

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

GALVESTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

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

Supplementary 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 an 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 17, 2023

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2022**

Our discussion and analysis of the financial performance of Galveston County Water Control and Improvement District No. 1 (the “District”) provides an overview of the District’s financial activities for the fiscal year ended September 30, 2022. 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, 2022**

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”), pension schedules and other postemployment benefits schedules as well as schedules required by the Texas Commission on Environmental Quality.

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 \$33,967,700 as of September 30, 2022. 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, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

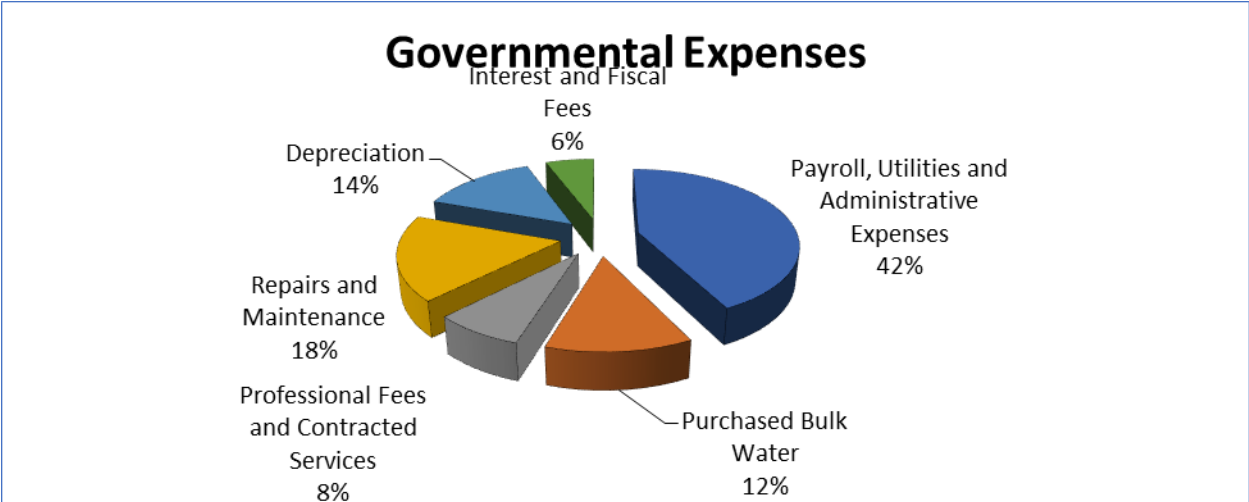
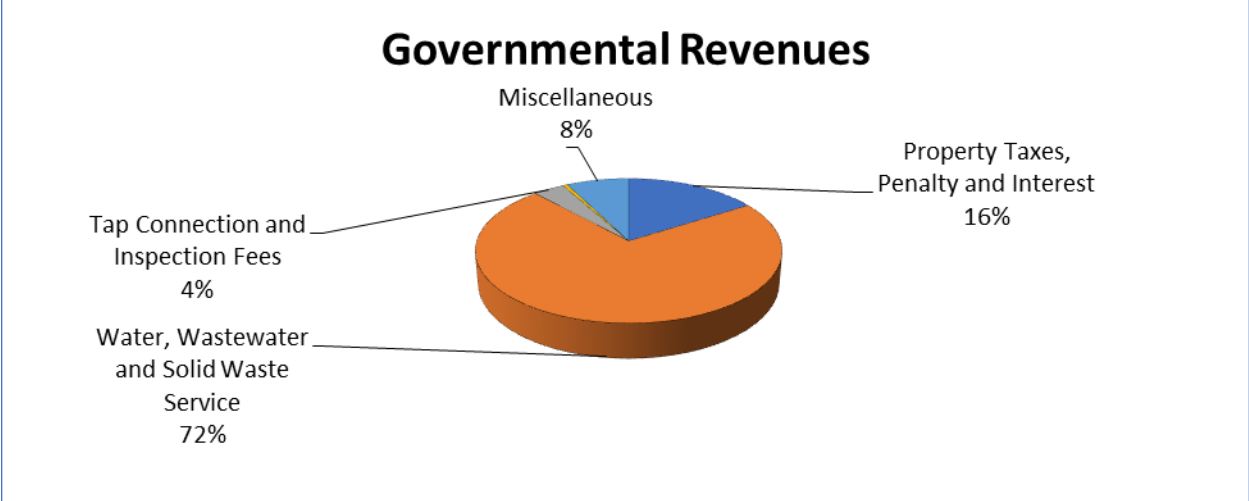
The following is a comparative analysis of government-wide changes in net position:

	<u>Summary of Changes in the Statement of Net Position</u>		
	2022	2021	Change Positive (Negative)
Current and Other Assets	\$ 15,290,021	\$ 9,486,913	\$ 5,803,108
Capital Assets (Net of Accumulated Depreciation)	37,217,040	34,651,937	2,565,103
Total Assets	<u>\$ 52,507,061</u>	<u>\$ 44,138,850</u>	<u>\$ 8,368,211</u>
Deferred Outflows of Resources	\$ 1,310,976	\$ 1,511,116	\$ (200,140)
Long -Term Liabilities	\$ 13,664,110	\$ 7,928,532	\$ (5,735,578)
Other Liabilities	3,385,728	4,458,880	1,073,152
Total Liabilities	<u>\$ 17,049,838</u>	<u>\$ 12,387,412</u>	<u>\$ (4,662,426)</u>
Deferred Inflows of Resources	\$ 2,800,499	\$ 660,135	\$ (2,140,364)
Net Position:			
Net Investment in Capital Assets	\$ 30,113,204	\$ 27,234,780	\$ 2,878,424
Restricted	533,120	353,914	179,206
Unrestricted	3,321,376	5,013,725	(1,692,349)
Total Net Position	<u>\$ 33,967,700</u>	<u>\$ 32,602,419</u>	<u>\$ 1,365,281</u>

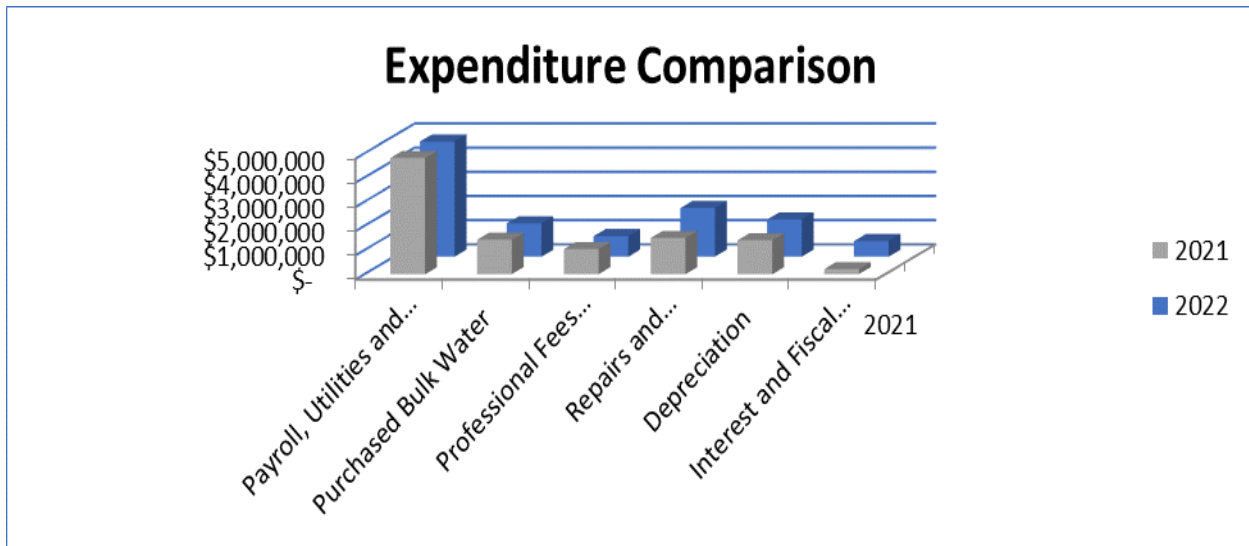
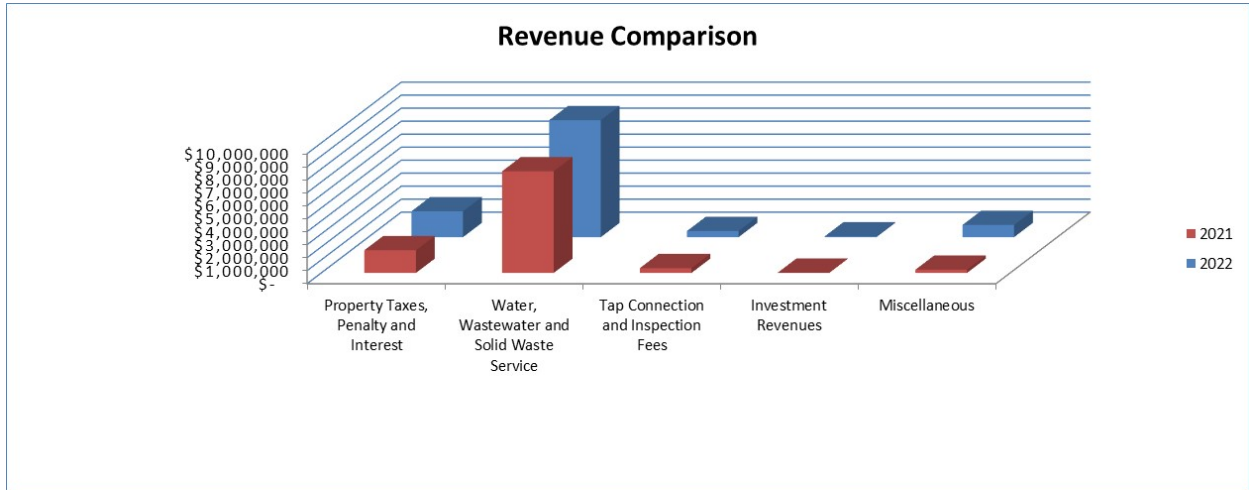
The following table provides a summary of the District's operations for the years ending September 30, 2022, and September 30, 2021. The District's net position increased by \$1,365,281.

