338</b>	<b>34,987</b>	<b>-</b>	<b>20,600</b>	<b>31,452</b>
Excess Revenues Over (Under) Expenditures	<u>\$ 366,572</u>	<u>\$ (419,346)</u>	<u>\$ 118,532</u>	<u>\$ 544,237</u>	<u>\$ (336,221)</u>

**Percent of Total Fund Revenues**

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
52.94%	98.27%	98.62%	69.59%	98.34%
0.95%	1.51%	1.38%	1.14%	1.66%
0.00%	0.00%	0.00%	0.00%	0.00%
46.12%	0.22%	0.00%	29.29%	0.00%
<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
0.00%	32.75%	0.00%	0.00%	0.00%
42.85%	70.52%	68.58%	47.73%	64.79%
3.29%	10.25%	5.31%	3.73%	4.79%
1.70%	2.34%	2.46%	1.06%	0.84%
3.13%	4.49%	4.73%	3.57%	9.14%
2.41%	3.06%	3.61%	2.60%	3.78%
<u>29.80%</u>	<u>23.55%</u>	<u>2.74%</u>	<u>0.54%</u>	<u>57.61%</u>
<u>83.18%</u>	<u>146.97%</u>	<u>87.43%</u>	<u>59.23%</u>	<u>140.94%</u>
3.92%	3.62%	0.00%	1.60%	3.50%
<u>3.92%</u>	<u>3.62%</u>	<u>0.00%</u>	<u>1.60%</u>	<u>3.50%</u>
<u><u>20.74%</u></u>	<u><u>-43.36%</u></u>	<u><u>12.57%</u></u>	<u><u>42.38%</u></u>	<u><u>-37.44%</u></u>

**GALVESTON COUNTY DRAINAGE DISTRICT #2**

***TSI-4b. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES***

***SPECIAL REVENUE FUNDS***

*Five Years Ended September 30, 2018*

<b>Special Revenue Funds</b>	<b>Amount</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Revenues</b>					
Impact fees	\$ 60,383	\$ 308,474	\$ 113,696	\$ 59,891	\$ 158,447
Interest Income	-	-	-	-	-
<b>Total Revenues</b>	<u>60,383</u>	<u>308,474</u>	<u>113,696</u>	<u>59,891</u>	<u>158,447</u>
<b>Expenditures</b>					
Recurring operating expenditures	-	-	-	-	19,512
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,512</u>
Excess Revenues Over (under) Expenditures	<u>\$ 60,383</u>	<u>\$ 308,474</u>	<u>\$ 113,696</u>	<u>\$ 59,891</u>	<u>\$ 138,935</u>

**Percent of Fund Total Revenue**

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
100.00%	100.00%	100.00%	100.00%	100.00%
0.00%	0.00%	0.00%	0.00%	0.00%
100.00%	100.00%	100.00%	100.00%	100.00%
0.00%	0.00%	0.00%	0.00%	12.31%
0.00%	0.00%	0.00%	0.00%	12.31%
<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>87.69%</u>

**GALVESTON COUNTY DRAINAGE DISTRICT #2**  
**TSI-5. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**September 30, 2018**

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

District Business Telephone Number: 409-935-2041

Submission Date of the most recent District Registration Form

(TWC Sections 36.054 and 49.054):

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

(Set by Board Resolution - TWC Section 49.0600)

<u>Names:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid *</u>	<u>Expense Reimburse-ments</u>	<u>Title at Year End</u>
<b>Board Members:</b>				
Michael Macik	(Elected) 05/18 - 05/22	\$ 7,200	\$ 884	Chairman
Jack Ellison, Jr.	(Elected) 05/18 - 05/22	-	-	Vice Chariman
Bobby Harper	(Elected) 05/18 - 05/22	3,450	170	Secretary
Robert Silvertooth		9,000	-	Former Director
Jose Reyes		4,800	-	Former Director
<b>Key Administrative Personnel:</b>				
Andy Kuehl 6403 Avenue R Santa Fe, TX 77510	2018	62,819	-	Manager
Teresa Moore 2428 2nd Avenue South Texas City, TX 77590	1995	65,157	84	Bookkeeper
<b>Consultants:</b>				
Galveston Central Appriaisal District	Legislative Action	8,218	-	Property Value Appraisal
Cheryl E. Johnson County Tax Assessor and Collector	N/A	4,297	-	Tax Assessor/ Collector
Carlton A. Getty P.O. Box 458 La Marque, TX 77568	N/A	6,000	-	Attorney
Whitley Penn, LLP 600 Gulf Freeway, Ste. 226 Texas City, TX 77591	Annual	11,750	-	Auditor
Costello, Inc. 9990 Richmond Avenue Suite 450, North Building Houston, TX 77042	N/A	37,064	-	Engineer

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