

ANNUAL FINANCIAL REPORT

of the

**Galveston County Water
Control and Improvement
District No. 1**

**For the Year Ended
September 30, 2024**

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Galveston County Water Control and Improvement District No. 1

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2024, 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 accompanying financial statements 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, 2024, 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 (GAAS). 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

The District's 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 one year after the date that the financial statements are issued.

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 GAAS 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 GAAS, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of changes in net pension liability (asset) and related ratios, the schedule of employer contributions to pension plan, and schedule of changes in the other postemployment benefits liabilities and related ratios, as listed in the table of contents, 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.

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 Texas Supplementary Information ("TSI") schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The TSI 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the TSI is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
June 13, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Galveston County Water Control and Improvement District No. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2024

As management of the Galveston County Water Control & Improvement District No. 1 (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2024.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows (net position) at September 30, 2024 by \$35,741,015.
- The District's total net position decreased by \$1,006,579. Unrestricted net position of \$2,173,001 makes up 6% of total net position.
- The District's governmental funds reported combined ending fund balances of \$45,766,887 at September 30, 2024, an increase of \$32,229,077 from the prior fiscal year. This includes an increase of \$819,827 in the general fund, an increase of \$176,270 in the debt service fund, and an increase of \$31,232,980 in the capital projects fund.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$2,951,337 or 22% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the District's assets and liabilities 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 is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

Galveston County Water Control and Improvement District No. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2024

Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the District include administrative expenses, personnel, purchased bulk water, professional fees, contract services, repairs/maintenance, utilities, and lease expenses. The District does not have any business-type activities.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are considered to be governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the *governmental funds* and *governmental activities*.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, which are considered major funds.

Galveston County Water Control and Improvement District No. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2024

The District adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided to demonstrate compliance with the general fund budget.

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The fund financial statements provide more information about the District's most significant funds, not the District as a whole.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension and Other Postemployment Benefits ("OPEB") to its employees. A budgetary comparison schedule for the general fund has been included to comply with GASB Statement No. 34. Additionally, Texas Supplementary Information (TSI) has been included to comply with state reporting requirements.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$35,741,015 at the close of the most recent fiscal year.

An important portion of the District's net position, is \$32,361,812, which reflects its investments in capital assets (e.g., land, building, machinery, equipment, infrastructure, etc.), less any debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Galveston County Water Control and Improvement District No. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2024

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		
	2024	2023	Variance
Current and other assets	\$ 48,589,123	\$ 19,894,681	\$ 28,694,442
Capital assets, net	46,379,823	43,839,568	2,540,255
Total Assets	94,968,946	63,734,249	31,234,697
 Deferred outflows of resources	 805,739	 1,331,742	 (526,003)
Long-term liabilities	56,556,054	21,588,931	34,967,123
Other liabilities	3,147,170	6,617,037	(3,469,867)
Total Liabilities	59,703,224	28,205,968	31,497,256
 Deferred inflows of resources	 330,446	 112,429	 218,017
Net position:			
Net investment in capital	32,361,812	29,869,842	2,491,970
Restricted	1,206,202	1,029,932	176,270
Unrestricted	2,173,001	5,847,820	(3,674,819)
Total Net Position	\$ 35,741,015	\$ 36,747,594	\$ (1,006,579)

The District's net position decreased \$1,006,579 to \$35,741,015. Capital assets increased by \$2,540,255 primarily due to the District investing significant funds in sewer infrastructure. Other liabilities decreased by \$3,469,867 primarily as a result of prior year payables, outstanding for new capital asset purchases, that were paid in the current year. Long-term liabilities increased by \$34,967,123 due to the current year debt issuance of unlimited tax bonds to fund improvements to the District's water and sewer infrastructure.