	<u>Summary of Changes in the Statement of Activities</u>		
	2022	2021	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,771,999	\$ 1,553,839	\$ 218,160
Charges for Services	9,770,888	8,445,112	1,325,776
Grant Revenues	699,450	40,933	658,517
Other Revenues	218,595	159,668	58,927
Total Revenues	<u>\$ 12,460,932</u>	<u>\$ 10,199,552</u>	<u>\$ 2,261,380</u>
Expenses for Services	<u>11,095,651</u>	<u>10,399,623</u>	<u>(696,028)</u>
Change in Net Position	\$ 1,365,281	\$ (200,071)	\$ 1,565,352
Net Position, Beginning of Year	<u>32,602,419</u>	<u>32,802,490</u>	<u>(200,071)</u>
Net Position, End of Year	<u>\$ 33,967,700</u>	<u>\$ 32,602,419</u>	<u>\$ 1,365,281</u>

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2022**



**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2022**



**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS

The District’s combined fund balances as of September 30, 2022, were \$10,846,347, an increase of \$4,386,876 from the prior year.

The General Fund fund balance decreased by \$411,587, primarily due to operating and administrative expenditures exceeding service revenues and transfers to the Debt Service Fund and the Capital Projects Fund.

The Debt Service Fund fund balance increased by \$206,723, primarily due to the structure of the District’s outstanding debt and a transfer from the General Fund.

The Capital Projects Fund fund balance increased by \$4,591,740, primarily due to the issuance of Series 2022 bonds and a transfer from the general fund offset by payment of current capital outlay costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$380,280 more than budgeted revenues, actual expenditures were \$357,313 less than budgeted expenditures and transfers out were \$63,032 more than budgeted, which resulted in a positive variance of \$674,561. Please see budget to actual comparison for more information.

LONG-TERM DEBT ACTIVITY

As of the fiscal year end, the District had total bond debt payable of \$12,580,000. The changes in the debt position of the District during the fiscal year ended September 30, 2022, are summarized as follows:

Bond Debt Payable, October 1, 2021	\$ 7,075,000
Add: Bond Sale	5,710,000
Less: Bond Principal Paid	<u>205,000</u>
Bond Debt Payable, September 30, 2022	<u>\$ 12,580,000</u>

Standard and Poor’s has issued a rating of “A-” to the Series 2016 Unlimited Tax Bonds, “A+” to the Series 2020 Revenue Refunding Notes, and “A-“ to the Series 2022 Unlimited Tax Bonds. The Series 2016 Unlimited Tax Bonds, the Series 2020 Revenue Refunding Notes, and the Series 2022 Unlimited Tax Bonds carry insured ratings of “AA” by virtue of bond insurance issued by Build America Mutual Assurance Company. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2022**

CAPITAL ASSETS

Capital assets as of September 30, 2022, total \$37,217,040 (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 SCADA installation; 42nd Street, Deats, and Tanglebriar manhole replacements; Sycamore and Longshadow sanitary sewer rehabilitation; Water Wells 6 and 8 rehabilitation; 26th Street lift station and force main replacement; Lobit Water Plant storage tank rehabilitation, water line repairs; sewer line rehabilitation and repairs; four vehicles; and generators. Additional information on the District's capital assets can be found in Note 6.

Capital Assets At Year-End			
	2022	2021	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 115,316	\$ 115,316	\$
Construction in Progress	2,906,328	3,953,787	(1,047,459)
Capital Assets Subject to Depreciation:			
Buildings and Improvements	2,573,651	689,274	1,884,377
Vehicles	2,511,790	2,368,026	143,764
Equipment	1,752,495	1,553,862	198,633
Water System	24,627,512	22,601,881	2,025,631
Wastewater System	38,705,274	37,894,510	810,764
Less Accumulated Depreciation	(35,975,326)	(34,524,719)	(1,450,607)
Total Net Capital Assets	\$ 37,217,040	\$ 34,651,937	\$ 2,565,103

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, 2022**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 1,901,295	\$ 404,984
Investments	3,877,019	80,361
Receivables:		
Property Taxes (Net of Allowance of \$38,757)	77,010	42,734
Penalty and Interest on Delinquent Taxes	41,226	44,656
Service Accounts (Net of Allowance for Doubtful Accounts of \$27,747)	610,486	
Other	28,732	
Due from Other Funds	297,000	
Prepaid Costs	17,947	
Inventory	412,079	
Net Pension Asset		
Right-of-Use Asset (Net of Accumulated Amortization)	45,000	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 7,307,794	\$ 572,735
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Plan Charges	\$	\$
Deferred Other Postemployment Benefits Charges		
Deferred Charges on Refunding Bonds		
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 7,307,794	\$ 572,735

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>
\$ 5,271,206	\$ 2,306,279	\$	\$ 2,306,279
	9,228,586		9,228,586
	119,744		119,744
	85,882		85,882
	610,486		610,486
371,250	399,982		399,982
	297,000	(297,000)	
	17,947	21,601	39,548
	412,079		412,079
		1,582,047	1,582,047
	45,000	460,388	505,388
		115,316	115,316
		2,906,328	2,906,328
		34,195,396	34,195,396
<u>\$ 5,642,456</u>	<u>\$ 13,522,985</u>	<u>\$ 38,984,076</u>	<u>\$ 52,507,061</u>
\$	\$	\$ 1,148,698	\$ 1,148,698
		32,045	32,045
		130,233	130,233
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,310,976</u>	<u>\$ 1,310,976</u>
<u>\$ 5,642,456</u>	<u>\$ 13,522,985</u>	<u>\$ 40,295,052</u>	<u>\$ 53,818,037</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, 2022**

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 653,279	\$
Accrued Interest Payable		
Due to Other Funds		
Compensated Absences Payable		
Security Deposits	1,341,753	
Net Other Postemployment Benefit Liability		
Long-Term Liabilities:		
Leases Payable, Due Within One Year		
Leases Payable, Due After One Year		
Bonds and Notes Payable, Due Within One Year		
Bonds and Notes Payable, Due After One Year		
TOTAL LIABILITIES	\$ 1,995,032	\$ -0-
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 77,010	\$ 42,734
Penalty and Interest on Delinquent Taxes	41,226	44,656
Office Lease	6	
Deferred Pension Plan Charges		
Deferred Other Postemployment Benefit Charges		
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 118,242	\$ 87,390
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 17,947	\$
Inventory	412,079	
Restricted for Authorized Construction		
Restricted for Debt Service		485,345
Committed:		
Capital Asset-Software	250,000	
Vehicle Replacement	99,915	
System Maintenance	1,799,838	
Self-Insured Insurance	81,134	
Unassigned	2,533,607	
TOTAL FUND BALANCES	\$ 5,194,520	\$ 485,345
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,307,794	\$ 572,735
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
\$ 178,974	\$ 832,253	\$	\$ 832,253
		39,615	39,615
297,000	297,000	(297,000)	
		257,623	257,623
	1,341,753		1,341,753
		135,608	135,608
		68,876	68,876
		391,512	391,512
		710,000	710,000
		13,272,598	13,272,598
<u>\$ 475,974</u>	<u>\$ 2,471,006</u>	<u>\$ 14,578,832</u>	<u>\$ 17,049,838</u>
\$	\$ 119,744	\$ (119,744)	\$
	85,882	(85,882)	
	6		6
		2,789,827	2,789,827
		10,666	10,666
<u>\$ -0-</u>	<u>\$ 205,632</u>	<u>\$ 2,594,867</u>	<u>\$ 2,800,499</u>
\$	\$ 17,947	\$ (17,947)	\$
	412,079	(412,079)	
5,166,482	5,166,482	(5,166,482)	
	485,345	(485,345)	
	250,000	(250,000)	
	99,915	(99,915)	
	1,799,838	(1,799,838)	
	81,134	(81,134)	
	2,533,607	(2,533,607)	
<u>\$ 5,166,482</u>	<u>\$ 10,846,347</u>	<u>\$ (10,846,347)</u>	<u>\$ - 0 -</u>
<u>\$ 5,642,456</u>	<u>\$ 13,522,985</u>		
		\$ 30,113,204	\$ 30,113,204
		533,120	533,120
		3,321,376	3,321,376
		<u>\$ 33,967,700</u>	<u>\$ 33,967,700</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, 2022**

