

**Galveston County Emergency Communication District**

**Financial Statements**

**Year Ended December 31, 2015**

# Galveston County Emergency Communication District

## Table of Contents

### Financial Section

Independent Auditor's Report	1-2
Management Discussion and Analysis	3-5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	6
Statement of Activities	7
Fund Financial Statements:	
Balance Sheet-Governmental Funds	8
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	9
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	11
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual-General Fund	12
Notes to Financial Statements	13-28
<b>Required Supplementary Schedules and Other Information</b>	
Schedule of Changes in Net Pension Liability and Related Ratios	29
Schedule of Employer Contributions	30
Schedules of Funding Progress	31
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	32-33

**Financial Section**



Katherine Overbeck Maxwell, PLLC  
Certified Public Accountant

---

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Managers  
Galveston County Emergency Communication District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the governmental fund information of Galveston County Emergency Communication District as of and for the year ended December 31, 2015, and the related notes to the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the 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 opinions.

***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 the governmental fund information of the Galveston County Emergency Communication District, as of December 31, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***


***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-5 and 12 be presented to supplement

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2016, on our consideration of Galveston County Emergency Communication District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Galveston County Emergency Communication District's internal control over financial reporting and compliance.

  
Katherine Overbeck Maxwell, CPA, PLLC  
Galveston, Texas  
November 15, 2016

**Galveston County Emergency Communication District  
Management's Discussion and Analysis  
December 31, 2015**

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, 2015.

**Financial Highlights**

During the fiscal year 2015, the District's operating expenses were \$400,626 less than the operating income in the fund Financial Statements, with a fund balance of \$3,500,408. Approximately 24% of this total amount, \$827,232, 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 \$4,940,274 (*net position*). Of this amount, \$3,007,349 (unrestricted net position) may be used to meet the District's ongoing obligations.

In the fiscal year 2015, the District implemented new accounting pronouncements that recognize the District's Net Pension Asset of \$156,133 related to the defined benefit pension plans provided for all full time employees. See Note K.

**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. 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 - 28 of this report.

### **Comparison in Government-Wide Financial Statements**

The total assets and deferred outflows for the District were \$5,676,655 at Fiscal Year End of 2015, compared to \$5,743,261 at FYE 2014. This includes capital assets net of accumulated depreciation. For FYE 2015, the total liabilities and deferred inflows of resources were \$736,381 making the total net position of \$4,940,274. The total liabilities for FYE 2014 were \$538,268 making the total net position \$5,204,993.

The category of the District's net position with the largest balance totaling \$3,184,210 (64%) is certificates of deposit.

Due to a new reporting requirement imposed by GASB 68 (see Note K), \$86,858 was booked as deferred outflows of resources during the current year. \$34,622 of this amount was due to net differences between projected and actual plan earnings while the other \$52,236 represent contributions made subsequent to measurement date. \$7,876 was booked as inflows of resources for difference between projected and actual plan experience.

### **Capital Assets**

At Fiscal Year End of 2015, the District had \$1,932,925 net of accumulated depreciation invested in capital assets. This includes office equipment, vehicles, E9-1-1 equipment and equipment used on the Regional Trunked Radio System. \$39,375 in new equipment was purchased during the year and depreciation of \$749,925 was recognized.

### **Analysis of Significant Budget Variances**

The actual excess of revenues over expenditures was \$400,626 compared to budget surplus of \$110,782 resulting in a difference of \$289,844 from the budgeted amount. Revenues were over budget by \$27,756. Expenses excluding capital equipment outlays were under budget by \$271,463. Capital outlays for equipment exceeded the budgeted amount by \$9,375.

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

The projected revenue for fiscal year 2016 shows a decrease of 1.76% compared to the budget for fiscal year 2015. The decrease is primarily due to a projected decrease in RTRS subscriber fees.

Projected expenses for fiscal year 2016 show an increase of 1.86% over the budget for fiscal year 2015. The total expenses were increased by \$33,458.

There are no capital expenditures budgeted for 2016. The budgeted net increase to reserves is \$73,046 for 2016.