Galveston County Water Control and Improvement District No. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2024

Statement of Activities:

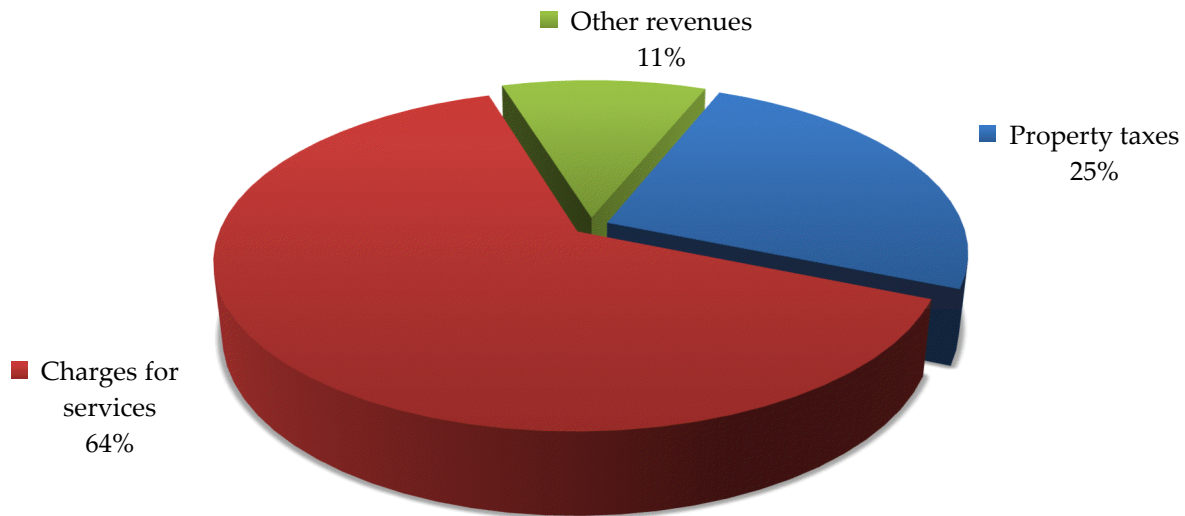
The following table provides a summary of the District's changes in net position for the years ended September 30:

	Governmental Activities		
	2024	2023	Variance
Revenues			
Property taxes	\$ 5,042,703	\$ 2,439,723	\$ 2,602,980
Charges for services	12,858,603	12,771,688	86,915
Grant revenues	89,020	259,600	(170,580)
Other revenues	2,183,292	823,970	1,359,322
Total Revenues	<u>20,173,618</u>	<u>16,294,981</u>	<u>3,878,637</u>
Expenses			
Expenses for services	15,848,619	11,565,121	4,283,498
Depreciation	2,182,578	1,771,369	411,209
Interest and fees on debt	1,989,837	644,647	1,345,190
Debt issuance costs	1,159,163	31,500	1,127,663
Total Expenses	<u>21,180,197</u>	<u>14,012,637</u>	<u>7,167,560</u>
Change in Net Position	(1,006,579)	2,282,344	(3,288,923)
Beginning Net Position	<u>36,747,594</u>	<u>34,465,250</u>	<u>2,282,344</u>
Ending Net Position	<u>\$ 35,741,015</u>	<u>\$ 36,747,594</u>	<u>\$ (1,006,579)</u>

**Galveston County Water Control and
Improvement District No. 1**
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2024

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the District's activities.

