

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1**

GALVESTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2020

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1**

GALVESTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2020

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McCALL GIBSON SWEDLUND BARFOOT PLLC

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Galveston County Water Control and
Improvement District No. 1
Galveston County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Galveston County Water Control and Improvement District No. 1 (the "District"), as of and for the year ended September 30, 2020, 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. 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 District'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.

Board of Directors
Galveston County Water Control and
Improvement District No. 1

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 the District as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of District Contributions-Pension, the Schedule of Changes in Net Other Postemployment Benefit Liability and Related Ratios, and the Schedule of District Contributions-Other Postemployment Benefits 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

January 19, 2021

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2020**

Our discussion and analysis of Galveston County Water Control and Improvement District No. 1’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended September 30, 2020. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District’s annual report includes two financial statements combining the governmental-wide financial statements and the fund financial statements. These statements provide both long-term and short-term information about the District’s overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position presents information that includes all of the District’s assets, liabilities, and deferred inflows and outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District’s net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include 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 has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2020**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District’s governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information (“RSI”). A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$32,802,490 as of September 30, 2020. A portion of the District’s net position reflects its net investment in capital assets (buildings, vehicles and equipment as well as the water and wastewater facilities, less any debt used to acquire those assets that is still outstanding).

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a comparative analysis of government-wide changes in net position:

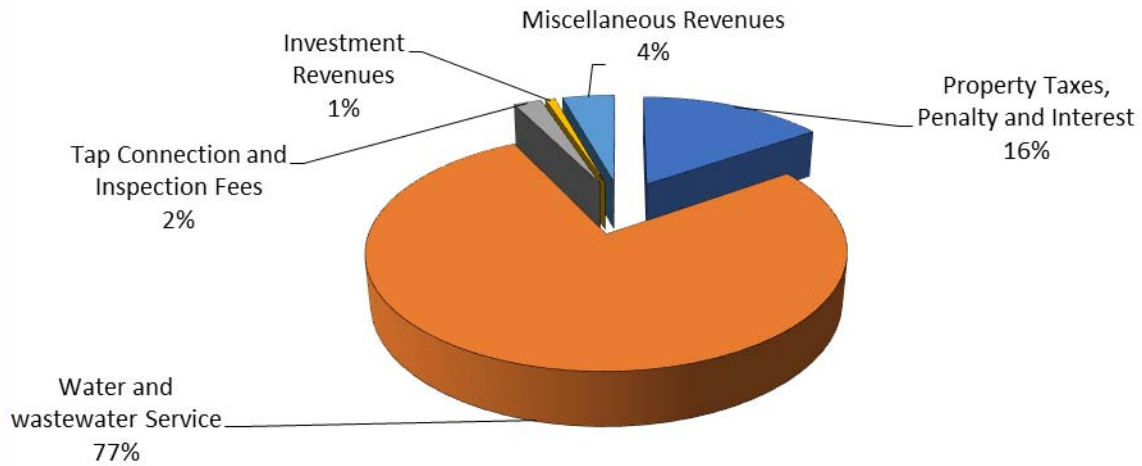
	<u>Summary of Changes in the Statement of Net Position</u>		
	2020	2019	Change Positive (Negative)
Current and Other Assets	\$ 12,068,513	\$ 12,398,244	\$ (329,731)
Capital Assets (Net of Accumulated Depreciation)	31,599,182	32,311,544	(712,362)
Total Assets	<u>\$ 43,667,695</u>	<u>\$ 44,709,788</u>	<u>\$ (1,042,093)</u>
Deferred Outflows of Resources	\$ 638,127	\$ 1,873,198	\$ (1,235,071)
Long -Term Liabilities	\$ 8,222,436	\$ 8,985,129	\$ 762,693
Other Liabilities	2,868,507	4,859,577	1,991,070
Total Liabilities	<u>\$ 11,090,943</u>	<u>\$ 13,844,706</u>	<u>\$ 2,753,763</u>
Deferred Inflows of Resources	\$ 412,389	\$ 543,265	\$ 130,876
Net Position:			
Net Investment in Capital Assets	\$ 25,581,715	\$ 25,002,374	\$ 579,341
Restricted	336,713	1,541,508	(1,204,795)
Unrestricted	6,884,062	5,651,133	1,232,929
Total Net Position	<u>\$ 32,802,490</u>	<u>\$ 32,195,015</u>	<u>\$ 607,475</u>

The following table provides a summary of the District's operations for the years ending September 30, 2020, and September 30, 2019. The District's net position increased by \$607,475.

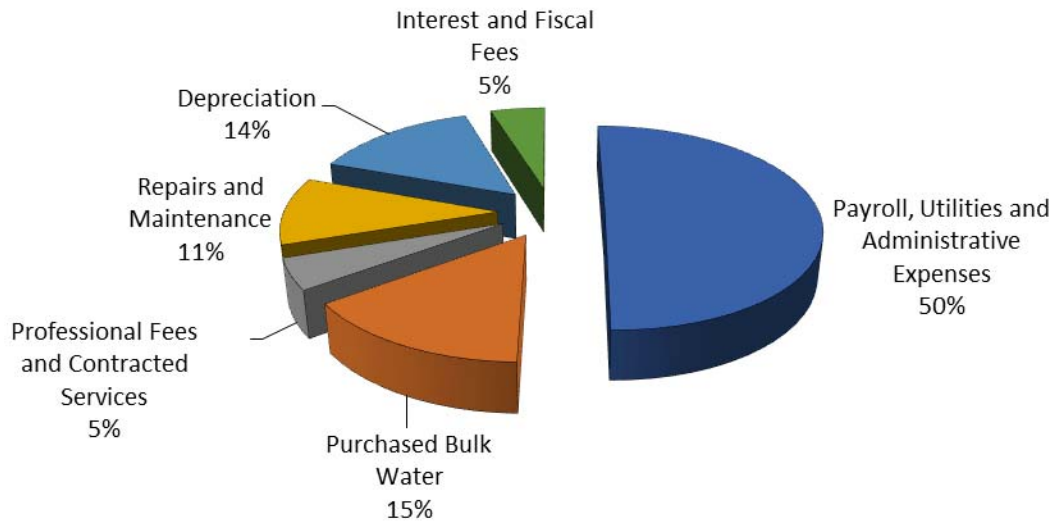
	<u>Summary of Changes in the Statement of Activities</u>		
	2020	2019	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,437,319	\$ 1,357,194	\$ 80,125
Charges for Services	8,226,582	7,189,873	1,036,709
Other Revenues	163,464	746,763	(583,299)
Total Revenues	<u>\$ 9,954,957</u>	<u>\$ 9,293,830</u>	<u>\$ 661,127</u>
Expenses for Services	9,347,482	9,099,173	(248,309)
Change in Net Position	\$ 607,475	\$ 194,657	\$ 412,818
Net Position, Beginning of Year	32,195,015	32,000,358	194,657
Net Position, End of Year	<u>\$ 32,802,490</u>	<u>\$ 32,195,015</u>	<u>\$ 607,475</u>

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2020**

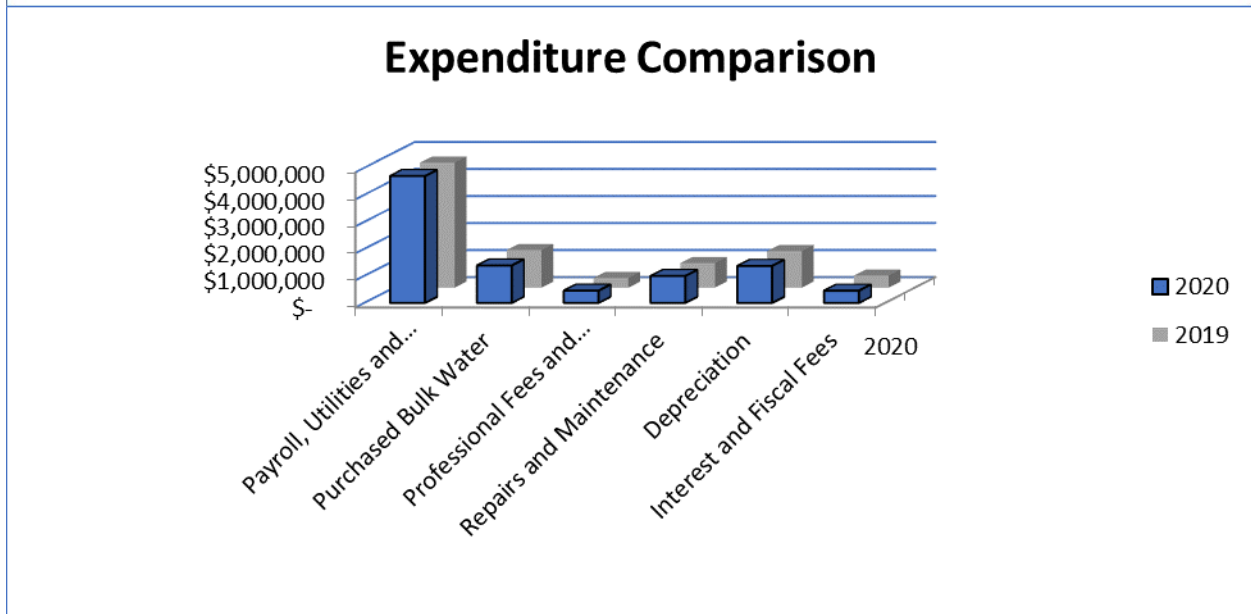
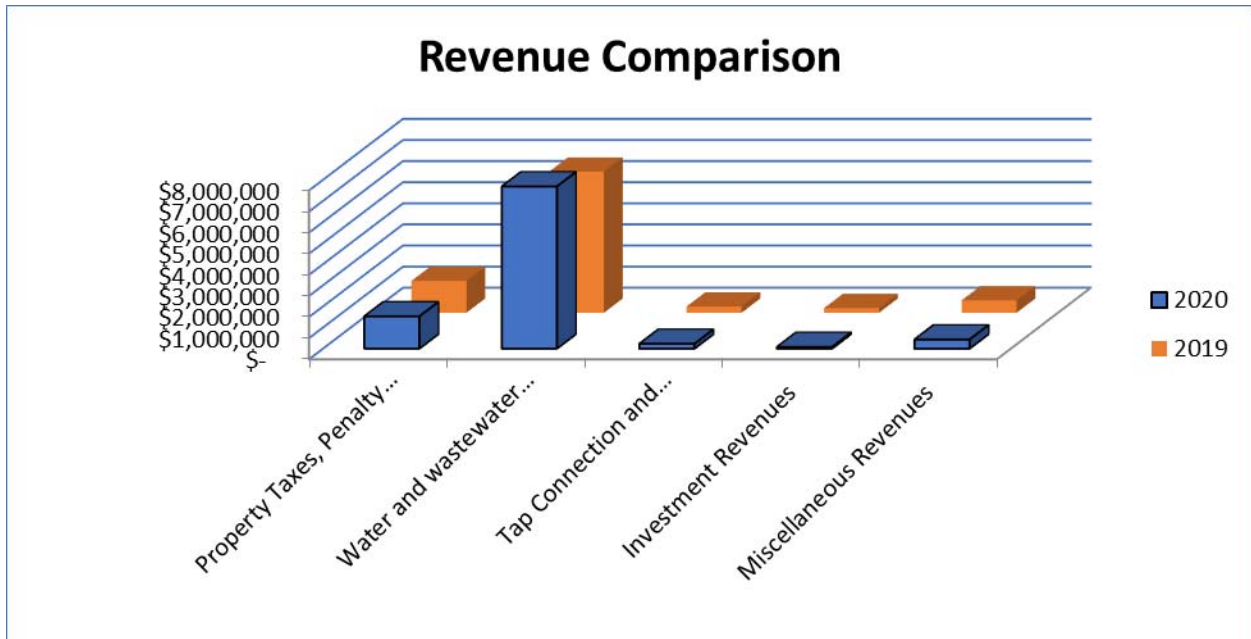
Governmental Revenues



Governmental Expenses



**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2020**



**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS

The District’s combined fund balances as of September 30, 2020, were \$10,007,676, a decrease of \$78,554 from the prior year.