Total Fund Balances - Governmental Funds \$ 10,846,347

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. 21,601

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. 130,233

The net pension asset as well as certain pension plan charges and other postemployment benefit charges that are not immediately recognized are recorded as deferred inflows or deferred outflows of resources. (37,703)

Capital assets and right-of-use assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 37,677,428

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2021 and prior tax levies became part of recognized revenue in the governmental activities of the District. 205,626

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	\$ (257,623)	
Accrued Interest Payable	(39,615)	
Net Other Postemployment Benefit Liability	(135,608)	
Leases Payable	(460,388)	
Bonds and Notes Payable	<u>(13,982,598)</u>	<u>(14,875,832)</u>

Total Net Position - Governmental Activities \$ 33,967,700

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, 2022**

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,508,194	\$ 265,078
Water Service	4,600,267	
Wastewater Service	4,100,866	
Texas City Maintenance Fees	32,716	
Out of District Surcharge	44,598	
Grant Revenues		
Solid Waste Revenues-District Portion	301,459	
Penalty and Interest	203,472	17,469
Tap Connection and Inspection Fees	471,642	
Investment Revenues	27,192	644
Miscellaneous Revenues	154,144	
TOTAL REVENUES	\$ 11,444,550	\$ 283,191
EXPENDITURES/EXPENSES		
Service Operations:		
Payroll	\$ 3,839,654	\$
Purchased Bulk Water	1,376,228	
Professional Fees	84,177	
Contracted Services	735,189	26,546
Repairs and Maintenance	1,832,764	
Utilities	330,388	
Administrative Expenses	899,432	800
Depreciation and Amortization		
Capital Outlay	1,999,995	
Debt Service:		
Bond Principal		205,000
Bond Interest		360,997
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	\$ 11,097,827	\$ 593,343
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 346,723	\$ (310,152)
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ (758,310)	\$ 423,153
Proceeds from Issuance of Long-Term Debt		93,722
Bond Premium		
TOTAL OTHER FINANCING SOURCES (USES)	\$ (758,310)	\$ 516,875
NET CHANGE IN FUND BALANCES	\$ (411,587)	\$ 206,723
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION		
OCTOBER 1, 2021	5,606,107	278,622
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2022	\$ 5,194,520	\$ 485,345

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,773,272	\$ (1,273)	\$ 1,771,999
	4,600,267		4,600,267
	4,100,866		4,100,866
	32,716		32,716
	44,598		44,598
699,450	699,450		699,450
	301,459		301,459
	220,941	(1,601)	219,340
	471,642		471,642
36,615	64,451		64,451
	154,144		154,144
<u>\$ 736,065</u>	<u>\$ 12,463,806</u>	<u>\$ (2,874)</u>	<u>\$ 12,460,932</u>
\$	\$ 3,839,654	\$ (295,535)	\$ 3,544,119
	1,376,228		1,376,228
	84,177		84,177
	761,735		761,735
83,477	1,916,241	(66,086)	1,850,155
	330,388		330,388
	900,232		900,232
		1,609,348	1,609,348
2,108,370	4,108,365	(4,108,365)	
	205,000	(205,000)	
	360,997	(70,334)	290,663
348,606	348,606		348,606
<u>\$ 2,540,453</u>	<u>\$ 14,231,623</u>	<u>\$ (3,135,972)</u>	<u>\$ 11,095,651</u>
<u>\$ (1,804,388)</u>	<u>\$ (1,767,817)</u>	<u>\$ 3,133,098</u>	<u>\$ 1,365,281</u>
\$ 335,157	\$ 5,710,000	\$ (5,710,000)	\$
5,616,278	444,693	(444,693)	
<u>444,693</u>	<u>6,154,693</u>	<u>(6,154,693)</u>	<u>\$ -0-</u>
<u>\$ 6,396,128</u>	<u>\$ 4,386,876</u>	<u>\$ (4,386,876)</u>	<u>\$</u>
\$ 4,591,740		1,365,281	1,365,281
<u>574,742</u>	<u>6,459,471</u>	<u>26,142,948</u>	<u>32,602,419</u>
<u>\$ 5,166,482</u>	<u>\$ 10,846,347</u>	<u>\$ 23,121,353</u>	<u>\$ 33,967,700</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, 2022**

Net Change in Fund Balances - Governmental Funds \$ 4,386,876

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. (1,273)

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. (1,601)

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. (1,543,262)

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. 4,108,365

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. 295,535

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. (444,693)

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. 205,000

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. 70,334

Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position. (5,710,000)

Change in Net Position - Governmental Activities \$ 1,365,281

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, 2022**

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, 2022**

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

The District's fund financial statements are combined with the government-wide financial statements. The fund financial 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, 2022**

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. As of September 30, 2022, the Capital Projects Fund owed the General Fund \$297,000 for engineering services related to capital projects previously paid by the General Fund.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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

The District has established a pension plan (Note 9) and an other postemployment benefits plan (Note 10) for the benefit of District employees only (Directors excluded). The Internal Revenue Service has determined that the directors are considered to be employees for federal payroll tax purposes only.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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 System Maintenance, 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 Board approved transferring the \$350,000 held as committed in the General Fund to the Capital Projects fund for current year activity. The dollar amounts for System Maintenance 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, 2022**

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	Series 2022 Tax Bonds
Amount Outstanding - September 30, 2022	\$ 1,845,000	\$ 5,025,000	\$ 5,710,000
Interest Rates	2.50% - 4.00%	2.00% - 5.00%	3.00% - 5.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2023/2031	March 1, 2023/2034	March 1, 2023/2042
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2025*	March 1, 2029*	March 1, 2031*

* 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, 2029, and 2031, are subject to mandatory redemption. Series 2022 term bonds maturing on March 1, 2031, 2035, 2038, and 2042, are subject to mandatory redemption.

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 all its available bond authorization of \$33,985,500.

The Series 2016 and Series 2022 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, 2022**

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, 2022:

	October 1, 2021	Additions	Retirements	September 30, 2022
Bonds/Notes Payable	\$ 7,075,000	\$ 5,710,000	\$ 205,000	\$ 12,580,000
Unamortized Premiums	1,058,532	444,692	100,626	1,402,598
Bonds/Notes Payable, Net	\$ 8,133,532	\$ 6,154,692	\$ 305,626	\$ 13,982,598
		Amount Due Within One Year		\$ 710,000
		Amount Due After One Year		13,272,598
		Bonds/Notes Payable, Net		\$ 13,982,598

As of September 30, 2022, the debt service requirements on the bonds and notes outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 710,000	\$ 458,650	\$ 1,168,650
2024	735,000	424,575	1,159,575
2025	760,000	389,250	1,149,250
2026	795,000	353,962	1,148,962
2027	820,000	318,713	1,138,713
2028-2032	4,380,000	1,025,650	5,405,650
2033-2037	2,565,000	412,275	2,977,275
2038-2042	1,815,000	139,575	1,954,575
	\$ 12,580,000	\$ 3,522,650	\$ 16,102,650

During the current fiscal year, the District levied an ad valorem debt service tax rate of \$0.016613 per \$100 of assessed valuation, which resulted in a tax levy of \$262,504 on the adjusted taxable valuation of \$1,579,816,427 for the 2021 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 the 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, 2022**

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The resolution authorizing the sale of the 2020 Refunding Revenue Notes does 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 District's policy is to maintain a minimum fund balance of 25% of the reserve fund requirement. The District is in compliance with this policy. For the year ended September 30, 2022, the reserve fund balance was \$400,473.

The Series 2016 and Series 2022 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 each five-year anniversary of the bonds.