Governmental Activities Revenues

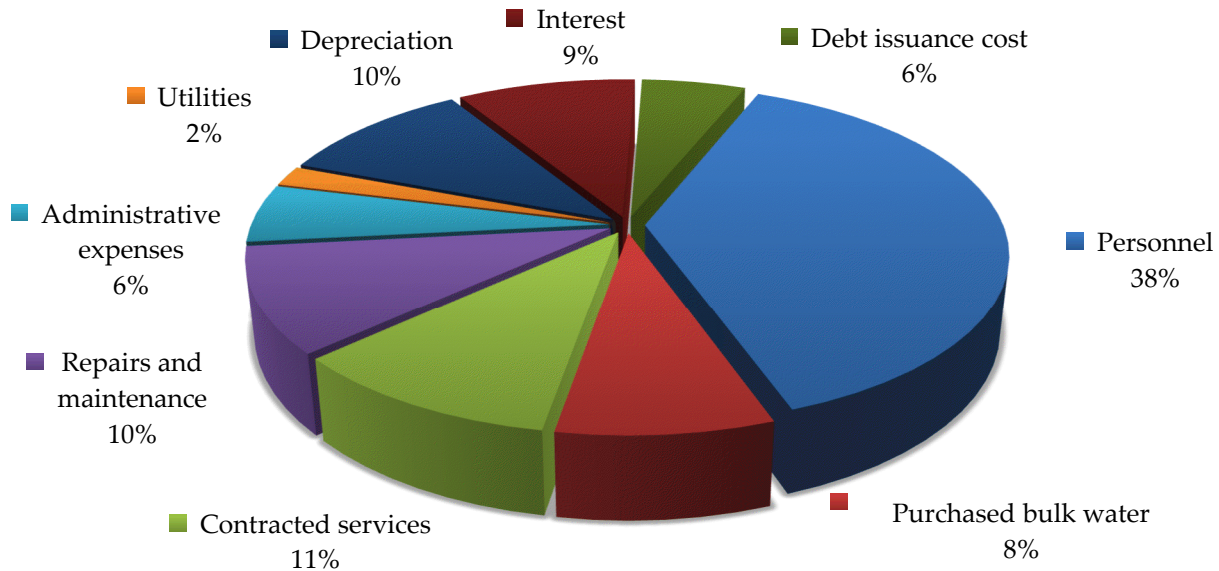


For the year ended September 30, 2024, revenues for governmental activities totaled \$20,173,618. Charges for services are the District's largest revenue source. Property tax revenue increased by \$2,602,980 and over 100%, primarily due to an increase in tax rates to support new debt issuance and greater property appraised values in the current year. Other revenues increased \$1,359,322, and over 100%, primarily due to interest earned on new tax bond proceeds. Grant revenues decreased \$170,580, or 66%, primarily due to non-recurring grant funding related to the U.S. Department of Housing and Urban Development's Community Development Block Grant Mitigation program in the prior year. This project concluded during the current year.

**Galveston County Water Control and
Improvement District No. 1**
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2024

This graph shows the governmental function expenses of the District:

Governmental Activities Expenses



For year ended September 30, 2024, expenses for governmental activities totaled \$21,180,197. The District's largest expense is expenses for services, which increased \$4,283,498, or 37%, primarily due an increase in pension expense resulting from a benefit plan change during the year. Interest and debt issuance costs increased by a total of \$2,472,853, or over 100%, due to the new debt issuance in the current year.

Galveston County Water Control and Improvement District No. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2024

Financial Analysis of Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's governing body.

The District's governmental funds reflect a combined fund balance of \$45,766,887. Of this, \$2,951,337 is unassigned and available for day-to-day operations of the District and \$39,032,080 is restricted for debt service and capital projects. The District has non-spendable funds of \$872,339 that consists of inventories and prepaid expenses.

General fund balance increased by \$819,827 primarily due to greater than expected revenues in the current year. Debt service fund balance increased by \$176,270 as a result of transfers in from the general fund in the current year. Capital projects fund balance increased by \$31,232,980 primarily a result of a tax bond issuance in the current year.

General Fund Budgetary Highlights

- Actual general fund revenues were greater than final budgeted revenues by \$1,504,071 during the year.
- Total general fund expenditures were over the final budget by \$421,978.
- Expenditures exceeded appropriations at the legal level of control (fund level) by \$421,978.

Capital Assets

At the end of the year, the District's governmental activities funds had invested \$46,379,823 in a variety of capital assets and infrastructure, net of depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34.

Galveston County Water Control and Improvement District No. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2024

A summary of the District's capital asset balances as of yearend and changes from the prior year is included in the table below:

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Land	\$ 280,351	\$ 206,449	\$ 73,902
Construction in progress	3,138,522	6,395,826	(3,257,304)
Water system	31,917,677	25,300,818	6,616,859
Building & improvements	2,573,651	2,573,651	-
Vehicles & equipment	5,755,460	5,247,707	507,753
Sewer system	42,079,724	41,298,101	781,623
Right-to-use assets	1,144,714	1,144,714	-
Less: Accumulated depreciation	(40,510,276)	(38,327,698)	(2,182,578)
Total	<u><u>\$ 46,379,823</u></u>	<u><u>\$ 43,839,568</u></u>	<u><u>\$ 2,540,255</u></u>

Major capital asset additions during the current year include the following:

- Purchased two vehicles for \$92,583.
- Purchased backhoe loader for \$204,700.
- Purchased two valves for pump stations totaling \$59,285.
- Purchased Dri-Prime trash pump for \$53,751.
- Completion of smart meter replacement program totaling \$1,622,573 (financed through note payable).
- Additional project costs for the Hollywood Water Plant rehabilitation totaling \$194,486 (financed through the CDBG-MIT grant).
- Additional project costs for the Medical Park waterline totaling \$230,879.
- Additional project costs for the County Barn and Hughes Lane Sewer Lift Station rehabilitation totaling \$764,583.
- Improvements to water main infrastructure totaling \$138,885.
- Wastewater digester rehab totaling \$599,024.
- Manhole replacements and improvements totaling \$84,000.
- Improvements to two lift stations totaling \$82,292.
- Improvements to sewer main line totaling \$98,600.