The General Fund fund balance increased by \$1,336,158, primarily due to service revenues exceeding operating and administrative expenditures.

The Debt Service Fund fund balance decreased by \$1,358,722, primarily due to the structure of the District’s outstanding debt, issuance of the District’s Series 2020 Revenue Refunding Notes to defease the District’s Series 2010 Notes and the use of District funds to defease the District’s Series 2012 Notes.

The Capital Projects Fund fund balance decreased by \$55,990, primarily due to payment of current capital outlay costs from proceeds of bonds issued in a prior fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$437,362 more than budgeted revenues primarily due to higher than expected tap revenues, service revenues, refuse billing revenues, and FEMA reimbursements for prior losses. Actual expenditures were \$982,462 lower than budgeted expenditures primarily due to lower than expected capital outlay costs.

LONG-TERM DEBT ACTIVITY

As of the fiscal year end, the District had total bond debt payable of \$7,285,000. The changes in the debt position of the District during the fiscal year ended September 30, 2020, are summarized as follows:

Bond Debt Payable, October 1, 2019	\$	9,600,000
Add: Bond Sale		5,025,000
Less: Bond Principal Paid/Refunded		<u>7,340,000</u>
Bond Debt Payable, September 30, 2020	\$	<u><u>7,285,000</u></u>

Standard and Poor’s has issued a rating of “A+” to the Series 2020 Refunding Revenue Notes. The Series 2016 Unlimited Tax Bonds and the Series 2020 Revenue Refunding Notes carry an insured rating of “AA” by virtue of bond insurance issued by Build America Mutual Assurance Company. The above ratings are as of September 30, 2020 and reflect all rating changes through the fiscal year-end.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2020**

CAPITAL ASSETS

Capital assets as of September 30, 2020, total \$31,599,182 (net of accumulated depreciation), and include land, buildings and equipment as well as the water and wastewater systems. Significant capital asset activity during the current fiscal year included water line repairs, sewer line rehabilitation and repairs including the emergency manhole repairs on Deats Road, disaster recovery expenses, and replacement of the Falco facility. Additional information on the District's capital assets can be found in Note 6.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 115,316	\$ 115,316	\$
Construction in Progress	2,025,999	1,945,107	80,892
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	263,094	280,179	(17,085)
Vehicles	717,355	526,783	190,572
Equipment	157,086	91,829	65,257
Water System	8,866,093	9,250,933	(384,840)
Wastewater System	19,454,239	20,101,397	(647,158)
Total Net Capital Assets	\$ 31,599,182	\$ 32,311,544	\$ (712,362)

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Galveston County Water Control and Improvement District No. 1, P. O. Box 307, Dickinson, Texas 77539.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2020**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 2,534,127	\$ 12,843
Investments	5,747,582	79,761
Receivables:		
Property Taxes (Net of Allowance of \$41,269)	72,099	59,084
Penalty and Interest on Delinquent Taxes	37,658	56,456
Service Accounts (Net of Allowance for Doubtful Accounts of \$47,033)	541,674	
Prepaid Costs	64,635	
Inventory	323,132	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 9,320,907	\$ 208,144
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Plan Charges	\$	\$
Deferred Other Postemployment Benefit Charges		
Deferred Charges on Refunding Bonds		
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 9,320,907	\$ 208,144

The accompanying notes to the financial
statements are an integral part of this report.

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 2,514,080	\$ 2,546,970	\$	\$ 2,546,970
	8,341,423		8,341,423
	131,183		131,183
	94,114		94,114
	541,674		541,674
	64,635	25,382	90,017
	323,132		323,132
		115,316	115,316
		2,025,999	2,025,999
		29,457,867	29,457,867
<u>\$ 2,514,080</u>	<u>\$ 12,043,131</u>	<u>\$ 31,624,564</u>	<u>\$ 43,667,695</u>
\$	\$	\$ 450,048	\$ 450,048
		35,047	35,047
		153,032	153,032
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 638,127</u>	<u>\$ 638,127</u>
<u>\$ 2,514,080</u>	<u>\$ 12,043,131</u>	<u>\$ 32,262,691</u>	<u>\$ 44,305,822</u>

The accompanying notes to the financial statements are an integral part of this report.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2020**

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 542,448	\$
Accrued Interest Payable		
Security Deposits	1,168,591	
Net Pension Liability		
Net Other Postemployment Benefit Liability		
Long-Term Liabilities:		
Compensated Absences, Due Within One Year		
Bonds/Notes Payable, Due Within One Year		
Bonds/Notes Payable, Due After One Year		
TOTAL LIABILITIES	\$ 1,711,039	\$ -0-
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 72,099	\$ 59,084
Penalty and Interest on Delinquent Taxes	37,658	56,456
Office Lease	8	
Deferred Pension Plan Charges		
Deferred Other Postemployment Benefit Charges		
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 109,765	\$ 115,540
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 64,635	\$
Inventory	323,132	
Restricted for Authorized Construction		
Restricted for Debt Service		92,604
Committed:		
Capital Maintenance Projects	350,000	
Capital Asset-Software	250,000	
Vehicle Replacement	99,915	
Inflow and Infiltration	2,382,835	
Self-Insured Insurance	112,868	
Unassigned	3,916,718	
TOTAL FUND BALANCES	\$ 7,500,103	\$ 92,604
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 9,320,907	\$ 208,144
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

The accompanying notes to the financial
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 99,111	\$ 641,559	\$	\$ 641,559
		24,463	24,463
	1,168,591		1,168,591
		446,220	446,220
		124,504	124,504
		253,170	253,170
		210,000	210,000
		<u>8,222,436</u>	<u>8,222,436</u>
<u>\$ 99,111</u>	<u>\$ 1,810,150</u>	<u>\$ 9,280,793</u>	<u>\$ 11,090,943</u>
\$	\$ 131,183	\$ (131,183)	\$
	94,114	(94,114)	
	8		8
		405,099	405,099
		7,282	7,282
<u>\$ -0-</u>	<u>\$ 225,305</u>	<u>\$ 187,084</u>	<u>\$ 412,389</u>
\$	\$ 64,635	\$ (64,635)	\$
	323,132	(323,132)	
2,414,969	2,414,969	(2,414,969)	
	92,604	(92,604)	
	350,000	(350,000)	
	250,000	(250,000)	
	99,915	(99,915)	
	2,382,835	(2,382,835)	
	112,868	(112,868)	
	<u>3,916,718</u>	<u>(3,916,718)</u>	
<u>\$ 2,414,969</u>	<u>\$ 10,007,676</u>	<u>\$ (10,007,676)</u>	<u>\$ - 0 -</u>
<u>\$ 2,514,080</u>	<u>\$ 12,043,131</u>		
		\$ 25,581,715	\$ 25,581,715
		336,713	336,713
		6,884,062	6,884,062
		<u>\$ 32,802,490</u>	<u>\$ 32,802,490</u>

The accompanying notes to the financial statements are an integral part of this report.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

Total Fund Balances - Governmental Funds \$ 10,007,676

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

Bond insurance paid at closing is amortized over the repayment period of the related bonds in the governmental activities.

25,382

The difference between the net carrying amount of refunded bonds and the reacquisition price is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

153,032

Certain pension plan charges and other postemployment benefit charges that are not immediately recognized are recorded as deferred inflows or deferred outflows of resources.

72,714

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

31,599,182

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District.

225,297

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Compensated Absences	\$ (253,170)	
Accrued Interest Payable	(24,463)	
Net Pension Liability	(446,220)	
Net Other Postemployment Benefit Liability	(124,504)	
Bonds/Notes Payable Within One Year	(210,000)	
Bonds/Notes Payable After One Year	<u>(8,222,436)</u>	<u>(9,280,793)</u>

Total Net Position - Governmental Activities \$ 32,802,490

The accompanying notes to the financial statements are an integral part of this report.