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 \$2,306,279 and the bank balance was \$2,278,755. 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, 2022**

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, 2022, as listed below:

	Cash
GENERAL FUND	\$ 1,901,295
DEBT SERVICE FUND	404,984
TOTAL DEPOSITS	\$ 2,306,279

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, 2022**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2022, the District had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 3,877,019	\$ 3,877,019
<u>DEBT SERVICE FUND</u>		
TexPool	80,361	80,361
<u>CAPITAL PROJECTS FUND</u>		
TexPool	<u>5,271,206</u>	<u>5,271,206</u>
TOTAL INVESTMENTS	<u>\$ 9,228,586</u>	<u>\$ 9,228,586</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2022, 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, 2022**

NOTE 6. CAPITAL ASSETS

Capital asset activity for the current fiscal year are summarized in the following table:

	October 1, 2021	Increases	Decreases	September 30, 2022
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 115,316	\$	\$	\$ 115,316
Construction in Progress	<u>3,953,787</u>	<u>4,108,365</u>	<u>5,155,824</u>	<u>2,906,328</u>
Total Capital Assets Not Being Depreciated	<u>\$ 4,069,103</u>	<u>\$ 4,108,365</u>	<u>\$ 5,155,824</u>	<u>\$ 3,021,644</u>
Capital Assets Subject to Depreciation				
Buildings and Improvements	\$ 689,274	\$ 1,884,377	\$	\$ 2,573,651
Vehicles	2,368,026	236,419	92,655	2,511,790
Equipment	1,553,862	198,633		1,752,495
Water System	22,601,881	2,025,631		24,627,512
Wastewater System	<u>37,894,510</u>	<u>810,764</u>		<u>38,705,274</u>
Total Capital Assets Subject to Depreciation	<u>\$ 65,107,553</u>	<u>\$ 5,155,824</u>	<u>\$ 92,655</u>	<u>\$ 70,170,722</u>
Accumulated Depreciation				
Buildings and Improvements	\$ 443,218	\$ 16,911	\$	\$ 460,129
Vehicles	1,601,713	106,753	92,655	1,615,811
Equipment	1,022,759	67,454		1,090,213
Water System	13,002,804	495,409		13,498,213
Wastewater System	<u>18,454,225</u>	<u>856,735</u>		<u>19,310,960</u>
Total Accumulated Depreciation	<u>\$ 34,524,719</u>	<u>\$ 1,543,262</u>	<u>\$ 92,655</u>	<u>\$ 35,975,326</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 30,582,834</u>	<u>\$ 3,612,562</u>	<u>\$ - 0 -</u>	<u>\$ 34,195,396</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 34,651,937</u>	<u>\$ 7,720,927</u>	<u>\$ 5,155,824</u>	<u>\$ 37,217,040</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 \$0.095993 per \$100 of assessed valuation, which resulted in a tax levy of \$1,516,798 on the adjusted taxable valuation of \$1,579,816,427 for the 2021 tax year.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 8. EMPLOYER-FUNDED INSURANCE BENEFITS

Effective February 2021, the District implemented a Health Reimbursement Arrangement (HRA) plan to cover qualified medical, dental and vision expenses for its employees up to a fixed dollar amount per year. At the time of enrollment, employees are provided with a reimbursement amount that is tax-free and is based on the employee’s elected medical insurance coverage level. All employees in the same coverage level receives the same HRA contribution. Unused amounts do not roll over from one year to the next but remain with the District.

Prior to implementation of the new HRA plan, in March 2019, the District replaced the self-insured medical deductible reimbursement plan with a group hospital confinement indemnity insurance plan administered by an external insurance provider. The employer-funded plan reimburses eligible medical out-of-pocket expenses to employees. This plan was discontinued January 2022. An earlier modification to the employer provided insurance benefits happened in December 2015, the District replaced the self-insured group insurance benefits for dental and vision with an external insurance provider. Reimbursements for orthodontics continue to be an employer self-insured benefit with established limits and eligible requirements.

The District commits a discretionary amount each month which is reported as a commitment of fund balance. Employees contribute for dependent coverage. The commitment of the employer provided insurance fund balance as of September 30, 2022 is as follows:

Self-Insured Plans	
Committed as of October 1, 2021	\$ 108,088
Contributions	165
Claims	(27,119)
Committed as of September 30, 2022	\$ 81,134

NOTE 9. PENSION PLAN

Plan Description

The District provides retirement, disability, and death benefits for all of its full-time and part-time non-temporary 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 annual comprehensive financial report 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.

**GALVESTON COUNTY WATER CONTROL AND
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NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 9. PENSION PLAN (Continued)

Plan Description (Continued)

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.

At the valuation date of December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	20
Inactive employees entitled but not yet receiving benefits	27
Active employees	46

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 may elect to pay a higher rate to reduce the Unfunded Accrued Actuarial Liability (UAAL). The required employer contribution rate was 11.31% for the months of the accounting year 2021 and 13.99% for the accounting year 2022; however, the employer actually contributed using the actuarially determined rate of 12.81%, for the months of the accounting year 2021 and 15.49% for the accounting year 2022. The contribution rate payable by the employee members for calendar year 2021 and 2022 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. For the District's accounting year ending September 30, 2022, the annual pension cost for the TCDRS plan for its employees was \$343,231, and the actual contributions were \$382,069.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 9. PENSION PLAN (Continued)

Actuarial Methods and Assumptions

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, 2021, the basis for determining the contribution rates for calendar year 2021. The December 31, 2021 actuarial valuation is the most recent valuation.

	<u>Valuation Information</u>
Actuarial valuation date	12/31/21
Actuarial cost method	entry age
Amortization method	Straight-line over the expected working life
Asset Valuation Method	non-asymptotic
Actuarial Assumptions:	
Investment return ¹	7.6%
Projected salary increases ¹	2.25%
Inflation	2.50%

¹Includes inflation at the stated rate

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 7.50%, 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.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 9. PENSION PLAN (Continued)

Actuarial Methods and Assumptions (Continued)

Mortality rates were based on the following: 135% of the Pub-2010 General Employees Amount Weighted Mortality Table for males and 120% of the Pub-2010 General Employees Amount Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

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 January 2022 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 March 2021.

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	11.50 %	3.80 %
Private Equity	25.00	6.80
Global Equities	2.50	4.10
International Equities-Developed Markets	5.00	3.80
International Equities-Emerging Markets	6.00	4.30
Investment-Grade Bonds	3.00	(0.85)
Strategic Credit	9.00	1.77
Direct Lending	16.00	6.25
Distressed Debt	4.00	4.50
REIT Equities	2.00	3.10
Master Limited Partnerships (MLPs)	2.00	3.85
Private Real Estate Partnerships	6.00	5.10
Hedge Funds	6.00	1.55
Cash Equivalents	2.00	(1.05)
	100.00 %	

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 9. PENSION PLAN (Continued)

Net Pension Liability

Changes in Net Pension Liability/(Asset) are summarized in the following table:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances of December 31, 2020	\$ 19,915,061	\$ 18,876,329	\$ 1,038,732
Changes for the year:			
Service Costs	356,430		356,430
Interest on total pension liability	1,517,024		1,517,024
Effect of plan changes	353,278		353,278
Effect of economic/demographic gains or losses	(230,514)		(230,514)
Effect of assumption changes or inputs	(5,612)		(5,612)
Refund of contributions	(43,204)	(43,204)	
Benefit payments	(589,681)	(589,681)	
Administrative Expense		(12,365)	12,365
Member contributions		174,017	(174,017)
Net investment income		4,130,062	(4,130,062)
Employer contributions		318,450	(318,450)
Other		1,221	(1,221)
Balances of December 31, 2021	<u>\$ 21,272,782</u>	<u>\$ 22,854,829</u>	<u>\$ (1,582,047)</u>

Sensitivity Analysis - The following presents the net pension liability of the District, calculated using the discount rate of 7.60%, 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 (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1%	Current	1%
	Decrease	Discount Rate	Increase
	6.6%	7.6%	8.6%
Total pension liability	\$ 24,024,247	\$ 21,272,782	\$ 18,941,067
Piduciary net position	22,854,829	22,854,829	22,854,829
Net pension liability/(asset)	<u>\$ 1,169,418</u>	<u>\$ (1,582,047)</u>	<u>\$ (3,913,762)</u>

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 9. PENSION PLAN (Continued)

At the valuation date of December 31, 2021, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 37,240	\$ 204,952
Changes of assumptions	688,573	4,209
Net differences between projected and actual earnings		2,580,666
Contributions subsequent to the measurement date	422,885	
Total	<u>\$ 1,148,698</u>	<u>\$ 2,789,827</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:	
2022	\$ (382,790)
2023	(684,328)
2024	(456,673)
2025	(540,223)
2026	-0-
Thereafter	-0-

The District made plan contributions subsequent to the measurement date and prior to the fiscal year-end of \$422,885, which are recorded as deferred outflows of resources.

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 TCERS 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 TCERS 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.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan Description - Group Term Life Program (Continued)

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 2021, the required employer contribution rate was 0.39%; and for the months of the accounting years 2022 the required employer contribution rate was 0.38%. The District's contributions to the GTL program for the fiscal year ending September 30, 2022, were \$9,910.

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

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, 2021, 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	12
Active employees	46

Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial assumptions and methods that determined the total OPEB liability as of December 31, 2021 were based on the results of an actuarial experience study for the period January 1, 2017 - December 31, 2020, 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.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions Used for GASB Calculations (Continued)

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) - 2.06% 20 Year Bond GO Index published by bondbuyer.com as of December 31, 2021

Cost-of-Living Adjustment - Does not apply

Mortality rates were based on the following:

Depositing members – 135% of the Pub-2010 General Employees Amount Weighted Mortality Table for males and 120% of the Pub-2010 General Employees Amount Weighted Mortality Table for females, projected with 100% of the MP-2021 Ultimate Scale after 2010.

Service retirees, beneficiaries and non-depositing members – 135% of the Pub-2010 General Healthy Retirees Amount Weighted Mortality Table for males and 120% of the Pub-2010 General Healthy Retirees Amount Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Disabled retirees - 160% of the Pub-2010 General Disabled Retirees Amount Weighted Mortality Table for males and 125% of the Pub-2010 General Disabled Retirees Amount Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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 2.06%. 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 2.06% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2021. 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, 2020	\$ 138,616
Changes for the year:	
Service Costs	4,016
Interest on total OPEB liability	2,971
Effect of economic/demographic gains or losses	(7,032)
Effect of assumption changes or inputs	2,009
Benefit payments	(4,972)
Balances of December 31, 2021	\$ 135,608

Sensitivity Analysis - The following presents the total OPEB liability of the District, calculated using the discount rate of 2.06%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.06%) or 1 percentage point higher (3.06%) than the current rate.