More detailed information about the District's capital assets is presented in the notes to the financial statements.

Galveston County Water Control and Improvement District No. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2024

Long-Term Debt

At the end of the year, the District reported total long-term debt of \$51,943,036 (net of premiums). Total long-term debt increased by \$31,981,194 when compared to the prior year.

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, "A-" to the Series 2022 Unlimited Tax Bonds and "A-" to the Series 2023 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.

More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

Economic Factors

The District is located in Galveston County, Texas. The District remains financially viable allowing it to continue providing quality services to its residents.

Requests for Information

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

FINANCIAL STATEMENTS

Galveston County Water Control and Improvement District No. 1

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2024

	Governmental Funds Balance Sheet			
	General	Debt Service	Capital Projects	Total
Assets				
Cash & cash equivalents	\$ 4,548,259	\$ 1,196,788	\$ 18,092,275	\$ 23,837,322
Restricted cash	-	-	268,808	268,808
Investments	2,020,455	-	19,546,982	21,567,437
Receivables, net	1,814,996	88,051	170,170	2,073,217
Due from other funds	127,750	9,414	-	137,164
Inventory	818,460	-	-	818,460
Prepaid items	53,879	-	-	53,879
Capital assets				
not being depreciated	-	-	-	-
Capital assets (net of accumulated depreciation)	-	-	-	-
Total Assets	\$ 9,383,799	\$ 1,294,253	\$ 38,078,235	\$ 48,756,287
Deferred Outflows of Resources				
Pension outflows	-	-	-	-
OPEB outflows	-	-	-	-
Deferred charge on refunding	-	-	-	-
Total Deferred Outflows	-	-	-	-
Liabilities				
Accounts payable and accrued liabilities	\$ 1,032,634	\$ -	\$ 124,607	\$ 1,157,241
Customer deposits	1,446,034	-	-	1,446,034
Accrued compensated absences	-	-	-	-
Accrued interest payable	-	-	-	-
Due to other funds	9,414	-	127,750	137,164
Long-term liabilities				
Net pension liability	-	-	-	-
OPEB liability	-	-	-	-
Debt due within one year	-	-	-	-
Debt due after one year	-	-	-	-
Total Liabilities	\$ 2,488,082	\$ -	\$ 252,357	\$ 2,740,439

<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ -	\$ 23,837,322
-	268,808
-	21,567,437
-	2,073,217
(137,164)	-
-	818,460
(30,000)	23,879
3,418,873	3,418,873
42,960,950	42,960,950
<u>\$ 46,212,659</u>	<u>\$ 94,968,946</u>
669,403	669,403
19,126	19,126
117,210	117,210
<u>805,739</u>	<u>805,739</u>
\$ -	\$ 1,157,241
-	1,446,034
267,752	267,752
276,143	276,143
(137,164)	-
4,499,442	4,499,442
113,576	113,576
2,071,071	2,071,071
49,871,965	49,871,965
<u>\$ 56,962,785</u>	<u>\$ 59,703,224</u>

Galveston County Water Control and Improvement District No. 1

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET (Continued)