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**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,144,333	\$ 292,957
Water Service	4,076,439	
Wastewater Service	3,608,318	
Texas City Maintenance Fees	33,507	
Out of District Surcharge	41,944	
Grant Revenues	127,592	
Solid Waste Revenues-District Portion	145,254	
Penalty and Interest	74,799	16,238
Tap Connection and Inspection Fees	229,123	
Investment Revenues	48,646	5,653
Miscellaneous Revenues	84,264	
TOTAL REVENUES	\$ 9,614,219	\$ 314,848
EXPENDITURES/EXPENSES		
Service Operations:		
Payroll	\$ 3,529,313	\$
Purchased Bulk Water	1,383,221	
Professional Fees	89,652	
Contracted Services	338,822	22,772
Repairs and Maintenance	996,632	
Utilities	321,151	
Administrative Expenses	704,015	1,450
Depreciation		
Capital Outlay	575,753	
Debt Service:		
Bond Principal		795,000
Bond Interest		244,023
Bond Issuance Costs		260,570
Payment to Refunded Bond Escrow Agent		955,130
TOTAL EXPENDITURES/EXPENSES	\$ 7,938,559	\$ 2,278,945
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 1,675,660	\$ (1,964,097)
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ (339,502)	\$ 339,502
Refunding Bonds		5,025,000
Payment to Refunded Bond Escrow Agent		(5,755,114)
Bond Premium		995,987
TOTAL OTHER FINANCING SOURCES (USES)	\$ (339,502)	\$ 605,375
NET CHANGE IN FUND BALANCES	\$ 1,336,158	\$ (1,358,722)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION		
OCTOBER 1, 2019	6,163,945	1,451,326
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2020	\$ 7,500,103	\$ 92,604

The accompanying notes to the financial statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,437,290	\$ 29	\$ 1,437,319
	4,076,439		4,076,439
	3,608,318		3,608,318
	33,507		33,507
	41,944		41,944
	127,592		127,592
	145,254		145,254
	91,037	960	91,997
	229,123		229,123
24,901	79,200		79,200
	84,264		84,264
<u>\$ 24,901</u>	<u>\$ 9,953,968</u>	<u>\$ 989</u>	<u>\$ 9,954,957</u>
\$	\$ 3,529,313	\$ 140,265	\$ 3,669,578
	1,383,221		1,383,221
	89,652		89,652
	361,594		361,594
	996,632		996,632
	321,151		321,151
	705,465		705,465
		1,369,006	1,369,006
80,891	656,644	(656,644)	
	795,000	(795,000)	
	244,023	(53,410)	190,613
	260,570		260,570
	955,130	(955,130)	
<u>\$ 80,891</u>	<u>\$ 10,298,395</u>	<u>\$ (950,913)</u>	<u>\$ 9,347,482</u>
<u>\$ (55,990)</u>	<u>\$ (344,427)</u>	<u>\$ 951,902</u>	<u>\$ 607,475</u>
\$	\$	\$	\$
	5,025,000	(5,025,000)	
	(5,755,114)	5,755,114	
	995,987	(995,987)	
<u>\$ -0-</u>	<u>\$ 265,873</u>	<u>\$ (265,873)</u>	<u>\$ -0-</u>
\$ (55,990)	\$ (78,554)	\$ 78,554	\$
		607,475	607,475
<u>2,470,959</u>	<u>10,086,230</u>	<u>22,108,785</u>	<u>32,195,015</u>
<u>\$ 2,414,969</u>	<u>\$ 10,007,676</u>	<u>\$ 22,794,814</u>	<u>\$ 32,802,490</u>

The accompanying notes to the financial statements are an integral part of this report.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Net Change in Fund Balances - Governmental Funds	\$ (78,554)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	29
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	960
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(1,369,006)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	656,644
The changes in the net pension liability, deferred pension plan charges, other postemployment benefit changes, and compensated absences payable are reflected as an expense in the government-wide financial statements.	(140,265)
Governmental funds report bond premiums as other financing sources in the year received. However, in the Statement of Net Position, bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	(995,987)
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	795,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	53,410
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(5,025,000)
Governmental funds report the payment to the refunded bond escrow agent as an other financing use or as an expense when paid from District resources. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position.	6,710,244
Change in Net Position - Governmental Activities	<u>\$ 607,475</u>

The accompanying notes to the financial statements are an integral part of this report.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1. CREATION OF DISTRICT

Galveston County Water Control and Improvement District No. 1 of Galveston County, Texas (the "District") was created in July 1938 by the Galveston County Commissioner's Court as a Fresh Water Supply District. On February 3, 1939, the District was converted to a Water Control and Improvement District under provisions of Article 7880-143 of the Revised Civil Statutes of the State of Texas. Pursuant to the provisions of Chapter 51 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, and storm sewer drainage. The District is also empowered to contract for or operate and maintain a fire department to perform all fire-fighting activities within the District. The District provides water, wastewater and solid waste disposal services at this time. The Board of Directors held its first meeting on July 9, 1938, and the first bonds were sold on February 8, 1939.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality (the "Commission").

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB" Codification).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Assets – This component of net position consists of external constraints placed on the use of assets 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.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses of the government-wide Statements of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The District has three governmental funds. All of the governmental funds are considered major funds.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectible within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$20,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Buildings are amortized over a period of 40 years. Water and wastewater facilities are amortized over periods ranging from 10 to 45 years. Vehicles and equipment are amortized over periods ranging from 3 to 20 years.

Inventory

Inventory consisting of supplies and materials are stated at cost. Inventory, used for the maintenance and operations of the water and sewer facilities, are recorded as expenditures when the supplies and materials are purchased. A portion of the fund balance is recorded as nonspendable to reflect inventory quantities considered necessary for the District's continuing operations, generally in an amount equal to inventory values on hand at the end of the fiscal year.

Budgeting

An annual unappropriated budget is adopted for all funds by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current fiscal year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

For employees of the District, a pension plan has been established and is managed by an independent plan administrator (see Note 9). The Internal Revenue Service has determined that the directors are considered to be employees for federal payroll tax purposes only. Directors do not participate in the pension plan.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. In October 2011 and by action in fiscal year 2013, the Board committed a portion of the fund balance to Inflow and Infiltration, Capital Maintenance Projects in the amount of \$350,000, Self-Insured Insurances, Vehicle Replacement in the amount of \$300,000, and Capital Asset-Software in the amount of \$250,000. Due to board approved activity in fiscal year 2015, the Vehicle Replacement portion equals \$99,915. The dollar amounts for Inflow and Infiltration and Self-Insured Insurances were set by current year activity. See Notes 8 and 13.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has no assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. BONDS AND REVENUE NOTES PAYABLE

	Series 2016 Tax Bonds	Series 2020 Refunding Revenue Notes
Amount Outstanding - September 30, 2020	\$ 2,260,000	\$ 5,025,000
Interest Rates	2.50% - 4.00%	2.00% - 5.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2021/2031	March 1, 2023/2034
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2025*	March 1, 2029*

* Or any date thereafter, in whole or in part, in any order to be determined by the District, at a redemption price of par plus accrued interest to the redemption date. Series 2016 term bonds maturing on March 1, 2027, March 1, 2029, and March 1, 2031, are subject to mandatory redemption by random selection beginning March 1, 2026, March 1, 2028, and March 1, 2030, respectively.

On May 9, 2015, the voters of the District approved the authorization of an additional \$9,200,000 in original tax bonds. The District has issued \$28,275,500 of its available bond authorization of \$33,985,500.

The Series 2016 bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. The Series 2020 Refunding Revenue Notes constitute special obligations of the District that shall be payable solely from, and shall be equally and ratably secured by a first lien on the net revenues, as collected and received by the District, from the operation and ownership of the system, which net revenues shall, in the manner herein provided, be set aside for and pledged to the payment of the notes in the Debt Service Fund and Reserve Fund.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 3. BONDS AND REVENUE NOTES PAYABLE (Continued)

The following is a summary of transactions regarding bonds and revenue notes payable for the year ended September 30, 2020:

	October 1, 2019	Additions	Retirements	September 30, 2020
Bonds/Notes Payable	\$ 9,600,000	\$ 5,025,000	\$ 7,340,000	\$ 7,285,000
Unamortized Discounts	(3,410)		(3,410)	
Unamortized Premiums	183,539	995,987	32,090	1,147,436
Bonds/Notes Payable, Net	<u>\$ 9,780,129</u>	<u>\$ 6,020,987</u>	<u>\$ 7,368,680</u>	<u>\$ 8,432,436</u>
			Amount Due Within One Year	\$ 210,000
			Amount Due After One Year	<u>8,222,436</u>
			Bonds/Notes Payable, Net	<u>\$ 8,432,436</u>

As of September 30, 2020, the debt service requirements on the bonds and notes outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 210,000	\$ 282,468	\$ 492,468
2022	205,000	267,275	472,275
2023	525,000	251,075	776,075
2024	540,000	226,500	766,500
2025	555,000	201,175	756,175
2026-2030	3,085,000	629,306	3,714,306
2031-2034	<u>2,165,000</u>	<u>94,244</u>	<u>2,259,244</u>
	<u>\$ 7,285,000</u>	<u>\$ 1,952,043</u>	<u>\$ 9,237,043</u>

During the current fiscal year, the District levied an ad valorem debt service tax rate of \$0.024340 per \$100 of assessed valuation, which resulted in a tax levy of \$288,215 on the adjusted taxable valuation of \$1,182,735,898 for the 2019 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for maintenance tax levy.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The resolutions authorizing the sale of the 2020 Refunding Revenue Notes do not require but the District may pay into a reserve fund approximately equal monthly installment amounts sufficient to accumulate within 60 months to the reserve fund requirement. The reserve fund requirement is defined as the average annual principal and interest requirements of the outstanding notes. The reserve fund requirement may be redetermined each year by the District. The District is in compliance with the resolutions.

The 2016 Bond Resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to certain information repositories. This information, along with the audited annual financial statements, is to be provided through the life of the bonds.

The District has covenanted that it will take all necessary steps to comply with the requirements that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of the issue.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$2,546,970 and the bank balance was \$2,580,264. The District was not exposed to custodial credit risk as of the fiscal year-end.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2020, as listed below:

	Cash
GENERAL FUND	\$ 2,534,127
DEBT SERVICE FUND	12,843
TOTAL DEPOSITS	\$ 2,546,970

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2020, the District had the following investments and maturities:

<u>Fund and Investment Type</u>	<u>Fair Value</u>	<u>Maturities of Less Than 1 Year</u>
<u>GENERAL FUND</u>		
TexPool	\$ 5,747,582	\$ 5,747,582
<u>DEBT SERVICE FUND</u>		
TexPool	79,761	79,761
<u>CAPITAL PROJECTS FUND</u>		
TexPool	<u>2,514,080</u>	<u>2,514,080</u>
TOTAL INVESTMENTS	<u>\$ 8,341,423</u>	<u>\$ 8,341,423</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2020, the District's investment in TexPool was rated AAAM by Standard and Poor's. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020:

	October 1, 2019	Increases	Decreases	September 30, 2020
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 115,316	\$	\$	\$ 115,316
Construction in Progress	<u>1,945,107</u>	<u>656,644</u>	<u>575,752</u>	<u>2,025,999</u>
Total Capital Assets Not Being Depreciated	<u>\$ 2,060,423</u>	<u>\$ 656,644</u>	<u>\$ 575,752</u>	<u>\$ 2,141,315</u>
Capital Assets Subject to Depreciation				
Buildings and Improvements	\$ 689,274	\$	\$	\$ 689,274
Vehicles	1,980,251	251,177		2,231,428
Equipment	1,041,031	93,868		1,134,899
Water System	21,365,755	61,861		21,427,616
Wastewater System	<u>36,921,965</u>	<u>168,846</u>		<u>37,090,811</u>
Total Capital Assets Subject to Depreciation	<u>\$ 61,998,276</u>	<u>\$ 575,752</u>	<u>\$ - 0 -</u>	<u>\$ 62,574,028</u>
Accumulated Depreciation				
Buildings and Improvements	\$ 409,095	\$ 17,085	\$	\$ 426,180
Vehicles	1,453,468	60,605		1,514,073
Equipment	949,202	28,611		977,813
Water System	12,114,822	446,701		12,561,523
Wastewater System	<u>16,820,568</u>	<u>816,004</u>		<u>17,636,572</u>
Total Accumulated Depreciation	<u>\$ 31,747,155</u>	<u>\$ 1,369,006</u>	<u>\$ - 0 -</u>	<u>\$ 33,116,161</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 30,251,121</u>	<u>\$ (793,254)</u>	<u>\$ - 0 -</u>	<u>\$ 29,457,867</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 32,311,544</u>	<u>\$ (136,610)</u>	<u>\$ 575,752</u>	<u>\$ 31,599,182</u>

NOTE 7. MAINTENANCE TAX

On November 2, 1993, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.05 per \$100 of assessed valuation of taxable property within the District. On May 9, 2015, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.10 per \$100 of assessed valuation of taxable property within the District. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$0.097139 per \$100 of assessed valuation, which resulted in a tax levy of \$1,150,243 on the adjusted taxable valuation of \$1,182,735,898 for the 2019 tax year.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 8. SELF-INSURED PLANS

The District’s self-insurance program, which commenced March 1991, is used to account for dental, medical and vision insurance coverage for employees. Under the program, the District is obligated for claim payments. The District commits a discretionary amount each month which is reported as a commitment of fund balance. Employees contribute for dependent coverage. The District is liable only for the amount of the deductible of each plan. The commitment of fund balance as of September 30, 2020 is as follows:

<u>Self-Insured Plans</u>	
Committed as of October 1, 2019	\$ 112,453
Contributions	1,364
Claims	<u>(949)</u>
Committed as of September 30, 2020	<u>\$ 112,868</u>

NOTE 9. PENSION PLAN

Plan Description

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. TCDRS issues a publicly available comprehensive annual financial report (CAFR) which includes financial statements, notes and required supplementary information which can be obtained at TCDRS, Finance Division, Barton Oaks Plaza IV Suite 500, 901 S. MoPac Expressway, Austin, Texas 78746 or at www.TCDRS.org.

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

Benefit amounts are determined by the sum of the employee’s 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.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 9. PENSION PLAN (Continued)

Plan Description (Continued)

At the valuation date of December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled but not yet receiving benefits	27
Active employees	38

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.

The employer has elected to pay a 1.5% higher rate to reduce the Unfunded Accrued Actuarial Liability (UAAL). The required employer contribution rate was 11.25% for the months of the accounting year 2019 and 11.31% for the accounting year 2020; however, the employer actually contributed using the actuarially determined rate of 12.75%, for the months of the accounting year 2019 and 12.81% for the accounting year 2020.

The contribution rate payable by the employee members for calendar year 2019 and 2020 is 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Annual Pension Cost

For the employer's accounting year ending September 30, 2020, the annual pension cost for the TCDRS plan for its employees was \$245,610, and the actual contributions were \$298,526.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with GASB parameters based on the actuarial valuations as of December 31, 2019, the basis for determining the contribution rates for calendar year 2020. The December 31, 2019 actuarial valuation is the most recent valuation.

**GALVESTON COUNTY WATER CONTROL AND
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NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 9. PENSION PLAN (Continued)

Annual Pension Cost (Continued)

	<u>Actuarial Valuation Information</u>		
	12/31/17	12/31/18	12/31/19
Actuarial valuation date	12/31/17	12/31/18	12/31/19
Actuarial cost method	entry age	entry age	entry age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period	8.7	10.5	10.7
Asset Valuation Method:			
Subdivision Accumulation Fund	5-year smoothed market	5-year smoothed market	5-year smoothed market
Actuarial Assumptions:			
Investment return ¹	8.0%	8.0%	8.0%
Projected salary increases ¹	4.9%	4.9%	4.9%
Inflation	2.75%	2.75%	2.75%
Cost-of-living adjustments	0.0%	0.0%	2.0%

¹Includes inflation at the stated rate

Net Pension Liability

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions above, except as noted. The discount rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68. The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. The actuarial assumptions that determined the total pension liability as of December 31, 2019 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016.

Mortality rates were based on the following: 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after that.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The numbers shown are based on April 2020 information for a 10 year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a 30-year time horizon. The most recent analysis was performed in 2017.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 9. PENSION PLAN (Continued)

Net Pension Liability (Continued)

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	14.50 %	5.20 %
Private Equity	20.00	8.20
Global Equities	2.50	5.50
International Equities-Developed Markets	7.00	5.20
International Equities-Emerging Markets	7.00	5.70
Investment-Grade Bonds	3.00	(0.20)
Strategic Credit	12.00	3.14
Direct Lending	11.00	7.16
Distressed Debt	4.00	6.90
REIT Equities	3.00	4.50
Master Limited Partnerships (MLPs)	2.00	8.40
Private Real Estate Partnerships	6.00	5.50
Hedge Funds	8.00	2.30
	<u>100.00 %</u>	

Changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances of December 31, 2018	\$ 16,229,918	\$ 14,637,994	\$ 1,591,924
Changes for the year:			
Service Costs	310,646		310,646
Interest on total pension liability	1,324,172		1,324,172
Effect of economic/demographic gains or losses	77,401		77,401
Refund of contributions	(11,378)	(11,378)	
Benefit payments	(381,828)	(381,828)	
Administrative Expense		(13,033)	13,033
Member contributions		163,896	(163,896)
Net investment income		2,403,782	(2,403,782)
Employer contributions		298,526	(298,526)
Other		4,752	(4,752)
Balances of December 31, 2019	<u>\$ 17,548,931</u>	<u>\$ 17,102,711</u>	<u>\$ 446,220</u>

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 9. PENSION PLAN (Continued)

Sensitivity Analysis - The following presents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what the 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 7.1%	Current Discount Rate 8.1%	1% Increase 9.1%
Total pension liability	\$ 19,843,071	\$ 17,548,931	\$ 15,598,991
Fiduciary net position	<u>17,102,711</u>	<u>17,102,711</u>	<u>17,102,711</u>
Net pension liability/(asset)	<u>\$ 2,740,360</u>	<u>\$ 446,220</u>	<u>\$ (1,503,720)</u>

At the valuation date of December 31, 2019, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 104,998	\$
Changes of assumptions		4,367
Net differences between projected and actual earnings		400,732
Contributions subsequent to the measurement date	<u>345,050</u>	
Total	<u>\$ 450,048</u>	<u>\$ 405,099</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2020	\$ 291,094
2021	(92,375)
2022	73,884
2023	(227,654)
2024	-0-
Thereafter	-0-

The District made plan contributions subsequent to the measurement date and prior to the fiscal year-end of \$345,050, which are recorded as deferred outflows of resources.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

Plan Description - Group Term Life Program

The District participates in the retiree Group Term Life program for the Texas County & District Retirement System (TCDRS), which is a statewide, multiple-employer, public employee retirement system. All full-time and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year and are eligible for the TCDRS OPEB plan. Only employers that have elected participation in the retiree Group Term Life program are included in the OPEB plan. The plan provides a \$5,000 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the retiree GTL program. Other plan specifics include: the OPEB benefit is a fixed \$5,000 lump-sum benefit; no future increases are assumed in the \$5,000 benefit amount; benefit terms are established under the TCDRS Act; participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of Jan. 1 each year.

Contributions made to the retiree GTL Program are held in the GTL fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan. Benefit terms are established under the TCDRS Act. For the months of the accounting years 2019, the required employer contribution rate was 0.40%; and for the months of the accounting years 2020 the required employer contribution rate was 0.34%. The District's contributions to the GTL program for the fiscal year ending September 30, 2020, were \$8,623.

Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of Jan. 1 each year. The District's contribution rate for the retiree GTL program is calculated annually on an actuarial basis and is equal to the cost of providing a one-year death benefit equal to \$5,000.

TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System; P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782.

The retiree death benefit paid from the GTL program is an OPEB benefit. The OPEB program is treated as an unfunded trust, because the GTL trust covers both actives and retirees and is not segregated. At the valuation date of December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled but not yet receiving benefits	13
Active employees	38

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial assumptions and methods that determined the total OPEB liability as of December 31, 2019 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 75.

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 - Does not apply

Inflation - Does not apply

Salary Increases - Does not apply

Investment Rate of Return (Discount Rate) - 2.74% 20 Year Bond GO Index published by bondbuyer.com as of December 26, 2019

Cost-of-Living Adjustment - Does not apply

Mortality rates were based on the following:

Depositing members – 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate Scale after 2014.

Service retirees, beneficiaries and non-depositing members – 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Disabled retirees - 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate

The total OPEB liability was determined by an actuarial valuation as of the measurement date, calculated based on the discount rate and actuarial assumptions discussed below. The discount rate reflects the long-term rate of return funding valuation assumption of 2.74%. The TCDRS GTL program is treated as an unfunded OPEB plan because the GTL trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 2.74% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2019. At transition, GASB 75 also requires that the Total OPEB Liability (TOL) as of the prior fiscal year end be estimated based on the 20 Year Bond GO Index as of the prior fiscal year end.

	Changes in Total OPEB Liability
Balances of December 31, 2018	\$ 95,756
Changes for the year:	
Service Costs	1,744
Interest on total OPEB liability	3,907
Effect of economic/demographic gains or losses	2,618
Effect of assumption changes or inputs	24,928
Benefit payments	(4,449)
Balances of December 31, 2019	\$ 124,504

Sensitivity Analysis - The following presents the total OPEB liability of the District, calculated using the discount rate of 2.74%, as well as what the District total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.74%) or 1 percentage point higher (3.74%) than the current rate.

	1% Decrease 1.74%	Current Discount Rate 2.74%	1% Increase 3.74%
Total OPEB liability	\$ 149,151	\$ 124,504	\$ 105,385

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

At the valuation date of December 31, 2019, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,673	\$
Changes of assumptions	22,452	7,282
Contributions subsequent to the measurement date	5,922	
Total	\$ 35,047	\$ 7,282

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2020	\$ 11,824
2021	5,902
2022	5,903
2023	4,136
2024	-0-
Thereafter	-0-

The District made plan contributions subsequent to the measurement date and prior to the fiscal year-end of \$5,922, which are recorded as deferred outflows of resources.