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, 2015**

<b>Assets</b>	
Cash and Cash Equivalents	\$ 121,822
Certificates of Deposit	3,184,210
Accounts Receivable	81,531
Prepaid Expenses	113,176
Net Pension Asset	156,133
Capital Assets, Net Accumulated Depreciation	<u>1,932,925</u>
<b>Total Assets</b>	<b><u>5,589,797</u></b>
<b>Deferred Outflows of Resources</b>	
Deferred Outflows Relating to Pension Activities	<u>86,858</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>86,858</u></b>
<b>Liabilities</b>	
Accounts Payable	331
Noncurrent Liabilities	
Due in More Than One Year	
Compensated Absences	213,382
Net OPEB Obligation	<u>514,792</u>
<b>Total Liabilities</b>	<b><u>728,505</u></b>
<b>Deferred Inflows of Resources</b>	
Deferred Inflows Relating to Pension Activities	<u>7,876</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>7,876</u></b>
<b>Net Position</b>	
Investments in Capital Assets, Net of Related Debt	1,932,925
Unrestricted	<u>3,007,349</u>
<b>Total Net Position</b>	<b><u>\$ 4,940,274</u></b>

The accompanying notes are an integral part of these financial statements

**Galveston County Emergency Communication District  
Statement of Activities  
Year Ended December 31, 2015**

**Expenses**

System Operating Expenses	\$ 170,415
Wireless and Data Base Management	24,575
PSAP Equipment Maintenance	11,631
CPE Maintenance	115,128
Payroll and Related Expenses	916,563
Office Supplies and Equipment	9,948
Postage	791
Rent	10,000
Utilities, Administrative and RTRS	71,590
Education and Seminars	24,693
Regional and State Meetings	15,984
Insurance	117,794
Professional Memberships and Services	32,249
Promotions and Public Information	13,037
Communications	12,957
Training and Training Library	40
Vehicle Allowance/Mileage Expenses	20,281
RTRS Maintenance Agreement	125,117
Operational and RTRS Contingency	1,959
RTRS Tower Rental	25,620
Depreciation	<u>749,925</u>

**Total Expenses** 2,470,297

**Revenues**

Service Fees	1,521,378
Inter-local Agreements	439,813
Interest Income	8,346
Other Revenue	<u>1,147</u>

**Total Revenues** 1,970,684

**Change in Net Position** (499,613)

**Net Position Beginning of Year** 5,204,993

**Prior Period Adjustment** 234,894

**Net Position End of Year** \$ 4,940,274

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, 2015**

		<u>General Fund</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$	121,822
Certificates of Deposit		3,184,210
Accounts Receivable		81,531
Prepaid Expense		<u>113,176</u>
<b>Total Assets</b>	<b>\$</b>	<b><u><u>3,500,739</u></u></b>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts Payable	\$	<u>331</u>
<b>Total Liabilities</b>		<u><b>331</b></u>
<b>Fund Balance</b>		
Nonspendable		
Prepaid Assets		113,176
Committed		
New Equipment		980,000
RTRS Upgrades		980,000
Catastrophic Events		600,000
Unassigned		<u>827,232</u>
<b>Total Fund Balance</b>		<u><b>3,500,408</b></u>
<b>Total Liabilities and Fund Balance</b>	<b>\$</b>	<b><u><u>3,500,739</u></u></b>

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, 2015**

<b>Total Fund Balance, Governmental Funds</b>	<b>\$</b>	<b>3,500,408</b>
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		1,932,925
Net Pension Assets are not Available to Pay for Current Period Expenditures and therefore, are not Reported in the Governmental Fund		156,133
Noncurrent Liabilities of Governmental Activities are not Financial Resources and, therefore are not Reported in the Funds		
Compensated Absences		(213,382)
Estimated Net OPEB Obligation		(514,792)
Deferred Outflows and Deferred Inflows Relating to Pension Activities		<u>78,982</u>
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u><u>4,940,274</u></u></b>

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  
Year Ended December 31, 2015**

		<u>General Fund</u>
<b>Revenues</b>		
Service Fees	\$	1,521,378
Inter-local Agreements		439,813
Interest Income		8,346
Other Revenue		<u>1,147</u>
<b>Total Revenues</b>		<b><u>1,970,684</u></b>
<b>Expenditures</b>		
Current		
System Operating Expenses		170,415
Wireless and Database Management		24,575
PSAP Equipment Maintenance		11,631
CPA Maintenance		115,128
Payroll and Related Expense		726,874
Office Supplies and Equipment		9,948
Postage		791
Rent		10,000
Utilities, Administrative and RTRS		71,590
Education and Seminars		24,693
Regional and State Meetings		15,984
Insurance		117,794
Professional Memberships and Services		32,249
Promotions and Public Information		13,037
Communications		12,957
Training and Training Library		40
Vehicle Allowance/Mileage Expenses		20,281
RTRS Maintenance Agreement		125,117
Operational and RTRS Contingency		1,959
RTRS Tower Rental		25,620
Capital Outlay		<u>39,375</u>
<b>Total Expenditures</b>		<b><u>1,570,058</u></b>
<b>Net Change in Fund Balance</b>		<b>400,626</b>
<b>Fund Balance, Beginning of Year</b>		<b><u>3,099,782</u></b>
<b>Fund Balance, End of Year</b>	<b>\$</b>	<b><u><u>3,500,408</u></u></b>