	1% Decrease 1.06%	Current Discount Rate 2.06%	1% Increase 3.06%
Total OPEB liability	\$ 164,438	\$ 135,608	\$ 113,070

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

At the valuation date of December 31, 2021, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,875	\$ 7,024
Changes of assumptions	22,025	3,642
Contributions subsequent to the measurement date	7,145	
Total	\$ 32,045	\$ 10,666

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:	
2022	\$ 6,953
2023	5,186
2024	1,050
2025	1,045
2026	-0-
Thereafter	-0-

The District made plan contributions subsequent to the measurement date and prior to the fiscal year-end of \$7,145, which are recorded as deferred outflows of resources.

NOTE 11. CONTRACTS FOR WATER AND SEWER SERVICES

LEAGUE CITY CONTRACT

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. No actual sale of water has taken place since February 2017.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 11. CONTRACTS FOR WATER AND SEWER SERVICES Continued)

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 30-year agreement expired September 30, 2020. The District has made verbal arrangements with Texas City to continue the terms of the agreement until further notice. For the year ended September 30, 2022, Texas City paid the District \$32,716 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. 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.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 12. SURFACE WATER SUPPLY CONTRACT (Continued)

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 \$1,376,228 for treated water delivered to the District in the current year.

NOTE 13. SYSTEM MAINTENANCE OF THE WATER AND SEWER SYSTEM

The District has committed maintenance tax proceeds to fund the cost of system maintenance. On October 1, 2021, the reserve was \$1,732,553. In the current fiscal year, the reserved fund generated \$1,530,953 in total revenue including maintenance tax revenues of \$1,508,194. Expenditures of the fund for system maintenance were \$1,463,668, resulting in a committed fund balance at the fiscal year-end of \$1,799,838.

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. The District's prior year accrued compensated absences balance of \$258,477 was increased by \$218,234 for additional accruals and reduced by \$219,088 for payments made which resulted in an ending accrued compensated absences payable balance of \$257,623.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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. BUILDING LEASE

In 2007 the District entered into a 22-year noncancelable operating lease with the City of Dickinson for office building space. The District was required to implement Governmental Accounting Standards Statement No. 87 during the current fiscal year which converted this operating lease into a capital lease. As a result, the District recorded a right-of-use asset with a beginning of the fiscal year balance of \$526,474 and an end of year balance of \$460,388 after taking into account the current year amortization expense of \$66,086.

Current year principal lease payments totaled \$66,086 which reduced the lease payable balance as of the beginning of the period from \$526,474 to an end of year balance of \$460,388. Future lease payments are summarized in the following table. Interest is based on the 5% rate used in Schedule B of the agreement.

Fiscal Year	Principal	Interest	Total
2023	\$ 68,876	\$ 18,088	\$ 86,964
2024	71,810	15,154	86,964
2025	74,894	12,071	86,965
2026	78,136	8,828	86,964
2027	81,544	5,420	86,964
2028	85,128	1,837	86,965
	<u>\$ 460,388</u>	<u>\$ 61,398</u>	<u>\$ 521,786</u>

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 16. BUILDING LEASE (Continued)

Scheduled lease payments (“Base Rent”) are to be made annually through fiscal year end 2028. Upon final payment of the schedule above, 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 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. Lease payments for the fiscal year ended September 30, 2022 totaled \$86,965. The District is responsible for paying its own utilities and other shared resources with the City including information technology and capital improvements.

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, 2022	105,000
Amounts to be recognized in the next five years and beyond:	
Rent Expense, 2023	\$ 7,500
Rent Expense, 2024	7,500
Rent Expense, 2025	7,500
Rent Expense, 2026	7,500
Rent Expense, 2027	7,500
Rent Expense to be recognized, thru 2028	<u>7,500</u>
Total Expense remaining to be recognized	<u>\$ 45,000</u>

NOTE 17. INTERFUND TRANSFERS

During the current fiscal year, the General Fund transferred \$423,153 to the Debt Service Fund to provide for a portion of the District’s debt service payments and \$335,157 to the Capital Projects Fund for capital expenditures.

NOTE 18. GRANT PROGRAM

On May 21, 2021, the Texas General Land Office Community Development and Revitalization division (GLO-CDR) approved the District’s grant application for the Mitigation Harvey Round 1 HUD Most Impacted and Distressed Competition. The funds were awarded under the Community Development Block Grant Disaster Recovery (CDBG-DR) in the amount of \$8,107,921 to be used for water system improvements. The funds were awarded under contract 22-085-035-D279 and require a \$81,079 District match. As of fiscal year-end, the District has received \$699,450 under this program, of which \$371,250 is recorded as grants receivable.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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.

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. A “connection” means a Single-Family Residential Unit or each commercial or industrial establishment to which drinking water is supplied from the District’s water system. 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. For the year ended September 30, 2022, the District’s total collections remitted to VFD were \$518,570.

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. For the year ended September 30, 2022, the District’s total collections for solid waste services were \$2,128,859. This includes the District’s revenue portion of \$301,458. Total Solid Waste Fund Balance included in General Fund is \$435,854.

NOTE 21. BOND SALE

On March 22, 2022, the District closed on the sale of its \$5,710,000 Unlimited Tax Bonds, Series 2022. Proceeds of the bonds are being used to finance the Lobit Water Plant elevated storage tank rehabilitation, 26th Street lift station force main replacement, County Barn and Hughes Lane lift stations rehabilitation, Wastewater Treatment Plant process improvements, West Water Plant improvements, costs of related professional services, and certain bond issuance costs.

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

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2022

**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, 2022**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,536,242	\$ 1,508,194	\$ (28,048)
Water Service	4,496,341	4,600,267	103,926
Wastewater Service	4,072,459	4,100,866	28,407
Texas City Maintenance Fees	31,750	32,716	966
Out of District Surcharge	45,905	44,598	(1,307)
Solid Waste Revenues-District Portion	313,850	301,459	(12,391)
Penalty and Interest	143,817	203,472	59,655
Tap Connection and Inspection Fees	304,000	471,642	167,642
Investment Revenues	2,606	27,192	24,586
Miscellaneous Revenues	117,300	154,144	36,844
TOTAL REVENUES	\$ 11,064,270	\$ 11,444,550	\$ 380,280
EXPENDITURES			
Service Operations:			
Payroll	\$ 4,073,298	\$ 3,839,654	\$ 233,644
Purchased Bulk Water	1,509,532	1,376,228	133,304
Professional Fees	95,000	84,177	10,823
Contracted Services	563,860	735,189	(171,329)
Repairs and Maintenance	1,971,499	1,832,764	138,735
Utilities	332,500	330,388	2,112
Administrative Expenses	977,845	899,432	78,413
Capital Outlay	1,931,606	1,999,995	(68,389)
TOTAL EXPENDITURES	\$ 11,455,140	\$ 11,097,827	\$ 357,313
EXCESS (DEFICIENCY) OF			
REVENUES OVER EXPENDITURES	\$ (390,870)	\$ 346,723	\$ 737,593
OTHER FINANCING SOURCES(USES)			
Transfer (Out)	\$ (695,278)	\$ (758,310)	\$ (63,032)
NET CHANGE IN FUND BALANCE	\$ (1,086,148)	\$ (411,587)	\$ 674,561
FUND BALANCE - OCTOBER 1, 2021	5,606,107	5,606,107	
FUND BALANCE - SEPTEMBER 30, 2022	\$ 4,519,959	\$ 5,194,520	\$ 674,561

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, 2022**

	Year Ended December 31,		
	2014	2015	2016
Total Pension Liability			
Service Cost	\$ 260,251	\$ 257,071	\$ 285,375
Interest on total pension liability	896,243	975,992	1,041,383
Effect of plan changes		(41,727)	
Effect of economic/demographic (gains) or losses	106,808	(133,252)	30,556
Effect of assumption changes or inputs		85,000	
Benefit payments/refunds of contributions	<u>(280,604)</u>	<u>(316,915)</u>	<u>(340,451)</u>
Net change in total pension liability	\$ 982,698	\$ 826,169	\$ 1,016,863
Total pension liability, beginning	<u>11,074,712</u>	<u>12,057,410</u>	<u>12,883,579</u>
Total pension liability, ending (a)	<u>\$ 12,057,410</u>	<u>\$ 12,883,579</u>	<u>\$ 13,900,442</u>
Fiduciary Net Position			
Employer contributions	\$ 256,264	\$ 246,203	\$ 455,136
Member contributions	134,876	137,433	141,855
Investment income net of investment expenses	733,079	(142,323)	863,525
Benefit payments/refunds of contributions	(280,604)	(316,915)	(340,451)
Administrative Expense	(8,707)	(8,420)	(9,383)
Other	<u>26,296</u>	<u>18,510</u>	<u>57,555</u>
Net change in fiduciary net position	\$ 861,204	\$ (65,512)	\$ 1,168,237
Fiduciary net position, beginning	<u>10,860,380</u>	<u>11,721,584</u>	<u>11,656,072</u>
Fiduciary net position, ending (b)	<u>\$ 11,721,584</u>	<u>\$ 11,656,072</u>	<u>\$ 12,824,309</u>
Net pension liability/(asset), ending = (a) - (b)	<u>\$ 335,826</u>	<u>\$ 1,227,507</u>	<u>\$ 1,076,133</u>
Fiduciary net position as a percentage of total pension liability	97.21%	90.47%	92.26%
Pensionable covered payroll	\$ 1,926,799	\$ 1,963,335	\$ 2,026,501
Net pension liability as a percentage of covered payroll	17.43%	62.52%	53.10%

See accompanying independent auditor's report.