NOTE 11. CONTRACTS FOR WATER AND SEWER SERVICES

LEAGUE CITY CONTRACT

On January 1, 1987, the District executed a Revised Water Supply Agreement with the City of League City (the “City”), replacing a previous Water Supply Agreement dated March 10, 1983. The agreement provides for the City to take or pay for, whether taken or not, 150,000 gallons of water per day. Beginning January 1, 1988, the gallons of water billed on a daily basis will be adjusted to equal the average daily usage of water by the City through the interconnect over the preceding year.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 11. CONTRACTS FOR WATER AND SEWER SERVICES Continued)

LEAGUE CITY CONTRACT (Continued)

Each party will be responsible for maintenance of the interconnect facilities on their side of the interconnect valve. The City will be billed for the greater of the take or pay amount or the actual amount of water taken for the month. The amount billed monthly will be based upon the average monthly cost of maintenance and operation of the Ecret Pump Station and transmission lines. The average cost will be that average per the prior 12 months experience.

On October 19, 2009, the District executed an amendment to the January 1, 1987, Revised Water Supply Agreement with the City. The amendment was effective December 8, 2009 and permits the District to sell and deliver to the City, upon their request, 150,000 gallons per day of water with a maximum of 1,000,000 gallons per day provided the District has excess water available.

Excess available water is defined as any water capacity remaining to the District after the District's per day consumption deducted from 2.937 million gallons per day, the District's current take or pay amount. The District's water capacity use shall be primary, and the City shall only be entitled to any remaining excess capacity if available. In the event that the District's water pressure falls below 40 psi the District has the right to curtail the sale of water and delivery to the City. The City shall pay the agreed upon sum of \$1.95 per 1,000 gallons water taken. All other terms, conditions and provisions in the January 1, 1987 Revised Water Supply Agreement remains in place and continued to have full force and effect until either the District or the City gives a 30-day written notice for termination.

TEXAS CITY CONTRACT

On September 17, 1990, the District executed an Out-Of-District Water and Sewer Agreement with the City of Texas City ("Texas City"). The agreement provides for the District to provide water and sewer service to multiple tracts of land in Texas City since the land is closer to utilities available from the District. Per the District's Rate Order, out-of-district customers pay 150% of water and sewer fees of in-district customers. Under this agreement, Texas City residents purchasing water and sewer from the District will pay 100% of the in-district water and sewer fees and Texas City will pay the additional 50%. This agreement will remain in force and effect for a term of 30 years. For the year ended September 30, 2020, Texas City paid the District \$33,507 for these services.

NOTE 12. SURFACE WATER SUPPLY CONTRACT

The District's water supply is obtained through a wholesale water supply contract with the Gulf Coast Water Authority. On August 7, 1981, the District executed The Mainland Water Project Customer Contract with the Galveston County Water Authority, presently known as the Gulf Coast Water Authority (the "Authority"), for 1,500,000 gallons per day of treated surface water.

**GALVESTON COUNTY WATER CONTROL AND
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SEPTEMBER 30, 2020**

NOTE 12. SURFACE WATER SUPPLY CONTRACT (Continued)

The purpose of that agreement was to convert the District from ground water to surface water in response to the growing problem of land subsidence throughout Galveston County and surrounding counties. On May 19, 1983, the District and the Authority agreed to increase the reserve contract quantity to 2,500,000 gallons per day. The Mainland Project at that time included a surface water treatment plant with a capacity of 18,000,000 gallons per day which has subsequently been expanded to 57,600,000 gallons per day. Originally, this surface water supply was only received by the District near its east boundary line and then distributed throughout the District via the District's own distribution system, however today the District is also connected to the Authority's transmission lines near its western boundary on the Highway 6 extension.

Effective July 1, 1986, the District increased its reserved capacity from 2,500,000 to 3,500,000 gallons per day in the original Mainland Project. This action was taken by the District in order for it to sell up to 1,000,000 gallons per day of surface water to the City of League City (See Note 11).

Effective June 18, 1998, the Authority initiated a contract to construct the South Project to furnish water to Galveston Island and the Highway 6 communities of Tiki Island, Bayou Vista, Hitchcock, and Galveston County WCID No. 8 in Santa Fe, Texas. The Highway 6 transmission line further extends northward to furnish water to the City of League City, Texas.

On September 19, 2000, the District agreed to accept an additional 665,000 gallons per day of the Authority's remaining capacity in their surface water plant. Therefore, the total reserved capacity the District now has in the Authority's water treatment plant is 4,165,000 gallons per day.

On August 15, 2002, and as amended May 15, 2014, the District signed a separate contract with the Authority to transfer 500,000 gallons per day from its east side take point reserve contract quantity to its west side take point reserve contract quantity.

Effective April 21, 2014, the Authority and District signed an amendment which moved the operation and maintenance cost of the surface water treatment plant from a take or pay formula to pay for what you take; intended to reward customers of the Authority who encourage water conservation by their customers. This contract extended the life of the original agreement to December 31, 2027.

The District paid \$1,383,221 for treated water delivered to the District in the current year.

**GALVESTON COUNTY WATER CONTROL AND
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SEPTEMBER 30, 2020**

NOTE 13. INFLOW AND INFILTRATION RESERVE

The District has committed maintenance tax proceeds to fund the cost of inflow and infiltration reduction. On October 1, 2019, the reserve was \$1,823,241. In the current fiscal year, the reserved fund generated \$1,288,394 in total revenue including maintenance tax revenues of \$1,144,333. Expenditures of the fund for correcting inflow and infiltration problems were \$324,576, offset by insurance recovery of \$127,592, and there was a transfer of \$404,225 to the General Fund, resulting in a committed fund balance at the fiscal year-end of \$2,382,835.

NOTE 14. COMPENSATED ABSENCES

It is the policy of the District that employees in full-time positions will be eligible for sick leave, compensatory time, vacations, holidays, funerals, administrative leave, and jury duty with full straight-time pay. Full-time employees eligible for sick leave will be allowed to accumulate 6.67 hours for each month of service or 10 days per year not to exceed 960 hours (120 days) as long as the District employs them. However, any employee who has 960 hours (120 days) accumulated on January 1 of each year will be allowed to utilize up to 120 hours (15 days) of sick leave during that year without affecting the 960 hours (120 days) previously accumulated, but the maximum amount of sick leave hours that will be paid to employees in good standing at termination is limited to 160 hours (20 days). The District also allows accumulation of compensatory time not to exceed 40 hours (5 days). Full-time employees are allowed to accumulate vacation time upon approval of the General Manager. It is also the District's policy to prohibit the accumulation of hours for holidays, funerals, administrative leave and jury duty. For the year ended September 30, 2020, the District has accrued \$253,170 in compensated absences.

Compensated Absences	
Accrued Compensated absences as of October 1, 2019	\$ 254,602
Additions	189,159
Payments	<u>(190,591)</u>
Accrued Compensated absences as of September 30, 2020	<u>\$ 253,170</u>

**GALVESTON COUNTY WATER CONTROL AND
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NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 15. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, general liability, automobile, boiler and machinery, mobile equipment, law enforcement, crime coverage, errors and omissions and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML’s management. As claims arise, they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 16. OPERATING LEASE

In 2007 the District entered into a 22-year noncancelable operating lease with the City of Dickinson for office building space. Future minimum operating lease commitments are as follows:

Year Ending September 30	Amount
2021	\$ 86,965
2022	86,965
2023	86,964
2024	86,964
2025	86,965
2026-2028	260,893
Total	\$ 695,716

Scheduled lease payments (“Base Rent”) are to be made annually through 2027. Upon final payment in 2027, the District agrees to pay as Base Rent, 29.18% of the insurance premiums and annual cost of and repairs to the Building until September 30, 2029, the end of the lease term. The Base Rent for the final two years of the lease is not included in the schedule above. The lease is automatically renewable for 15 years (for up to three terms or a total of 45 years) beginning at the conclusion of the original term. Rental expense for the fiscal year ended September 30, 2020 was \$86,964.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 16. OPERATING LEASE (Continued)

At the time the District entered into the lease in 2007, it paid a \$150,000 advance payment. The pre-paid lease expense is to be amortized over the life of the lease as follows:

City of Dickinson City Hall/WCID NO. 1 Prepaid Lease	\$ 150,000
Amortization expense recognized as of September 30, 2020	90,000
Amounts to be recognized in the next five years and beyond:	
Rent Expense, 2021	\$ 7,500
Rent Expense, 2022	7,500
Rent Expense, 2023	7,500
Rent Expense, 2024	7,500
Rent Expense, 2025	7,500
Rent Expense to be recognized, thru 2028	<u>22,500</u>
Total Expense remaining to be recognized	<u>\$ 60,000</u>

NOTE 17. INTERFUND TRANSFERS

During the current fiscal year, the General Fund transferred \$940,809 to the Debt Service Fund to provide for a portion of the District’s debt service payments. The Debt Service Fund transferred \$601,307 to the General Fund to provide for a portion of the emergency repairs to the sewer trunk line at Nichols and FM 517.

NOTE 18. GRANT PROGRAM

The City of Dickinson (the “City”) and the District were jointly awarded community development funds by the U.S. Department of Housing and Urban Development CDBG Program passed through the Texas Department of Agriculture. The funds were awarded under CFDA 14.228 under B-19-DC-48-0001 in the amount of \$350,000, to be used for water improvements. As of fiscal year-end, the District has not received any funds under this program.

NOTE 19. FIRE PROTECTION SERVICES AGREEMENT

The Dickinson Volunteer Fire Department (VFD) provides fire protection services to the citizens of the District and the City of Dickinson. On July 18, 2016, the District executed a Fire Protection Services Agreement (Agreement) with the VFD. The District requested approval from the Texas Commission on Environmental Quality (the Commission) of a fire plan based upon the Agreement and, following Commission approval, submitted the Fire Plan and Agreement to voters for approval. The measure passed in an election November 7, 2017.

**GALVESTON COUNTY WATER CONTROL AND
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NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 19. FIRE PROTECTION SERVICES AGREEMENT (Continued)

The VFD will continue to provide fire protection services as defined in the agreement to citizens within the VFD service area. The District will pay the VFD a monthly charge of \$5.00 for each residential connection and \$10.00 for each commercial or industrial connection, provided each customer has paid the District its current monthly payment. The District will bill its customers a monthly fee for fire protection equal to the amount to be paid to the VFD. The agreement will be in effect for 15 years with automatic one-year renewals.