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 Fund  
 to the Statement of Activities  
 Year Ended December 31, 2015**

**Net Change in Fund Balance** **\$ 400,626**

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	39,375
Depreciation Expense	(749,925)

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. 52,235

Some Items are 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	(52,015)
Increase in Compensated Absences	(9,266)
Increase in Estimated Net OPEB Obligation	<u>(180,643)</u>

**Change in Net Position of Governmental Activities** **\$ (499,613)**

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**  
**Year Ended December 31, 2015**

	<b>Actual</b>	<b>Budget</b>	<b>(Unfavorable) Favorable Variance</b>
<b>Revenues</b>			
Service Fees	\$ 1,521,378	\$ 1,482,976	\$ 38,402
Inter-local Agreement	439,813	450,000	(10,187)
Interest Income	8,346	9,702	(1,356)
Other Revenue	1,147	250	897
<b>Total Revenues</b>	<b>1,970,684</b>	<b>1,942,928</b>	<b>27,756</b>
<b>Expenditures</b>			
Current			
System Operating Expenses	170,415	178,500	8,085
Wireless and Database Management	24,575	31,920	7,345
PSAP Equipment Maintenance	11,631	47,638	36,007
CPE Maintenance	115,128	170,637	55,509
Payroll and Related Expenses	726,874	776,141	49,267
Office Supplies and Equipment	9,948	18,000	8,052
Postage	791	1,000	209
Rent	10,000	-	(10,000)
Utilities, Administrative and RTRS	71,590	75,398	3,808
Education and Seminars	24,693	49,025	24,332
Regional and State Meetings	15,984	21,500	5,516
Insurance	117,794	128,427	10,633
Professional Memberships and Services	32,249	34,500	2,251
Promotions and Public Information	13,037	15,000	1,963
Communications	12,957	15,000	2,043
Training and Training Library	40	1,000	960
Vehicle Allowance/Mileage Expenses	20,281	27,640	7,359
RTRS Maintenance Agreement	125,117	165,200	40,083
Operational and RTRS Contingency	1,959	20,000	18,041
RTRS Tower Rental	25,620	25,620	-
Capital Outlay	39,375	30,000	(9,375)
<b>Total Expenditures</b>	<b>1,570,058</b>	<b>1,832,146</b>	<b>262,088</b>
<b>Net Change in Fund Balance</b>	<b>\$ 400,626</b>	<b>\$ 110,782</b>	<b>\$ 289,844</b>

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, 2015**

**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

**Galveston County Emergency Communication District**  
**Notes to Financial Statements**  
**December 31, 2015**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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.

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.

**Galveston County Emergency Communication District**  
**Notes to Financial Statements**  
**December 31, 2015**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fund Balances and Net Position (Continued)

- 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.

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, 2015 is \$213,382. 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 \$121,322 and petty cash of \$500.

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.

**Galveston County Emergency Communication District**  
**Notes to Financial Statements**  
**December 31, 2015**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Outflows/Inflows of Resources (Continued)**

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 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, this deferred inflows result primarily from differences between the expected and actual actuarial experience. The amounts are amortized over a five- year period.

**New Accounting Standards**

In the current fiscal year, the District implemented the following new standards:

- GASB Statement 68, Accounting and Financial Reporting for Pensions (“GASB 68”) establishes accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or similar arrangements that meet certain criteria. The 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.
- GASB Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (“GASB 71”) amends the transition provisions of GASB 68. GASB 71 requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Implementation is reflected in the financial statements and the notes to the financial statements.