2017	2018	2019	2020	2021
\$ 289,323	\$ 288,312	\$ 310,646	\$ 305,299	\$ 356,430
1,135,127	1,224,645	1,324,172	1,427,877	1,517,024
	52,874			353,278
72,527	31,391	77,401	(53,445)	(230,514)
(17,470)	0		1,147,623	(5,612)
<u>(358,689)</u>	<u>(388,564)</u>	<u>(393,206)</u>	<u>(461,224)</u>	<u>(632,885)</u>
\$ 1,120,818	\$ 1,208,658	\$ 1,319,013	\$ 2,366,130	\$ 1,357,721
<u>13,900,442</u>	<u>15,021,260</u>	<u>16,229,918</u>	<u>17,548,931</u>	<u>19,915,061</u>
<u>\$ 15,021,260</u>	<u>\$ 16,229,918</u>	<u>\$ 17,548,931</u>	<u>\$ 19,915,061</u>	<u>\$ 21,272,782</u>
\$ 295,113	\$ 374,536	\$ 298,526	\$ 310,101	\$ 318,450
155,909	150,726	163,896	169,454	174,017
1,873,387	(273,847)	2,403,782	1,766,862	4,130,062
(358,689)	(388,564)	(393,206)	(461,224)	(632,885)
(9,830)	(11,757)	(13,033)	(13,812)	(12,365)
<u>1,144</u>	<u>5,557</u>	<u>4,752</u>	<u>2,237</u>	<u>1,221</u>
\$ 1,957,034	\$ (143,349)	\$ 2,464,717	\$ 1,773,618	\$ 3,978,500
<u>12,824,309</u>	<u>14,781,343</u>	<u>14,637,994</u>	<u>17,102,711</u>	<u>18,876,329</u>
<u>\$ 14,781,343</u>	<u>\$ 14,637,994</u>	<u>\$ 17,102,711</u>	<u>\$ 18,876,329</u>	<u>\$ 22,854,829</u>
<u>\$ 239,917</u>	<u>\$ 1,591,924</u>	<u>\$ 446,220</u>	<u>\$ 1,038,732</u>	<u>\$ (1,582,047)</u>
98.40%	90.19%	97.46%	94.78%	107.44%
\$ 2,227,272	\$ 2,153,225	\$ 2,341,376	\$ 2,420,772	\$ 2,485,951
10.77%	73.93%	19.06%	42.91%	-63.64%

See accompanying independent auditor's report.

**GALVESTON COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
SCHEDULE OF DISTRICT CONTRIBUTIONS-PENSION
SEPTEMBER 30, 2022**

Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽¹⁾	Actual Contribution as a Percentage of Covered Payroll
2016	\$ 231,832	\$ 260,794	\$ (28,962)	\$ 1,930,800	13.51%
2017	\$ 248,341	\$ 280,480	\$ (32,139)	\$ 2,142,613	13.09%
2018	\$ 239,482	\$ 271,011	\$ (31,529)	\$ 2,101,962	12.89%
2019	\$ 260,268	\$ 294,972	\$ (34,704)	\$ 2,313,602	12.75%
2020	\$ 272,966	\$ 309,222	\$ (36,256)	\$ 2,417,077	12.79%
2021	\$ 277,779	\$ 314,620	\$ (36,841)	\$ 2,456,052	12.81%
2022	\$ 343,231	\$ 382,069	\$ (38,838)	\$ 2,589,207	14.76%

⁽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	17.5 years (based on contribution rate calculated in 12/31/2021 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	Same as funding valuation. See Note 9.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015 and 2019: 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, 2016, 2018, 2020 and 2021: No changes in plan provisions were reflected in the schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 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, 2022**

	Year Ended December 31,				
	2017	2018	2019	2020	2021
Total OPEB Liability					
Service Cost	\$ 2,075	\$ 2,278	\$ 1,744	\$ 2,720	\$ 4,016
Interest on total OPEB liability	3,398	3,518	3,907	3,427	2,971
Effect of economic/demographic (gains) or losses	5,522	2,727	2,618	(2,096)	(7,032)
Effect of assumption changes or inputs	5,021	(10,922)	24,928	14,418	2,009
Benefit payments/refunds of contributions	<u>(4,009)</u>	<u>(3,660)</u>	<u>(4,449)</u>	<u>(4,357)</u>	<u>(4,972)</u>
Net change in total OPEB liability	\$ 12,007	\$ (6,059)	\$ 28,748	\$ 14,112	\$ (3,008)
Total OPEB liability, beginning	<u>89,808</u>	<u>101,815</u>	<u>95,756</u>	<u>124,504</u>	<u>138,616</u>
Total OPEB liability, ending	<u>\$ 101,815</u>	<u>\$ 95,756</u>	<u>\$ 124,504</u>	<u>\$ 138,616</u>	<u>\$ 135,608</u>
OPEB covered payroll	\$ 2,227,272	\$ 2,153,225	\$ 2,341,376	\$ 2,420,712	\$ 2,485,951
Net OPEB liability as a percentage of covered payroll	4.57 %	4.45 %	5.32 %	5.73 %	5.45 %

See accompanying independent auditor's report.

**GALVESTON COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
SCHEDULE OF DISTRICT CONTRIBUTIONS –
OTHER POSTEMPLOYMENT BENEFITS
SEPTEMBER 30, 2022**

Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	OPEB Covered Payroll ⁽¹⁾	Actual Contribution as a Percentage of Covered Payroll
2017	\$ 8,253	\$ 8,253	\$ - 0 -	\$2,142,613	0.39%
2018	\$ 8,048	\$ 8,048	\$ - 0 -	\$2,101,962	0.38%
2019	\$ 9,124	\$ 9,124	\$ - 0 -	\$2,313,602	0.39%
2020	\$ 8,623	\$ 8,623	\$ - 0 -	\$2,417,077	0.36%
2021	\$ 9,239	\$ 9,239	\$ - 0 -	\$2,456,052	0.38%
2022	\$ 9,910	\$ 9,910	\$ - 0 -	\$2,589,207	0.38%

⁽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, 2021, 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 Level Percent of Salary
Amortization Method	Straight-line method over expected working life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary Increases	Varies based on age and length of service
Investment Rate of Return	2.06%; 20-year Bond GO Index published by bondbuyer.com as of December 31, 2021
Cost-of-Living Adjustments	Does not apply
Retirement, Disability, Termination	Varies based on age, gender and other factors
Mortality	Same as funding valuation, See Note 10

See accompanying independent auditor's report

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

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

SEPTEMBER 30, 2022

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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

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

2. RETAIL SERVICE PROVIDERS

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

The following rates are based on the rate order effective September 26, 2022.

	<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:	\$ 13.51	1,000	N	\$ 3.45 \$ 6.90 \$ 7.19 \$ 7.48	1,001 – 2,000 gallons 2,001 – 6,000 gallons 6,001 – 12,000 gallons 12,001 gallons and up
WASTEWATER:	\$ 19.25	1,000	N	\$ 3.58	1,001 and up**
SURCHARGE:					
Commission Regulatory Assessments	0.5% of actual water and sewer bill				
Solid Waste Collection	\$21.64	Within the corporate limits of the City of Dickinson or within the District boundaries			
District employs winter averaging for wastewater usage?					
	_____	_____	_____	_____	<u> X </u> No

Total monthly charges per 10,000 gallons usage: Water: \$76.77 Wastewater: \$55.05 Surcharge: \$0.66
Solid Waste \$21.64 Fire Protection \$5.00 Total: \$159.12

**The maximum monthly sewer charge (the “cap”) for a Single-Family Residential account shall not exceed 10,000 gallons.

See accompanying independent auditor’s report.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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"	8,328	7,846	x 1.0	7,846
1"	356	339	x 2.5	848
1½"	28	24	x 5.0	120
2"	112	107	x 8.0	856
3"	14	14	x 15.0	210
4"	11	11	x 25.0	275
6"	4	4	x 50.0	200
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>8,853</u>	<u>8,345</u>		<u>10,355</u>
Total Wastewater Connections	<u>8,547</u>	<u>8,079</u>	x 1.0	<u>8,079</u>

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

Gallons billed to customers:	630,344,000	Water Accountability Ratio: 83.8 % (Gallons billed and sold/Gallons pumped and purchased)
Gallons purchased:	790,861,000	From: <u>Gulf Coast Water Authority</u>
Gallons for flushing:	32,549,000	

See accompanying independent auditor's report.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Galveston County, Texas

Is the District located within a city?