NOTE 20. SOLID WASTE SERVICES AGREEMENT

On December 9, 2019, the District executed an Interlocal Agreement for Solid Waste Management Services (SWMS) with the City of Dickinson to provide solid waste management services to all residential and commercial customers within the City of Dickinson. The District will contract with a solid waste collection service provider. The District will bill customers. From the amount collected, the District will pay the solid waste contractor, the District will retain a portion for an administrative fee, and the District will remit a portion to the City for a franchise fee. The SWMS agreement is for 4 years.

NOTE 21. REFUNDING REVENUE NOTE SALE AND REFUNDING REVENUE NOTE DEFEASEMENT

On August 19, 2020, the District closed on the sale of its \$5,025,000 Series 2020 Revenue Refunding Notes with interest rates of 2.0% to 5.0%. The net proceeds along with \$399,230 of District funds plus a premium of \$995,987 were used to refund the remaining \$6,000,000 of Series 2010 Revenue Notes with interest rates of 4.14% to 5.44% and maturity dates from March 1, 2021 through March 1, 2034, as well as various closing costs. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets. The effect of the refunding was to decrease total debt service by \$2,049,096 and obtain net present value savings of \$1,897,837.

On August 19, 2020, the District used \$557,400 of District funds to refund the remaining \$545,000 of Series 2012 Refunding Revenue Notes with an interest rate of 2.00% and a maturity date of March 1, 2021, as well as various closing costs. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 22. ECONOMIC UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, economic uncertainties have arisen which could have an impact on the operations of the District. The District is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.

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**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1**

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2020

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,147,666	\$ 1,144,333	\$ (3,333)
Water Service	3,944,175	4,076,439	132,264
Wastewater Service	3,574,315	3,608,318	34,003
Texas City Maintenance Fees	30,838	33,507	2,669
Out of District Surcharge	40,565	41,944	1,379
Grant Revenues		127,592	127,592
Solid Waste Revenues-District Portion		145,254	145,254
Penalty and Interest	123,362	74,799	(48,563)
Tap Connection and Inspection Fees	206,300	229,123	22,823
Investment Revenues	80,010	48,646	(31,364)
Miscellaneous Revenues	29,626	84,264	54,638
TOTAL REVENUES	\$ 9,176,857	\$ 9,614,219	\$ 437,362
EXPENDITURES			
Service Operations:			
Payroll	\$ 3,763,656	\$ 3,529,313	\$ 234,343
Purchased Bulk Water	1,441,239	1,383,221	58,018
Professional Fees	39,500	89,652	(50,152)
Contracted Services	346,700	338,822	7,878
Repairs and Maintenance	814,446	996,632	(182,186)
Utilities	373,750	321,151	52,599
Administrative Expenses	825,167	704,015	121,152
Capital Outlay	1,316,563	575,753	740,810
TOTAL EXPENDITURES	\$ 8,921,021	\$ 7,938,559	\$ 982,462
EXCESS (DEFICIENCY) OF			
REVENUES OVER EXPENDITURES	\$ 255,836	\$ 1,675,660	\$ 1,419,824
OTHER FINANCING SOURCES(USES)			
Transfer (Out)	\$ (310,335)	\$ (339,502)	\$ (29,167)
NET CHANGE IN FUND BALANCE	\$ (54,499)	\$ 1,336,158	\$ 1,390,657
FUND BALANCE - OCTOBER 1, 2019	6,163,945	6,163,945	
FUND BALANCE - SEPTEMBER 30, 2020	\$ 6,109,446	\$ 7,500,103	\$ 1,390,657

The Board of Directors did not amend the General Fund budget during the fiscal year.

See accompanying independent auditor's report.

**GALVESTON COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2020**

	Year Ended December 31,					
	2014	2015	2016	2017	2018	2019
Total Pension Liability						
Service Cost	\$ 260,251	\$ 257,071	\$ 285,375	\$ 289,323	\$ 288,312	\$ 310,646
Interest on total pension liability	896,243	975,992	1,041,383	1,135,127	1,224,645	1,324,172
Effect of plan changes		(41,727)			52,874	
Effect of economic/demographic (gains) or losses	106,808	(133,252)	30,556	72,527	31,391	77,401
Effect of assumption changes or inputs		85,000		(17,470)	0	
Benefit payments/refunds of contributions	(280,604)	(316,915)	(340,451)	(358,689)	(388,564)	(393,206)
Net change in total pension liability	\$ 982,698	\$ 826,169	\$ 1,016,863	\$ 1,120,818	\$ 1,208,658	\$ 1,319,013
Total pension liability, beginning	<u>11,074,712</u>	<u>12,057,410</u>	<u>12,883,579</u>	<u>13,900,442</u>	<u>15,021,260</u>	<u>16,229,918</u>
Total pension liability, ending (a)	<u>\$ 12,057,410</u>	<u>\$ 12,883,579</u>	<u>\$ 13,900,442</u>	<u>\$ 15,021,260</u>	<u>\$ 16,229,918</u>	<u>\$ 17,548,931</u>
Fiduciary Net Position						
Employer contributions	\$ 256,264	\$ 246,203	\$ 455,136	\$ 295,113	\$ 374,536	\$ 298,526
Member contributions	134,876	137,433	141,855	155,909	150,726	163,896
Investment income net of investment expenses	733,079	(142,323)	863,525	1,873,387	(273,847)	2,403,782
Benefit payments/refunds of contributions	(280,604)	(316,915)	(340,451)	(358,689)	(388,564)	(393,206)
Administrative Expense	(8,707)	(8,420)	(9,383)	(9,830)	(11,757)	(13,033)
Other	26,296	18,510	57,555	1,144	5,557	4,752
Net change in fiduciary net position	\$ 861,204	\$ (65,512)	\$ 1,168,237	\$ 1,957,034	\$ (143,349)	\$ 2,464,717
Fiduciary net position, beginning	<u>10,860,380</u>	<u>11,721,584</u>	<u>11,656,072</u>	<u>12,824,309</u>	<u>14,781,343</u>	<u>14,637,994</u>
Fiduciary net position, ending (b)	<u>\$ 11,721,584</u>	<u>\$ 11,656,072</u>	<u>\$ 12,824,309</u>	<u>\$ 14,781,343</u>	<u>\$ 14,637,994</u>	<u>\$ 17,102,711</u>
Net pension liability/(asset), ending = (a) - (b)	<u>\$ 335,826</u>	<u>\$ 1,227,507</u>	<u>\$ 1,076,133</u>	<u>\$ 239,917</u>	<u>\$ 1,591,924</u>	<u>\$ 446,220</u>
Fiduciary net position as a percentage of total pension liability	97.21%	90.47%	92.26%	98.40%	90.19%	97.46%
Pensionable covered payroll	\$ 1,926,799	\$ 1,963,335	\$ 2,026,501	\$ 2,227,272	\$ 2,153,225	\$ 2,341,376
Net pension liability as a percentage of covered payroll	17.43%	62.52%	53.10%	10.77%	73.93%	19.06%

See accompanying independent auditor's report.

**GALVESTON COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
SCHEDULE OF DISTRICT CONTRIBUTIONS-PENSION
SEPTEMBER 30, 2020**

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽¹⁾	Actual Contribution as a Percentage of Covered Payroll
2010	\$ 182,613	\$ 258,070	\$ (75,457)	\$ 1,697,143	15.2%
2011	\$ 201,558	\$ 279,117	\$ (77,559)	\$ 1,837,352	15.2%
2012	\$ 208,562	\$ 311,721	\$ (103,159)	\$ 1,877,249	16.6%
2013	\$ 219,446	\$ 297,748	\$ (78,302)	\$ 1,886,896	15.8%
2014	\$ 227,362	\$ 256,264	\$ (28,902)	\$ 1,926,799	13.3%
2015	\$ 216,752	\$ 246,203	\$ (29,451)	\$ 1,963,335	12.5%
2016	\$ 224,739	\$ 455,136	\$ (230,397)	\$ 2,026,501	22.5%
2017	\$ 243,886	\$ 295,113	\$ (51,227)	\$ 2,227,272	13.2%
2018	\$ 236,209	\$ 374,536	\$ (138,327)	\$ 2,153,225	17.4%
2019	\$ 245,610	\$ 298,526	\$ (52,916)	\$ 2,341,376	12.8%

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

Valuation Date Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	10.7 years (based on contribution rate calculated in 12/31/2019 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale of 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015 and 2016: No changes in plan provisions were reflected in the schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the schedule. 2019: Employer contributions reflect that a 2% flat COLA was adopted.

*Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

See accompanying independent auditor's report.

**GALVESTON COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
SCHEDULE OF CHANGES IN NET OTHER POSTEMPLOYMENT BENEFITS
LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2020**

	Year Ended December 31,		
	2017	2018	2019
Total OPEB Liability			
Service Cost	\$ 2,075	\$ 2,278	\$ 1,744
Interest on total OPEB liability	3,398	3,518	3,907
Effect of economic/demographic (gains) or losses	5,522	2,727	2,618
Effect of assumption changes or inputs	5,021	(10,922)	24,928
Benefit payments/refunds of contributions	<u>(4,009)</u>	<u>(3,660)</u>	<u>(4,449)</u>
Net change in total OPEB liability	\$ 12,007	\$ (6,059)	\$ 28,748
Total OPEB liability, beginning	<u>89,808</u>	<u>101,815</u>	<u>95,756</u>
Total OPEB liability, ending	<u>\$ 101,815</u>	<u>\$ 95,756</u>	<u>\$ 124,504</u>
OPEB covered payroll	\$ 2,227,272	\$ 2,153,225	\$ 2,341,376
Net OPEB liability as a percentage of covered payroll	4.57 %	4.45 %	5.32 %

See accompanying independent auditor's report.

**GALVESTON COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
SCHEDULE OF DISTRICT CONTRIBUTIONS –
OTHER POSTEMPLOYMENT BENEFITS
SEPTEMBER 30, 2020**

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	OPEB Covered Payroll ⁽¹⁾	Actual Contribution as a Percentage of Covered Payroll
2017	\$ 8,686	\$ 8,686	\$ - 0 -	\$2,227,272	0.39%
2018	\$ 8,182	\$ 8,182	\$ - 0 -	\$2,153,225	0.38%
2019	\$ 8,623	\$ 8,623	\$ - 0 -	\$2,341,376	0.37%

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

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

All actuarial methods and assumptions used for this analysis were the same as those used in the December 31, 2019 funding valuation. Following are the key assumptions and methods used in this analysis.