**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.

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

**Galveston County Emergency Communication District  
Notes to Financial Statements  
December 31, 2015**

**NOTE B – DEPOSITS AND INVESTMENTS (CONTINUED)**

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, 2015, the District's deposits are categorized as follows:

<u>Description</u>	<u>Carrying Amount</u>	<u>Risk Category</u>
Cash in Interest Bearing Accounts	\$ 121,322	1
Certificate of Deposit	\$ 3,184,210	2

Interest rates on certificates of deposit ranged from 0.10 % to 0.40 % during the year. Accrued interest on these deposits at December 31, 2015 was \$0.

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, 2015 is comprised of the following:



**Galveston County Emergency Communication District  
Notes to Financial Statements  
December 31, 2015**

**NOTE C – ACCOUNTS RECEIVABLE (CONTINUED)**

	<b>2015</b>
Service Fees:	
AT&T	\$ 17,326
Verizon	6,800
Cameron Telephone	150
Wireless Fees:	
State of Texas Advisory Commission on State Emergency Communications	57,074
Other	181
Total Accounts Receivable	\$ 81,531

All amounts are considered to be fully collectible.

**NOTE D – PREPAID ASSETS**

Prepaid assets consist of the following:

<b>Prepaid Expense</b>	<b>2015</b>
Maintenance Contracts	\$ <u>113,176</u>

**NOTE E – CAPITAL ASSETS**

Capital assets as of December 31, 2015 are comprised of the following:

	<b>Balance December 31, 2014</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance December 31, 2015</b>
Enhanced 9-1-1 Equipment	\$ 1,122,635	\$ -	\$ -	\$ 1,122,635
Office Equipment	24,884	-	-	24,884
RTRS Equipment	4,011,759	39,375	-	4,051,134
Furniture and Fixtures	47,655	-	-	47,655
Tower Sites	545,178	-	-	545,178
Vehicles	17,849	-	-	17,849
	5,769,959	39,375	-	5,809,334
Less Accumulated Depreciation	(3,126,484)	(749,925)	-	(3,876,409)
Total	\$ 2,643,475	\$ (710,550)	\$ -	\$ 1,932,925

**Galveston County Emergency Communication District**  
**Notes to Financial Statements**  
**December 31, 2015**

**NOTE E – CAPITAL ASSETS (CONTINUED)**

**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 F – 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, 2015 were \$439,813.

**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.

The following is a breakdown of service fee revenues recognized for the year ended December 31, 2015:

**Galveston County Emergency Communication District  
Notes to Financial Statements  
December 31, 2015**

**NOTE G – SERVICE FEES (CONTINUED)**

	<u>Fees Billed</u>	<u>Administrative Fees</u>	<u>Not Collected</u>	<u>Service Fee Adjustments</u>	<u>Total</u>
Service Fees:					
AT&T	\$ 218,908	\$ (2,182)	\$ (745)	\$ (2)	\$ 215,979
Verizon	86,599	(855)		(907)	84,837
Cameron	1,902				1,902
Other	320,156				320,156
Wireless:					
State 9-1-1 Commission	898,504				898,504
<b>Total</b>	<b>\$ 1,526,069</b>	<b>\$ (3,037)</b>	<b>\$ (745)</b>	<b>\$ (909)</b>	<b>\$ 1,521,378</b>

**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, 2015 was \$170,415.

**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-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

**Galveston County Emergency Communication District**  
**Notes to Financial Statements**  
**December 31, 2015**

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

Pensions (Continued)

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 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](http://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 14.0% for the calendar year 2015. The contribution rate payable by the employee members is the rate of 7.00% 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, 2015**

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

Funding Policy (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.

Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of December 31, 2014 were based on the results of a study of the actuarial experience for the period January 1, 2009, through December 31, 2012, 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, 2014
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method:	
Smoothing Period	5 years
Recognition Method	Non-Asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	4.9%
Investment Rate of Return	8.1%
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 8.1%, unchanged from that of the 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

**Galveston County Emergency Communication District**  
**Notes to Financial Statements**  
**December 31, 2015**

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

Discount Rate (Continued)

return on pension-plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

The long-term expected rate of return on pension plan investments is 8.1% and was determined using a building –block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension-plan investment expense and inflation) are developed for each major asset class. These ranges were 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 adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the TCDRS target asset allocation as of December 31, 2014 are summarized below:

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected Return Minus Inflation)
US Equities	Dow Jones U.S. Total Stock Market Index	16.50%	5.35%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	12.00%	8.35%
Global Equities	MSCI World (Net) Index	1.50%	5.65%
International Equities - Developed	50% MSCI World Ex USA(Net) + 50% MSCI World ex USA 100% Hedged to USD (net) Index	11.00%	5.35%
International Equities – Emerging	50% MSCI EM Standard (Net) Index + 50% MSCI EM 100% Hedged to USD (Net) Index	9.00%	6.35%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.55%
High-Yield Bonds	Citigroup High-Yield Cash Pay Capped Index	3.00%	3.75%
Opportunistic Credit	Citigroup High-Yield Cash Pay Capped Index	5.00%	5.54%
Direct Lending	Citigroup High-Yield Cash Pay Capped Index	2.00%	5.80%
Distressed Debt	Citigroup High-Yield Cash Pay Capped Index	3.00%	6.75%
REIT Equities	67% FTSE NAREIT Equity REITs Index +33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.00%
Commodities	Bloomberg Commodities Index	2.00%	-0.20%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	3.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.15%

**Galveston County Emergency Communication District**  
**Notes to Financial Statements**  
**December 31, 2015**

**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, 2013	\$ 2,127,401	\$ 2,085,646	\$ 41,755
Changes for the Year:			
Service Cost	89,204	-	89,204
Interest on Total Pension Liability	175,687	-	175,687
Effect of Plan Changes	-	-	-
Effect of Economic/Demographic Gains of Losses	(9,189)	-	(9,189)
Effect of Assumptions Changes or Inputs	-	-	-
Refund of Contributions	-	-	-
Benefit Payments	(4,402)	(4,402)	-
Administrative Expenses	-	(1,786)	1,786
Member Contributions	-	37,468	(37,468)
Net Investment Income	-	139,735	(139,735)
Employer Contributions	-	276,649	(276,649)
Other	-	1,524	(1,524)
<b>Balances as of December 31, 2014</b>	<b>\$ 2,378,701</b>	<b>\$ 2,534,834</b>	<b>\$ (156,133)</b>

**Sensitivity of the District's Share of the Net Pension Liability/(Asset)**

The following presents the net pension liability of the county/district, calculated using the discount rate of 8.10%, 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 (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	7.10%	8.10%	9.10%
Total Pension Liability	\$ 2,660,194	\$ 2,378,701	\$ 2,138,770
Fiduciary Net Position	2,534,834	2,534,834	2,534,834
<b>Net Pension Liability/(Asset)</b>	<b>\$ 125,360</b>	<b>\$ (156,133)</b>	<b>\$ (396,064)</b>

**Galveston County Emergency Communication District  
Notes to Financial Statements  
December 31, 2015**

**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, 2015, the District recognized pension expense of \$52,015.

At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Inflows/Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences Between expected and Actual Experience	\$7,876	\$0
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings	-	34,622
Contributions Made Subsequent to Measurement Date	N/A	52,236

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:

2015	\$7,343
2016	7,343
2017	7,343
2018	7,343
2019	(1,313)
Thereafter	(1,313)

**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**

Galveston County Emergency Communications District provides its employees health benefits upon retirement. 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.



**Galveston County Emergency Communication District  
Notes to Financial Statements  
December 31, 2015**

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

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.

Annual OPEB Cost and Net OPEB Obligation

The District has elected to calculate the annual required contribution of the employer (ARC) and related information using the Alternative Measurement Method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following represents the development of the annual OPEB cost and net OPEB obligation at December 31:

		<u>2015</u>
Net OPEB Obligation at Beginning of Year	\$	<u>334,149</u>
Annual Required Contribution		178,415
Interest on Net OPEB Obligation		13,366
Adjustment to Annual Required Contribution		<u>(11,138)</u>
Annual OPEB Cost (Expense)		<u>180,643</u>
Employer Contributions Made		-
Net OPEB Obligation at End of Year	\$	<u><u>514,792</u></u>

Schedule of Employer Contributions

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations were as follows:

**Galveston County Emergency Communication District**  
**Notes to Financial Statements**  
**December 31, 2015**

**NOTE M – EMPLOYEE DEFINED BENEFIT PENSION RETIREMENT PLAN (CONTINUED)**

**Methods and Assumptions (Continued)**

Statement No. 45, the Alternative Measurement Method with its simplifications of certain assumptions was employed in measuring actuarial accrued liabilities and the ARC.

The following simplifying assumptions were made pursuant to the Alternative Measurement Method:

Retirement Age for Active Employees – Estimated using the earliest age eligible for normal retirement.