September 30, 2024

	Governmental Funds Balance Sheet			
	General	Debt Service	Capital Projects	Total
Deferred Inflows of Resources				
Pension inflows	\$ -	\$ -	\$ -	\$ -
OPEB inflows	-	-	-	-
Unavailable revenue - prop. taxes	160,910	88,051	-	248,961
Total Deferred Inflows	<u>160,910</u>	<u>88,051</u>	<u>-</u>	<u>248,961</u>
Fund balances/Net position				
Fund Balances:				
Nonspendable:				
Inventory	818,460	-	-	818,460
Prepaid items	53,879	-	-	53,879
Restricted for:				
Debt service	-	1,206,202	-	1,206,202
Capital projects	-	-	37,825,878	37,825,878
Committed for:				
Capital assets software	250,000	-	-	250,000
System Maintenance	2,600,400	-	-	2,600,400
Self-insured insurance	60,731	-	-	60,731
Unassigned	2,951,337	-	-	2,951,337
Total Fund Balances	<u>6,734,807</u>	<u>1,206,202</u>	<u>37,825,878</u>	<u>45,766,887</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,383,799</u>	<u>\$ 1,294,253</u>	<u>\$ 38,078,235</u>	<u>\$ 48,756,287</u>
Net Position:				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				

Total Net Position

See Notes to Financial Statements.

<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 305,020	\$ 305,020
25,426	25,426
(248,961)	-
<u>81,485</u>	<u>330,446</u>

(818,460)	-
(53,879)	-
(1,206,202)	-
(37,825,878)	-
(250,000)	-
(2,600,400)	-
(60,731)	-
(2,951,337)	-
<u>(45,766,887)</u>	<u>-</u>

32,361,812	32,361,812
1,206,202	1,206,202
2,173,001	2,173,001
<u>\$ 35,741,015</u>	<u>\$ 35,741,015</u>

Galveston County Water Control and Improvement District No. 1

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the Year Ended September 30, 2024

Governmental Change in Fund Balances				
	General	Debt Service	Capital Projects	Total
Revenues				
Charges for water/sewer services	\$ 10,517,495	\$ -	\$ -	\$ 10,517,495
Charges for garbage services	1,846,229	-	-	1,846,229
Property taxes	1,937,964	3,083,491	-	5,021,455
Penalty and interest	230,157	-	-	230,157
Tap connection and inspection fees	264,722	-	-	264,722
Investment income	243,339	29,904	1,647,594	1,920,837
Miscellaneous income	262,455	-	-	262,455
Capital grant	-	-	89,020	89,020
Total Revenues	15,302,361	3,113,395	1,736,614	20,152,370
Expenditures/Expenses				
Service Operations:				
Personnel	4,421,982	-	-	4,421,982
Purchased bulk water	1,727,557	-	-	1,727,557
Professional fees	79,499	-	-	79,499
Contracted services	2,180,694	36,886	-	2,217,580
Repairs and maintenance	1,888,578	-	246,431	2,135,009
Administrative expenses	1,177,241	-	-	1,177,241
Utilities	404,107	-	-	404,107
Other	-	1,200	2,420	3,620
Depreciation	-	-	-	-
Capital Outlay	1,468,050	-	3,254,783	4,722,833
Debt Service:				
Principal	71,810	1,920,803	-	1,992,613
Interest & fees on debt	15,154	2,026,098	-	2,041,252
Debt issuance costs	-	-	1,159,163	1,159,163
Total Expenditures/Expenses	13,434,672	3,984,987	4,662,797	22,082,456
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	1,867,689	(871,592)	(2,926,183)	(1,930,086)

Adjustments	Statement of Activities
\$ -	\$ 10,517,495
-	1,846,229
21,248	5,042,703
-	230,157
-	264,722
-	1,920,837
-	262,455
-	89,020
<u>21,248</u>	<u>20,173,618</u>

3,689,524	8,111,506
-	1,727,557
-	79,499
(7,500)	2,210,080
-	2,135,009
-	1,177,241
-	404,107
-	3,620
2,182,578	2,182,578
(4,722,833)	-
(1,992,613)	-
(51,415)	1,989,837
-	1,159,163
<u>(902,259)</u>	<u>21,180,197</u>

923,507	(1,006,579)
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Galveston County Water Control and Improvement District No. 1

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (Continued)

For the Year Ended September 30, 2024

	Governmental Change in Fund Balances			
	General	Debt Service	Capital Projects	Total
Other Financing Sources (Uses)				
Premium on bonds issued	-	-	1,314,163	1,314,163
Issuance of bonds	-	-	32,845,000	32,845,000
Transfers in	-	1,047,862	-	1,047,862
Transfers (out)	(1,047,862)	-	-	(1,047,862)
Total Other Financing Sources				
(Uses)	(1,047,862)	1,047,862	34,159,163	34,159,163
Net Change in Fund Balances	819,827	176,270	31,232,980	32,229,077
Net Change in Net Position				
Beginning Fund Balances/ Net Position	5,914,980	1,029,932	6,592,898	13,537,810
Ending Fund Balances/ Net Position	<u>\$ 6,734,807</u>	<u>\$ 1,206,202</u>	<u>\$ 37,825,878</u>	<u>\$ 45,766,887</u>

See Notes to Financial Statements.