Entirely Partly 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 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

See accompanying independent auditor's report.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

PERSONNEL EXPENDITURES (Including Benefits)	<u>\$ 3,839,654</u>
PROFESSIONAL FEES:	
Auditing	\$ 33,000
Legal	<u>51,177</u>
TOTAL PROFESSIONAL FEES	<u>\$ 84,177</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	<u>\$ 1,376,228</u>
CONTRACTED SERVICES:	
Management and Consulting	\$ 511,396
Janitorial	10,500
Garbage	5,000
Security	4,647
Sludge Hauling	134,319
Billing Statement Services	<u>69,327</u>
TOTAL CONTRACTED SERVICES	<u>\$ 735,189</u>
UTILITIES:	
Electricity, Natural Gas, Telephone	<u>\$ 330,388</u>
REPAIRS AND MAINTENANCE	<u>\$ 1,832,764</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, 2022**

ADMINISTRATIVE AND OTHER EXPENDITURES:

Board Expenditures	\$	5,766
Bank Charges		22,975
Credit Card Charges		82,249
Director Fees		19,650
After Hours Dispatch		9,654
Dues		9,392
Education and Training		54,226
Events		4,681
Fuel		74,387
Health Dist.-Pollution Control		13,028
Information Technology		64,187
Insurance		227,175
Laboratory Fees		52,151
Equipment Lease Payments		60,689
Office Supplies and Postage		18,537
Regulatory Assessment		77,990
Safety Materials and Supplies		24,759
Uniform/Floor Mat Rental		31,544
Election Costs and Other		46,392
TOTAL ADMINISTRATIVE EXPENDITURES	\$	<u>899,432</u>
 CAPITAL OUTLAY	 \$	 <u>1,999,995</u>
 TOTAL EXPENDITURES	 \$	 <u>11,097,827</u>

Number of persons employed by the District: 40 Full-Time 0 Part-Time

See accompanying independent auditor's report.

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
INVESTMENTS
SEPTEMBER 30, 2022**

<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	\$ 3,877,019	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 80,361	\$ - 0 -
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0004	Varies	Daily	\$ 106,976	\$
TexPool	XXXX0005	Varies	Daily	5,164,230	_____
TOTAL CAPITAL PROJECTS FUND				\$ 5,271,206	\$ - 0 -
TOTAL - ALL FUNDS				\$ 9,228,586	\$ - 0 -

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, 2022**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2021	\$	78,304	\$	79,064
Adjustments to Beginning				
Balance		<u>(2,961)</u>		<u>(1,936)</u>
	\$	75,343	\$	77,128
Original 2021 Tax Levy	\$	1,458,117	\$	252,349
Adjustment to 2021 Tax Levy		<u>58,681</u>	<u>1,516,798</u>	<u>10,155</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 1,592,141		\$ 339,632
TAX COLLECTIONS:				
Prior Years	\$	21,584	\$	7,798
Current Year		<u>1,486,610</u>	<u>1,508,194</u>	<u>257,280</u>
TAXES RECEIVABLE -				
SEPTEMBER 30, 2022		<u>\$ 83,947</u>		<u>\$ 74,554</u>
TAXES RECEIVABLE BY				
YEAR:				
2021		\$ 30,188		\$ 5,224
2020		12,793		2,775
2019		8,819		2,210
2018		6,731		1,885
2017		5,066		1,354
2016 and prior		<u>20,350</u>		<u>61,106</u>
TOTAL		\$ 83,947		\$ 74,554
Allowance for Uncollectible Accounts		<u>(6,937)</u>		<u>(31,820)</u>
		<u>\$ 77,010</u>		<u>\$ 42,734</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, 2022**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
PROPERTY VALUATIONS:				
Land	\$ 310,941,237	\$ 282,262,748	\$ 256,998,640	\$ 247,043,746
Improvements	1,577,086,810	1,252,978,075	1,072,512,863	879,581,788
Personal Property	110,171,521	110,650,080	105,963,700	103,287,362
Exemptions	<u>(418,383,141)</u>	<u>(286,698,244)</u>	<u>(252,739,305)</u>	<u>(170,109,780)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 1,579,816,427</u>	<u>\$ 1,359,192,659</u>	<u>\$ 1,182,735,898</u>	<u>\$ 1,059,803,116</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.016613	\$ 0.020776	\$ 0.024340	\$ 0.028011
Maintenance	<u>0.095993</u>	<u>0.095778</u>	<u>0.097139</u>	<u>0.100000</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.112606</u>	<u>\$ 0.116554</u>	<u>\$ 0.121479</u>	<u>\$ 0.128011</u>
ADJUSTED TAX LEVY*	<u>\$ 1,779,302</u>	<u>\$ 1,556,945</u>	<u>\$ 1,438,458</u>	<u>\$ 1,358,547</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.01 %</u>	<u>99.00 %</u>	<u>99.23 %</u>	<u>99.37 %</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, 2022**

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
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			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
	\$ 1,845,000	\$ 229,600	\$ 2,074,600

See accompanying independent auditor's report

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022**

SERIES - 2020 REFUNDING

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
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
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
	<u>\$ 5,025,000</u>	<u>\$ 1,172,700</u>	<u>\$ 6,197,700</u>

See accompanying independent auditor's report

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022**

S E R I E S - 2 0 2 2

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2023	\$ 185,000	\$ 207,575	\$ 392,575
2024	195,000	198,075	393,075
2025	205,000	188,075	393,075
2026	215,000	177,575	392,575
2027	225,000	166,575	391,575
2028	235,000	155,075	390,075
2029	250,000	142,950	392,950
2030	260,000	130,200	390,200
2031	275,000	116,825	391,825
2032	285,000	105,675	390,675
2033	295,000	96,975	391,975
2034	305,000	87,975	392,975
2035	315,000	78,675	393,675
2036	320,000	69,150	389,150
2037	330,000	59,400	389,400
2038	340,000	49,350	389,350
2039	350,000	39,000	389,000
2040	365,000	28,275	393,275
2041	375,000	17,175	392,175
2042	385,000	5,775	390,775
	<u>\$ 5,710,000</u>	<u>\$ 2,120,350</u>	<u>\$ 7,830,350</u>

See accompanying independent auditor's report

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**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2023	\$ 710,000	\$ 458,650	\$ 1,168,650
2024	735,000	424,575	1,159,575
2025	760,000	389,250	1,149,250
2026	795,000	353,962	1,148,962
2027	820,000	318,713	1,138,713
2028	855,000	281,962	1,136,962
2029	885,000	243,588	1,128,588
2030	915,000	203,456	1,118,456
2031	955,000	163,694	1,118,694
2032	770,000	132,950	902,950
2033	790,000	112,025	902,025
2034	810,000	93,025	903,025
2035	315,000	78,675	393,675
2036	320,000	69,150	389,150
2037	330,000	59,400	389,400
2038	340,000	49,350	389,350
2039	350,000	39,000	389,000
2040	365,000	28,275	393,275
2041	375,000	17,175	392,175
2042	385,000	5,775	390,775
	<u>\$ 12,580,000</u>	<u>\$ 3,522,650</u>	<u>\$ 16,102,650</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, 2022**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2021
Galveston County Water Control and Improvement District No. 1 Unlimited Tax Bonds - Series 2016 (1)	\$ 3,490,000	\$ 2,050,000
Galveston County Water Control and Improvement District No. 1 Revenue Refunding Notes - Series 2020 (2)	5,025,000	5,025,000
Galveston County Water Control and Improvement District No. 1 Unlimited Tax Bonds - Series 2022	<u>5,710,000</u>	
TOTAL	<u><u>\$ 14,225,000</u></u>	<u><u>\$ 7,075,000</u></u>

Bond Authority:	<u>Original Tax Bonds*</u>
Amount Authorized by Voters	\$ 33,985,500
Amount Issued	<u>33,985,500</u>
Remaining to be Issued	<u>\$ - 0 -</u>

Debt Service Fund cash and investment balances as of September 30, 2022: \$ 485,345

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 805,133

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.

(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.