Active Member Marital Status – Assumption of marital status for active employees has been incorporated in the acceptance probability for spousal coverage. Using this approach, the percentage of future retired plan members taking spousal coverage was assumed at 0%. For active employees, spouses' genders were assumed to be opposite to the members' genders and females were assumed 3 years younger than their spouses. Covered spouse data were collected for current retired plan members as of the valuation date, and were assumed to remain unchanged until the assumed death of the spouses.

Mortality – Life expectancies were based on the 2004 United States Male and Female life tables.

Turnover – Non-group-specific age-based turnover data provided in GASB Statement No. 45 was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare Cost Trend Rate – Health cost is expected to increase 12% in the year 2016 due to new health care legislation. For years 2017 through 2020 an increase of 5% per year is anticipated.

Healthcare Insurance Premiums – Health insurance premiums for retirees in effect at December 31, 2015 were used as the basis for calculating the present value of total benefits to be paid.

**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, 2015**

	<u>Year Ended December 31, 2014</u>
<b>Total Pension Liability</b>	
Service cost	\$ 89,204
Interest on total pension liability	175,687
Effect of plan changes	-
Effect of assumption changes or inputs	-
Effect of economic/demographi (gains) or losses	(9,189)
Benefit payments/refunds of contributions	(4,402)
Net Change in total pension liability	<u>251,300</u>
Total pension liability, beginning	<u>2,127,401</u>
Total pension liability, ending (a)	<u>\$ 2,378,701</u>
<b>Fiduciary Net Position</b>	
Employer contributions	\$ 276,649
Member contributions	37,468
Investment income net of investment expenses	139,735
Benefit payments/refunds of contributions	(4,402)
Administrative expense	(1,786)
Other	1,524
Net change in fiduciary net position	<u>449,188</u>
Fiduciary net position, beginning	<u>2,085,646</u>
Fiduciary net position, ending (b)	<u>\$ 2,534,834</u>
<b>Net pension liability/ (asset), ending = (a) - (b)</b>	<u><b>\$ (156,133)</b></u>
Fiduciary net position as a % of total pension liability	106.56%
Pensionable covered payroll	535,257
Net pension liability/(asset) as a % of covered payroll	(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 Last Nine 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
2006	\$ 37,898	\$ 37,898	-	\$ 330,701	11.5%
2007	41,369	41,369	-	342,178	12.1%
2008	41,538	41,538	-	357,779	11.6%
2009	39,521	39,521	-	372,135	10.6%
2010	51,503	51,503	-	399,870	12.9%
2011	58,267	58,267	-	447,173	13.0%
2012	66,021	66,021	-	486,878	13.6%
2013	69,853	69,853	-	514,383	13.6%
2014	76,649	276,649	(200,000)	535,257	51.7%

(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                         December 31, 2014

Actuarial Cost Method                 Entry Age Normal

Asset Valuation Method

    Smoothing period                 5 years

    Recognition method             Non-Asymptotic

    Corridor                         None

Inflation                                 3.0%

Salary Increases                         3.5%

Investment Rate of Return             8.1%

Cost-of-Living Adjustments           No assumption for future cost of living adjustments is included in the funding valuation.

Mortality                                 **Depositing members** - the RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.

**Service retirees, beneficiaries and non-depositing members** - the RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.

**Disabled retirees** - RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale A



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 Managers  
Galveston County Emergency Communication District

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 Standard* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the governmental fund information of Galveston County Emergency Communication District, as of and for the year ended December 31, 2015, 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 November 15, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Galveston County Emergency Management District's internal control over financial reporting (internal control) to determine the 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 the Galveston County Emergency Management District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Galveston County Emergency Management 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 determination of financial statement amounts. 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*.



Katherine Overbeck Maxwell, PLLC  
Certified Public Accountant

---

November 15, 2016

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

We have audited the financial statements of the governmental activities and governmental fund information of Galveston County Emergency Communication District for the year ended December 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, 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 April 18, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*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. As described in Note K to the financial statements, the Galveston County Emergency Communication District changed accounting policies related to pensions by adopting Statement of Governmental Accounting Standards (GASB 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 Measurement Date* – an amendment of GASB Statement No. 68 in 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances. 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 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 November 15, 2016.

### *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 management's discussion and analysis and the budgetary comparison information, 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 use of the Board of Manager's 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