Adjustments	Statement of Activities
(1,314,163)	-
(32,845,000)	-
(1,047,862)	-
1,047,862	-
(34,159,163)	-
(33,235,656)	-
	(1,006,579)
23,209,784	36,747,594
<u>\$ (10,025,872)</u>	<u>\$ 35,741,015</u>

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Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

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 49 and 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 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements and accounting policies of the District are prepared in conformity with generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board, which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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’s significant accounting policies are described below.

A. Reporting Entity

The District has adopted Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*. In accordance with this statement, a financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The District is governed by a Board of Directors consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. As required by generally accepted accounting principles, these financial statements present the activities of the District, which is considered to be the primary

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

government as well as the reporting entity. There are no other organizations which meet the criteria for inclusion herein as part of the financial reporting entity.

B. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

C. Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government reported the following major governmental funds:

The *general fund* is used to account for the operations of the District's water and sewer system and all other financial transactions not properly includable in other funds. The principal sources of revenue are related to water, wastewater, and solid waste disposal. Expenditures include all costs associated with the daily operations of the District.

The *debt service fund* is used to account for the payment of interest and principal on all long-term debt of the District. The primary source of revenue for debt service is property tax pursuant to requirements of the District's bond resolutions. Expenditures include costs incurred in assessing and providing these services.

The *capital projects fund* is used to account for financial resources restricted, committed, or assigned for acquisition or construction of facilities and related costs.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

D. Measurement Focus and Basis of Accounting

The government-wide statements of net position and statement of activities are accounted for on a flow of economic resources measurement focus, accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet.

The accounting and financial reporting treatment applied to a fund is determined by the measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The District utilizes the modified accrual basis of accounting in the governmental fund type. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Property taxes and interest associated with the current period are considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. *Cash and cash equivalents*

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

Cash equivalents consist of investment pools that are stated at cost, which approximates market value.

Applicable state laws and regulations allow the District to invest its funds in direct or indirect obligations of the United States, the State, or any county, city, school district, or other political subdivision of the State. Funds may also be placed in certificates of deposit of state or national banks or savings and loan associations (depository institutions) domiciled within the State. Related state statutes and provisions included in the District's bond resolutions require that all funds invested in depository institutions be guaranteed by federal depository insurance and/or be secured in the manner provided by law for the security of public funds.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the District reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940 are reported using the pools' share price.

Credit Risk – Investments. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At year end, the District investments in the TexPool investment pool was rated AAAM by Standard & Poor's.

Interest Rate Risk – Investments. 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 the investment pool to have a maturity of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

2. *Fair Value*

The District has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. *Receivables and Interfund Transactions*

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

All trade receivables are shown net of any allowance for uncollectible amounts.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., water lines, sewer lines, and storm sewers), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$20,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

Asset Description	Estimated Useful Life
Buildings	40 years
Water and wastewater facilities	10 to 45 years
All other equipment	3 to 20 years

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

For the Year Ended September 30, 2024

5. *Inventories and prepaid items*

Inventory consisting of supplies and materials are stated at cost. The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

6. *Deferred outflows/inflows of resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

7. *Net position flow assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

8. *Fund balance flow assumptions*

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. *Compensated absences*

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated vacation, sick, and compensatory time balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave, sick leave and compensated leave of government-wide funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the District's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the District's governmental funds recognize accrued compensated absences when it is paid.

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

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

days). The District also allows accumulation of compensatory time not to exceed 80 hours (10 days). Full-time employees are allowed to carryover 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.

10. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists of bonds payable and lease liabilities.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Assets acquired under the terms of leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

11. Leases

The District recognizes lease liabilities with an initial, individual value of \$20,000 or more.

Lessee: The District is a lessee for noncancellable lease of office space within the City of Dickinson city hall complex. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the full-accrual financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

payments made. The leased asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as capital assets and lease liabilities are reported as long-term debt on the statement of net position.