Valuation Timing	Actuarially determined contribution rates are calculated 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	Straight-line method over expected working life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary Increases	Does not apply
Investment Rate of Return	2.74%; 20-year Bond GO Index published by bondbuyer.com as of December 31, 2019
Cost-of-Living Adjustments	Does not apply
Retirement, Disability, Termination	Same as funding valuation
Mortality	Same as funding valuation, See Note 10

See accompanying independent auditor's report

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**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

SEPTEMBER 30, 2020

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

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

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order effective February 6, 2020.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 10.80	-0-	N	\$ 2.10 \$ 5.60 \$ 5.80 \$ 6.10	0,001 – 2,000 gallons 2,001 – 6,000 gallons 6,001 – 12,000 gallons 12,001 gallons and up
WASTEWATER:	\$ 16.15	-0-	N	\$ 2.80	0,001 and up

SURCHARGE:

Commission Regulatory Assessments	0.5% of actual water and sewer bill	
Solid Waste Collection	\$21.64	City of Dickinson only

District employs winter averaging for wastewater usage? X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$60.60 Wastewater: \$44.15 Surcharge: \$0.54
Solid Waste \$21.64 Fire Protection \$5.00 Total: \$131.93

See accompanying independent auditor's report.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	8,180	7,671	x 1.0	7,671
1"	356	329	x 2.5	823
1½"	31	26	x 5.0	130
2"	161	153	x 8.0	1,224
3"	27	27	x 15.0	405
4"	19	19	x 25.0	475
6"	7	7	x 50.0	350
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>8,781</u>	<u>8,232</u>		<u>11,078</u>
Total Wastewater Connections	<u>8,598</u>	<u>8,093</u>	x 1.0	<u>8,093</u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons billed to customers:	607,061,000	Water Accountability Ratio: 73.5% (Gallons billed and sold/Gallons pumped and purchased)
Gallons purchased:	832,630,000	From: <u>Gulf Coast Water Authority</u>
Gallons sold:	5,275,000	To: <u>City of Texas City, Texas</u>

See accompanying independent auditor's report.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ___ No X

Does the District have Operation and Maintenance standby fees? Yes ___ No X

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Galveston County, Texas

Is the District located within a city?

Entirely _____ Partly X Not at all _____

Cities in which District is located:

Dickinson, Texas, League City, Texas and Texas City, Texas

Is the District located within a city's extraterritorial jurisdiction (ETJ)?

Entirely _____ Partly X Not at all _____

ETJ's in which District is located:

Texas City, Texas, Dickinson, Texas and League City, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

PERSONNEL EXPENDITURES (Including Benefits)	\$ <u>3,529,313</u>
PROFESSIONAL FEES:	
Auditing	\$ 32,000
Legal	<u>57,652</u>
TOTAL PROFESSIONAL FEES	<u>\$ 89,652</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	<u>\$ 1,383,221</u>
CONTRACTED SERVICES:	
Management and Consulting	\$ 39,201
Janitorial	9,900
Garbage	1,007
Security	3,222
Sludge Hauling	204,839
Billing Statement Services	<u>80,653</u>
TOTAL CONTRACTED SERVICES	<u>\$ 338,822</u>
UTILITIES:	
Electricity, Natural Gas, Telephone	<u>\$ 321,151</u>
REPAIRS AND MAINTENANCE	<u>\$ 996,632</u>

See accompanying independent auditor's report.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

ADMINISTRATIVE AND OTHER EXPENDITURES:

Board Expenditures	\$	2,017
Bad Debt Expense		44,757
Bank Charges		16,278
Consumer Confidence Report		2,056
Credit Card Charges		56,706
Director Fees		21,600
After Hours Dispatch		8,636
Dues		8,781
Education and Training		29,691
Events		8,706
Fuel		32,571
Health Dist.-Pollution Control		12,871
Information Technology		18,100
Insurance		184,689
Laboratory Fees		49,853
Equipment Lease Payments		29,840
Legal Notices		8,313
Office Supplies and Postage		22,807
Regulatory Assessment		50,816
Safety Materials and Supplies		56,949
Uniform/Floor Mat Rental		25,709
Other		<u>12,269</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$	<u>704,015</u>
CAPITAL OUTLAY	\$	<u>575,753</u>
TOTAL EXPENDITURES	\$	<u>7,938,559</u>

Number of persons employed by the District: 42 Full-Time 0 Part-Time

See accompanying independent auditor's report.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
INVESTMENTS
SEPTEMBER 30, 2020**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 5,747,582	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 79,761	\$ - 0 -
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0004	Varies	Daily	\$ 2,514,080	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 8,341,423</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2019	\$	72,608	\$	101,039
Adjustments to Beginning				
Balance		<u>427</u>	\$	<u>(2,790)</u>
		\$	73,035	\$
			<u>98,249</u>	
Original 2019 Tax Levy	\$	1,104,593	\$	276,777
Adjustment to 2019 Tax Levy		<u>45,650</u>	<u>1,150,243</u>	<u>11,438</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	1,223,278	\$
				<u>386,464</u>
TAX COLLECTIONS:				
Prior Years	\$	21,460	\$	11,600
Current Year		<u>1,122,873</u>	<u>1,144,333</u>	<u>281,357</u>
				<u>292,957</u>
TAXES RECEIVABLE -				
SEPTEMBER 30, 2020		<u>\$</u>	<u>78,945</u>	<u>\$</u>
				<u>93,507</u>
TAXES RECEIVABLE BY				
YEAR:				
2019	\$	27,370	\$	6,858
2018		14,338		4,016
2017		9,567		2,558
2016		6,447		4,403
2015		3,868		7,210
2014 and prior		<u>17,355</u>		<u>68,462</u>
TOTAL	\$	78,945	\$	93,507
Allowance for Uncollectible Accounts		<u>(6,846)</u>		<u>(34,423)</u>
		<u>\$</u>	<u>72,099</u>	<u>\$</u>
				<u>59,084</u>

See accompanying independent auditor's report.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
PROPERTY VALUATIONS:				
Land	\$ 256,998,640	\$ 247,043,746	\$ 241,284,154	\$ 223,821,565
Improvements	1,072,512,863	879,581,788	1,063,497,062	868,912,322
Personal Property	105,963,700	103,287,362	103,650,155	109,873,693
Exemptions	<u>(252,739,305)</u>	<u>(170,109,780)</u>	<u>(258,247,579)</u>	<u>(160,088,946)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 1,182,735,898</u>	<u>\$ 1,059,803,116</u>	<u>\$ 1,150,183,792</u>	<u>\$ 1,042,518,634</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.024340	\$ 0.028011	\$ 0.026285	\$ 0.068300
Maintenance	<u>0.097139</u>	<u>0.100000</u>	<u>0.098323</u>	<u>0.100000</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.121479</u>	<u>\$ 0.128011</u>	<u>\$ 0.124608</u>	<u>\$ 0.168300</u>
ADJUSTED TAX LEVY*	<u>\$ 1,438,458</u>	<u>\$ 1,358,547</u>	<u>\$ 1,433,221</u>	<u>\$ 1,756,172</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>97.62 %</u>	<u>98.65 %</u>	<u>99.15 %</u>	<u>99.38 %</u>

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax – Maximum tax rate of \$0.05 per \$100 of assessed valuation approved by voters on November 2, 1993. On May 9, 2015, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.10 per \$100 of assessed valuation of taxable property within the District.

See accompanying independent auditor's report.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020**

S E R I E S - 2 0 1 6			
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1 September 1	Total
2021	\$ 210,000	\$ 68,775	\$ 278,775
2022	205,000	60,475	265,475
2023	205,000	52,275	257,275
2024	205,000	44,075	249,075
2025	205,000	35,875	240,875
2026	205,000	29,212	234,212
2027	205,000	24,088	229,088
2028	205,000	18,962	223,962
2029	205,000	13,838	218,838
2030	205,000	8,456	213,456
2031	205,000	2,819	207,819
2032			
2033			
2034			
	\$ 2,260,000	\$ 358,850	\$ 2,618,850

See accompanying independent auditor's report

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020**

SERIES - 2020 REFUNDING

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	\$	\$ 213,693	\$ 213,693
2022		206,800	206,800
2023	320,000	198,800	518,800
2024	335,000	182,425	517,425
2025	350,000	165,300	515,300
2026	375,000	147,175	522,175
2027	390,000	128,050	518,050
2028	415,000	107,925	522,925
2029	430,000	86,800	516,800
2030	450,000	64,800	514,800
2031	475,000	44,050	519,050
2032	485,000	27,275	512,275
2033	495,000	15,050	510,050
2034	505,000	5,050	510,050
	<u>\$ 5,025,000</u>	<u>\$ 1,593,193</u>	<u>\$ 6,618,193</u>

See accompanying independent auditor's report

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 210,000	\$ 282,468	\$ 492,468
2022	205,000	267,275	472,275
2023	525,000	251,075	776,075
2024	540,000	226,500	766,500
2025	555,000	201,175	756,175
2026	580,000	176,387	756,387
2027	595,000	152,138	747,138
2028	620,000	126,887	746,887
2029	635,000	100,638	735,638
2030	655,000	73,256	728,256
2031	680,000	46,869	726,869
2032	485,000	27,275	512,275
2033	495,000	15,050	510,050
2034	505,000	5,050	510,050
	<u>\$ 7,285,000</u>	<u>\$ 1,952,043</u>	<u>\$ 9,237,043</u>

See accompanying independent auditor's report

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2019
Galveston County Water Control and Improvement District No. 1 Revenue Notes - Series 2010 (2)	\$ 6,500,000	\$ 6,050,000
Galveston County Water Control and Improvement District No. 1 Revenue Refunding Notes - Series 2012 (2)	4,645,000	1,080,000
Galveston County Water Control and Improvement District No. 1 Unlimited Tax Bonds - Series 2016 (1)	3,490,000	2,470,000
Galveston County Water Control and Improvement District No. 1 Revenue Refunding Notes - Series 2020 (2)	<u>5,025,000</u>	<u> </u>
TOTAL	<u>\$ 19,660,000</u>	<u>\$ 9,600,000</u>

Bond Authority:	Original Tax Bonds*
Amount Authorized by Voters	\$ 33,985,500
Amount Issued	<u>28,275,500</u>
Remaining to be Issued	<u>\$ 5,710,000</u>

Debt Service Fund cash and investment balances as of September 30, 2020: \$ 92,604

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 659,789

See Note 3 for interest rates, interest payment dates and maturity dates.

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

(1) The District is reported to have issued approximately fourteen (14) installments of tax bonds in the amount of \$24,785,500 prior to 2016. The Series 2003 Unlimited Tax Refunding Bonds refunded \$3,790,000 of Series 1993 Unlimited Tax Refunding Bonds and \$8,225,000 of Series 1994 Unlimited Tax Bonds. All tax bonds prior to 2016 are paid in full.