See accompanying independent auditor's report

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2022</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 205,000	\$ 60,475	\$ 1,845,000	BOKF, N.A. Austin, TX
		206,800	5,025,000	BOKF, N.A. Dallas, TX
<u>5,710,000</u>		<u>93,722</u>	<u>5,710,000</u>	BOKF, N.A. Dallas, TX
<u>\$ 5,710,000</u>	<u>\$ 205,000</u>	<u>\$ 360,997</u>	<u>\$ 12,580,000</u>	

Reconciliation of Original Tax Bonds Issued:

<u>Series</u>	<u>Amount</u>
2022	\$ 5,710,000
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>\$ 33,985,500</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		
	2022	2021	2020
REVENUES			
Property Taxes	\$ 1,508,194	\$ 1,277,555	\$ 1,144,333
Water Service	4,600,267	3,939,854	4,076,439
Wastewater Service	4,100,866	3,583,044	3,608,318
Texas City Maintenance Fees	32,716	23,439	33,507
Out of District Surcharge	44,598	38,071	41,944
Grant Revenues		40,933	127,592
Solid Waste Revenues-District Portion	301,459	298,121	145,254
Penalty and Interest	203,472	172,663	74,799
Tap Connection and Inspection Fees	471,642	370,490	229,123
Investment Revenues	27,192	12,924	48,646
Miscellaneous Revenues	154,144	145,572	84,264
TOTAL REVENUES	\$ 11,444,550	\$ 9,902,666	\$ 9,614,219
EXPENDITURES			
Payroll	\$ 3,839,654	\$ 3,664,990	\$ 3,529,313
Purchased Bulk Water	1,376,228	1,433,794	1,383,221
Professional Fees	84,177	103,423	89,652
Contracted Services	735,189	911,832	338,822
Repairs and Maintenance	1,832,764	1,498,230	996,632
Utilities	330,388	350,991	321,151
Administrative Expenses	899,432	821,934	704,015
Capital Outlay	1,999,995	2,619,958	575,753
TOTAL EXPENDITURES	\$ 11,097,827	\$ 11,405,152	\$ 7,938,559
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 346,723	\$ (1,502,486)	\$ 1,675,660
OTHER FINANCING SOURCES (USES)			
Transfers (Out)	\$ (758,310)	\$ (391,510)	\$ (339,502)
NET CHANGE IN FUND BALANCE	\$ (411,587)	\$ (1,893,996)	\$ 1,336,158
BEGINNING FUND BALANCE	5,606,107	7,500,103	6,163,945
ENDING FUND BALANCE	\$ 5,194,520	\$ 5,606,107	\$ 7,500,103

See accompanying independent auditor's report

		Percentage of Total Revenues				
2019	2018	2022	2021	2020	2019	2018
\$ 1,053,282	\$ 1,123,963	13.3 %	13.0 %	12.0 %	11.9 %	12.6 %
3,484,669	3,368,313	40.2	39.8	42.4	39.3	37.5
3,196,172	3,124,534	35.8	36.2	37.5	36.1	34.8
27,461	29,675	0.3	0.2	0.3	0.3	0.3
35,233	34,407	0.4	0.4	0.4	0.4	0.4
	754,783		0.4	1.3		8.4
		2.6	3.0	1.5		
133,941	107,519	1.8	1.7	0.8	1.5	1.2
294,967	223,290	4.1	3.7	2.4	3.3	2.5
113,608	71,949	0.2	0.1	0.5	1.3	0.8
525,846	133,928	1.3	1.5	0.9	5.9	1.5
<u>\$ 8,865,179</u>	<u>\$ 8,972,361</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 3,375,234	\$ 3,124,710	33.6 %	37.0 %	36.7 %	38.1 %	34.8 %
1,393,382	1,300,325	12.0	14.5	14.4	15.7	14.5
62,523	76,642	0.7	1.0	0.9	0.7	0.9
276,519	256,625	6.4	9.2	3.5	3.1	2.9
911,575	516,799	16.0	15.1	10.4	10.3	5.8
334,704	289,208	2.9	3.5	3.3	3.8	3.2
662,785	647,559	7.9	8.3	7.3	7.5	7.2
682,214	1,812,261	17.5	26.5	6.0	7.7	20.2
<u>\$ 7,698,936</u>	<u>\$ 8,024,129</u>	<u>97.0 %</u>	<u>115.1 %</u>	<u>82.5 %</u>	<u>86.9 %</u>	<u>89.5 %</u>
<u>\$ 1,166,243</u>	<u>\$ 948,232</u>	<u>3.0 %</u>	<u>(15.1) %</u>	<u>17.5 %</u>	<u>13.1 %</u>	<u>10.5 %</u>
\$ (590,951)	\$ (922,238)					
\$ 575,292	\$ 25,994					
<u>5,588,653</u>	<u>5,562,659</u>					
<u>\$ 6,163,945</u>	<u>\$ 5,588,653</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		
	2022	2021	2020
REVENUES			
Property Taxes	\$ 265,078	\$ 286,450	\$ 292,957
Penalty and Interest	17,469	26,061	16,238
Miscellaneous Revenues	644	44	5,653
TOTAL REVENUES	<u>\$ 283,191</u>	<u>\$ 312,555</u>	<u>\$ 314,848</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 26,546	\$ 25,073	\$ 22,772
Debt Service Principal	205,000	210,000	795,000
Debt Service Interest and Fees	361,797	282,974	245,473
Bond Issuance Costs			260,570
Payment to Refunded Bond Escrow Agent			955,130
TOTAL EXPENDITURES	<u>\$ 593,343</u>	<u>\$ 518,047</u>	<u>\$ 2,278,945</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (310,152)</u>	<u>\$ (205,492)</u>	<u>\$ (1,964,097)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ 423,153	\$ 391,510	\$ 339,502
Long-Term Debt Issued	93,722		5,025,000
Payment to Refunded Bond Escrow Agent			(5,755,114)
Bond Premium			995,987
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 516,875</u>	<u>\$ 391,510</u>	<u>\$ 605,375</u>
NET CHANGE IN FUND BALANCE	\$ 206,723	\$ 186,018	\$ (1,358,722)
BEGINNING FUND BALANCE	<u>278,622</u>	<u>92,604</u>	<u>1,451,326</u>
ENDING FUND BALANCE	<u>\$ 485,345</u>	<u>\$ 278,622</u>	<u>\$ 92,604</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>8,345</u>	<u>8,358</u>	<u>8,232</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>8,079</u>	<u>8,272</u>	<u>8,093</u>

See accompanying independent auditor's report

		Percentage of Total Revenues				
2019	2018	2022	2021	2020	2019	2018
\$ 301,211	\$ 323,895	93.6 %	91.7 %	93.0 %	88.9 %	85.4 %
14,635	27,001	6.2	8.3	5.2	4.3	7.1
23,007	28,294	0.2		1.8	6.8	7.5
<u>\$ 338,853</u>	<u>\$ 379,190</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 19,955	\$ 29,254	9.4 %	8.0 %	7.2 %	5.9 %	7.7 %
790,000	780,000	72.4	67.2	252.5	233.1	205.7
426,955	447,663	127.8	90.5	78.0	126.0	118.1
				82.8		
				303.4		
<u>\$ 1,236,910</u>	<u>\$ 1,256,917</u>	<u>209.6 %</u>	<u>165.7 %</u>	<u>723.9 %</u>	<u>365.0 %</u>	<u>331.5 %</u>
<u>\$ (898,057)</u>	<u>\$ (877,727)</u>	<u>(109.6) %</u>	<u>(65.7) %</u>	<u>(623.9) %</u>	<u>(265.0) %</u>	<u>(231.5) %</u>
\$ (159,557)	\$ 922,238					
<u>\$ (159,557)</u>	<u>\$ 922,238</u>					
\$ (1,057,614)	\$ 44,511					
2,508,940	2,464,429					
<u>\$ 1,451,326</u>	<u>\$ 2,508,940</u>					
<u>8,078</u>	<u>7,951</u>					
<u>7,964</u>	<u>7,768</u>					

See accompanying independent auditor's report

**GALVESTON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2022**

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, 2022	Expenditures for Travel and Training for the year ended September 30, 2022	Title
Ron Morales	05/22 05/26 (Elected)	\$ 2,250	\$ 2,102	President
Shamarion Barber	11/20 05/24 (Elected)	\$ 3,750	\$ 3,648	Vice President
Doreen Bridges	05/22 05/26 (Elected)	\$ 2,100	\$ 3,762	Secretary/ Treasurer
Jeffrey Spriggins	11/20 05/24 (Elected)	\$ 3,900	\$ 4,739	Director
John Mitchiner	11/20 05/24 (Elected)	\$ 4,350	\$ 4,765	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 2022

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, 2022**

Key Administrative Personnel:	<u>Date Hired</u>	<u>Fees for the year ended September 30,2022</u>	<u>Title</u>
Aurora Amaro, CPA	05/16/08	\$ 118,633	Chief Financial Officer/ Investment Officer
Nancy Click	08/28/98	\$ 106,263	Administrative Assistant to General Manager
Keith Morgan	07/30/04	\$ 111,136	Superintendent of Water and Wastewater
Dylan Caldwell	04/04/95	\$ 100,871	Superintendent Plant Operation
Consultants:			
Ivan Langford Consulting	09/01/20	\$ 162,879	General Manager
Olson & Olson LLP	05/18/2021	\$ 26,591	General Counsel
Hunton Andrews Kurth, LLP	10/19/2010	\$ 120,100	Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	09/17/12	\$ 33,000	Auditor
Linebarger Goggan Blair & Sampson LLP	08/01/03	\$ 10,886	Delinquent Tax Attorney
HDR Engineering, Inc.	08/01/06	\$ 1,204,259	Engineer
U.S. Capital Advisors	06/13	\$ 89,250	Financial Advisor
Galveston County Tax Assessor	08/01/03	\$ 2,407	Tax Assessor Collector
Kathryn Lynn Thomas	12/01/21	\$ 55,960	Consultant

See accompanying independent auditor's report