12. Estimates

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

F. Revenues and expenditures/expense

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

During the current year, the District changed their revenue recognition for refuse from being recorded net of payments to the refuse contractor to gross. This resulted in a significant increase in the related revenues and expenses compared to prior year.

2. *Property taxes*

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.

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

NOTE 4 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

An annual unappropriated budget is adopted for all funds by the Board of Directors prior to the beginning of the year. Management may not amend the budget without the approval of the Board. The budgetary legal level of control is determined to be the fund level.

The District has adopted a non-appropriated budget in accordance with Title 30 of the Texas Administrative Code, Section 293.97. The budget is prepared using the same method of accounting as for financial reporting and a budgetary comparison schedule for the general fund is presented as supplementary information to the basic financial statements.

A. Expenditures Exceeding Appropriations

For the year ended September 30, 2024, expenditures exceeded appropriations at the legal level of control within the general fund by a total of \$421,978.

NOTE 5 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District requires funds on deposit at the depository bank to be collateralized by securities. As of yearend, the District’s FDIC coverage and pledged securities exceeded the bank balances.

The District’s investment in bonds were rated AAA+ by Standard & Poor’s and Aaa by Moody’s.

Interest rate risk: In compliance with the District’s Investment Policy, as of September 30, 2024, the District minimized the interest rate risk, related to current events market turmoil in the portfolio by: a. Structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate investments prior to maturity., and b. Investing operating funds primarily in certificates of deposit, shorter-term securities, money market mutual funds, or local government investment pools functioning as money market mutual funds.

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

As of September 30, 2024, the District had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (years)</u>
Investment pools	\$ 2,235,400	0.08
Us taxable bonds (cash equivalents)	5,578,350	0.12
US taxable bonds (investments)	21,567,437	1.06
	<u>\$ 29,381,187</u>	<u>0.81</u>

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

B. Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.). The three levels of the fair value hierarchy are described as follows:

- Level 1 – Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market that the District has the ability to access at the measurement date.
- Level 2 – Fair value is based on quoted prices for similar assets in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability. Pricing models are utilized to estimate fair value for certain assets and liabilities categorized in Level 2.

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

- Level 3 – Fair value is based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The District's financial instruments consist of cash and cash equivalents, investments in certificates of deposits maturing in greater than three months, US taxable bonds, accounts payable and accounts receivable. The estimated fair value of cash, cash equivalents, investments, accounts payable and accounts receivable approximate their carrying amounts due to the short-term nature of these instruments.

The following table sets forth by level, within the fair value hierarchy, the District's investment as of September 30, 2024:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
US taxable bonds	\$ 27,145,786	\$ -	\$ -	\$ 27,145,786
Total Investments at Fair Value	\$ 27,145,786	\$ -	\$ -	\$ 27,145,786

C. Receivables

The following comprise the receivable balances at year end:

	General	Debt Service	Capital Projects	Total
Maintenance taxes	\$ 160,905	\$ 88,051	\$ -	\$ 248,956
Utilities	1,560,877	-	-	1,560,877
Other	110,473	-	-	110,473
Grants	-	-	170,170	170,170
Allowance	(17,259)	-	-	(17,259)
	\$ 1,814,996	\$ 88,051	\$ 170,170	\$ 2,073,217

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

D. Capital Assets

A summary of changes in capital assets for the year ended is as follows:

	Beginning Balances	Increases	(Decreases)	Ending Balances
Capital assets, not being depreciated:				
Land and land improvements	\$ 206,449	\$ 73,902	\$ -	\$ 280,351
Construction in progress	6,395,826	3,220,670	(6,477,974)	3,138,522
Total capital assets not being depreciated	6,602,275	3,294,572	(6,477,974)	3,418,873
Capital assets, being depreciated:				
Water system	25,300,818	138,885	6,477,974	31,917,677
Building and improvements	2,573,651	-	-	2,573,651
Vehicles and equipment	5,247,708	507,752	-	5,755,460
Sewer system	41,298,100	781,624	-	42,079,724
Right-of-use assets	1,144,714	-	-	1,144,714
Total capital assets being depreciated	75,564,991	1,428,261	6,477,974	83,471,226
Less accumulated depreciation				
Water system	(14,069,243)	(806,046)	-	(14,875,289)
Building and improvements	(519,639)	(59,511)	-	(579,150)
Vehicles and equipment	(2,846,923)	(310,486)	-	(3,157,409)
Sewer system	(20,180,369)	(944,651)	-	(21,125,020)
Right-of-use assets	(711,524)	(61,884)	-	(773,408)
Total accumulated depreciation	(38,327,698)	(2,182,578)	0	(40,510,276)
Net capital assets being depreciated	37,237,293	(754,317)	6,477,974	42,960,950
Total Capital Assets	\$ 43,839,568	\$ 2,540,255	\$ -	\$ 46,379,823