See accompanying independent auditor's report

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding September 30, 2020	Paying Agent
	Principal	Interest		
\$	\$ 6,050,000	\$ 155,379	\$	Wells Fargo Bank N.A. Houston, TX
	1,080,000	11,469		Wells Fargo Bank N.A. Dallas, TX
	210,000	77,175	2,260,000	BOKF, N.A. Austin, TX
<u>5,025,000</u>			<u>5,025,000</u>	BOKF, N.A. Dallas, TX
<u>\$ 5,025,000</u>	<u>\$ 7,340,000</u>	<u>\$ 244,023</u>	<u>\$ 7,285,000</u>	

(2) The District has issued the following revenue notes: \$6,395,000 Series 2002-A, \$1,040,000 Series 2002-B, and \$6,500,000 Series 2010. The Series 2012 Revenue Refunding Notes refinanced the Series 2002 Notes. The Series 2020 Revenue Refunding Notes refinanced the Series 2010 Notes.

Reconciliation of Original Tax Bonds Issued:

<u>Series</u>	<u>Amount</u>
2016	\$ 3,490,000
1994	9,000,000
1986	8,000,000
1982	3,205,000
1972	1,500,000
1967	398,500
1962	800,000
1961	700,000
1959	88,000
1958	110,000
1956	400,000
1953	59,000
1950	25,000
1950	500,000
	<u>\$ 28,275,500</u>

See accompanying independent auditor's report

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 1,144,333	\$ 1,053,282	\$ 1,123,963
Water Service	4,076,439	3,484,669	3,368,313
Wastewater Service	3,608,318	3,196,172	3,124,534
Texas City Maintenance Fees	33,507	27,461	29,675
Out of District Surcharge	41,944	35,233	34,407
Grant Revenues	127,592		754,783
Solid Waste Revenues-District Portion	145,254		
Penalty and Interest	74,799	133,941	107,519
Tap Connection and Inspection Fees	229,123	294,967	223,290
Investment Revenues	48,646	113,608	71,949
Miscellaneous Revenues	84,264	525,846	133,928
TOTAL REVENUES	\$ 9,614,219	\$ 8,865,179	\$ 8,972,361
EXPENDITURES			
Payroll	\$ 3,529,313	\$ 3,375,234	\$ 3,124,710
Purchased Bulk Water	1,383,221	1,393,382	1,300,325
Professional Fees	89,652	62,523	76,642
Contracted Services	338,822	276,519	256,625
Repairs and Maintenance	996,632	911,575	516,799
Utilities	321,151	334,704	289,208
Administrative Expenses	704,015	662,785	647,559
Capital Outlay	575,753	682,214	1,812,261
Debt Service:			
Capital Lease Principal			
Interest and Fiscal Fees			
TOTAL EXPENDITURES	\$ 7,938,559	\$ 7,698,936	\$ 8,024,129
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,675,660	\$ 1,166,243	\$ 948,232
OTHER FINANCING SOURCES (USES)			
Transfers (Out)	\$ (339,502)	\$ (590,951)	\$ (922,238)
NET CHANGE IN FUND BALANCE	\$ 1,336,158	\$ 575,292	\$ 25,994
BEGINNING FUND BALANCE	6,163,945	5,588,653	5,562,659
ENDING FUND BALANCE	\$ 7,500,103	\$ 6,163,945	\$ 5,588,653

See accompanying independent auditor's report

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 1,030,345	\$ 684,204	12.0 %	11.9 %	12.6 %	11.8 %	8.3 %
3,710,858	3,644,293	42.4	39.3	37.5	42.7	44.3
3,399,957	3,353,677	37.5	36.1	34.8	39.1	40.8
28,651	29,399	0.3	0.3	0.3	0.3	0.4
32,720	33,931	0.4	0.4	0.4	0.4	0.4
33,648		1.3		8.4	0.4	
		1.5				
121,175	127,039	0.8	1.5	1.2	1.4	1.5
171,753	189,528	2.4	3.3	2.5	2.0	2.3
32,474	13,691	0.5	1.3	0.8	0.4	0.2
130,247	144,785	0.9	5.9	1.5	1.5	1.8
<u>\$ 8,691,828</u>	<u>\$ 8,220,547</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 3,124,947	\$ 2,932,987	36.7 %	38.1 %	34.8 %	36.0 %	35.7 %
1,183,072	1,076,349	14.4	15.7	14.5	13.6	13.1
58,239	60,597	0.9	0.7	0.9	0.7	0.7
201,425	205,648	3.5	3.1	2.9	2.3	2.5
861,661	918,968	10.4	10.3	5.8	9.9	11.2
381,445	392,333	3.3	3.8	3.2	4.4	4.8
707,295	664,653	7.3	7.5	7.2	8.1	8.1
802,872	557,486	6.0	7.7	20.2	9.2	6.8
	41,019					0.5
	2,981					
<u>\$ 7,320,956</u>	<u>\$ 6,853,021</u>	<u>82.5 %</u>	<u>86.9 %</u>	<u>89.5 %</u>	<u>84.2 %</u>	<u>83.4 %</u>
<u>\$ 1,370,872</u>	<u>\$ 1,367,526</u>	<u>17.5 %</u>	<u>13.1 %</u>	<u>10.5 %</u>	<u>15.8 %</u>	<u>16.6 %</u>
<u>\$ (919,196)</u>	<u>\$ (920,803)</u>					
\$ 451,676	\$ 446,723					
<u>5,110,983</u>	<u>4,664,260</u>					
<u>\$ 5,562,659</u>	<u>\$ 5,110,983</u>					

See accompanying independent auditor's report

**GALVESTON COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 292,957	\$ 301,211	\$ 323,895
Penalty and Interest	16,238	14,635	27,001
Miscellaneous Revenues	5,653	23,007	28,294
TOTAL REVENUES	\$ 314,848	\$ 338,853	\$ 379,190
EXPENDITURES			
Tax Collection Expenditures	\$ 22,772	\$ 19,955	\$ 29,254
Debt Service Principal	795,000	790,000	780,000
Debt Service Interest and Fees	245,473	426,955	447,663
Bond Issuance Costs	260,570		
Payment to Refunded Bond Escrow Agent	955,130		
TOTAL EXPENDITURES	\$ 2,278,945	\$ 1,236,910	\$ 1,256,917
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (1,964,097)	\$ (898,057)	\$ (877,727)
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 339,502	\$ (159,557)	\$ 922,238
Long-Term Debt Issued	5,025,000		
Payment to Refunded Bond Escrow Agent	(5,755,114)		
Bond Premium	995,987		
TOTAL OTHER FINANCING SOURCES (USES)	\$ 605,375	\$ (159,557)	\$ 922,238
NET CHANGE IN FUND BALANCE	\$ (1,358,722)	\$ (1,057,614)	\$ 44,511
BEGINNING FUND BALANCE	1,451,326	2,508,940	2,464,429
ENDING FUND BALANCE	\$ 92,604	\$ 1,451,326	\$ 2,508,940
TOTAL ACTIVE RETAIL WATER CONNECTIONS	8,232	8,078	7,951
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	8,093	7,964	7,768

See accompanying independent auditor's report

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 720,002	\$ 1,287,019	93.0 %	88.9 %	85.4 %	94.9 %	97.4 %
25,475	29,484	5.2	4.3	7.1	3.4	2.2
12,869	5,698	1.8	6.8	7.5	1.7	0.4
<u>\$ 758,346</u>	<u>\$ 1,322,201</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 30,300	\$ 29,244	7.2 %	5.9 %	7.7 %	4.0 %	2.2 %
1,155,000	1,875,000	252.5	233.1	205.7	152.3	141.8
475,819	438,409	78.0	126.0	118.1	62.7	33.2
		82.8				
		<u>303.4</u>				
<u>\$ 1,661,119</u>	<u>\$ 2,342,653</u>	<u>723.9 %</u>	<u>365.0 %</u>	<u>331.5 %</u>	<u>219.0 %</u>	<u>177.2 %</u>
<u>\$ (902,773)</u>	<u>\$ (1,020,452)</u>	<u>(623.9) %</u>	<u>(265.0) %</u>	<u>(231.5) %</u>	<u>(119.0) %</u>	<u>(77.2) %</u>
\$ 919,196	\$ 920,803					
<u>\$ 919,196</u>	<u>\$ 920,803</u>					
\$ 16,423	\$ (99,649)					
2,448,006	2,547,655					
<u>\$ 2,464,429</u>	<u>\$ 2,448,006</u>					
<u>7,830</u>	<u>8,003</u>					
<u>7,643</u>	<u>7,732</u>					

See accompanying independent auditor's report

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2020**

District Mailing Address - Galveston County Water Control and
Improvement District No. 1
P. O. Box 307
Dickinson, TX 77539

District Telephone Number - (281) 337-1576

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended September 30, 2020	Expenditures for Travel and Training for the year ended September 30, 2020	Title
John Mitchiner	05/20 05/24 (Elected)	\$ 4,200	\$ 3,080	President
Shamarion Barber	05/20 05/24 (Elected)	\$ 4,200	\$ 515	Vice President
William Gaffey	05/18 05/22 (Elected)	\$ 4,800	\$ 3,037	Secretary/ Treasurer
Jeffrey Spriggins	05/20 05/24 (Elected)	\$ 4,350	\$ 2,560	Director
Garland Copelin	05/18 05/22 (Elected)	\$ 4,050	\$ 75	Director

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form: May 18, 2020

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on July 21, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2020**

Key Administrative Personnel:	<u>Date Hired</u>	<u>Fees for the year ended September 30,2020</u>	<u>Title</u>
Russell D. Grubbs Terminated 7/20/2020	09/26/18	\$ 131,497	Former General Manager/ Investment Officer
Aurora Amaro, CPA	05/16/08	\$ 112,064	Chief Financial Officer/ Investment Officer
Nancy Click	08/28/98	\$ 100,349	Administrative Assistant to General Manager
Darrell Hartwick	09/01/77	\$ 101,890	Superintendent of Treatment Operations
Keith Morgan	07/30/04	\$ 109,592	Superintendent of Water and Wastewater
Consultants:			
Baker Williams Matthiesen LLP	10/31/18	\$ 57,652 \$ 95,325	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	09/17/12	\$ 32,000	Auditor
Linebarger Goggan Blair & Sampson LLP	08/01/03	\$ 9,446	Delinquent Tax Attorney
HDR Engineering, Inc.	08/01/06	\$ 82,767	Engineer
U.S. Capital Advisors	06/13	\$ 84,000	Financial Advisor
Galveston County Tax Assessor	08/01/03	\$ 2,337	Tax Assessor Collector

See accompanying independent auditor's report