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

E. Long-Term Debt

The following is a summary of changes in the District's total governmental long-term liabilities for the year ended. In general, the District uses the debt service fund to liquidate governmental long-term liabilities:

	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
Governmental Activities:					
Tax bonds - Series 2016	\$ 1,640,000	\$ -	\$ (205,000)	\$ 1,435,000	\$ 205,000
Refunding revenue notes - Series 2020	4,705,000	-	(335,000)	4,370,000	350,000
Tax bonds - Series 2022	5,525,000	-	(195,000)	5,330,000	205,000
Tax bonds - Series 2023	-	32,845,000	(990,000)	31,855,000	1,030,000
Note payable (smart meters)	6,417,906	-	(195,803)	6,222,103	206,177
Plus: Premium	1,282,424	1,314,163	(185,356)	2,411,231	-
Lease liabilities	391,512	-	(71,810)	319,702	74,894
Total Governmental Activities	<u>\$ 19,961,842</u>	<u>\$ 34,159,163</u>	<u>\$ (2,177,969)</u>	<u>\$ 51,943,036</u>	<u>\$ 2,071,071</u>
					<u>\$ 49,871,965</u>

On October 16, 2023, the District authorized by resolution the issuance of unlimited tax bonds, series 2023 in the amount of \$32,845,000. The bonds bear interest of 5.00% and is payable on March 1 and September 1 of each year. The note will mature on March 1, 2043.

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

Long-term debt at year end was comprised of the following:

Description	Interest Rates	Original Balance	Current Balance
Tax Bonds			
Unlimited tax bonds - Series 2016			
- maturity 3/1/31, callable 3/1/25*	2.5%-4.0%	\$ 3,490,000	\$ 1,435,000
Unlimited tax bonds - Series 2022			
- maturity 3/1/42, callable 3/1/31*	3.0%-5.0%	5,710,000	5,330,000
Unlimited tax bonds - Series 2023			
- maturity 3/1/43, callable 3/1/33	5.0%	32,845,000	31,855,000
Notes payable			
Refunding Revenue Note - Series 2020			
- maturity 3/1/34, callable 3/1/29	2.0%-5.0%	5,025,000	4,370,000
Note payable (smart meters) issued 2023			
- maturity 12/1/42	5.23%	6,531,500	6,222,103
Lease Liabilities - Building			
Office building lease - 2007			
- maturity 2029	5.0%	526,474	319,702
Total Governmental Activities		<u>\$ 54,127,974</u>	<u>\$ 49,531,805</u>

* 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, Series 2022, and Series 2023 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 (Continued)

For the Year Ended September 30, 2024

The annual requirements to amortize debt issues outstanding at year ending were as follows:

Year Ending September 30,	Unlimited Tax Bonds		
	Principal	Interest	Total
2025	\$ 1,440,000	\$ 1,790,950	\$ 3,230,950
2026	1,505,000	1,720,913	3,225,913
2027	1,570,000	1,649,163	3,219,163
2028	1,635,000	1,574,163	3,209,163
2029	1,715,000	1,495,538	3,210,538
2030	1,785,000	1,412,906	3,197,906
2031	1,870,000	1,326,144	3,196,144
2032	1,745,000	1,240,925	2,985,925
2033	1,830,000	1,157,350	2,987,350
2034	1,920,000	1,069,600	2,989,600
2035	2,015,000	977,425	2,992,425
2036	2,105,000	880,775	2,985,775
2037	2,205,000	779,525	2,984,525
2038	2,315,000	673,225	2,988,225
2039	2,425,000	561,625	2,986,625
2040	2,545,000	444,525	2,989,525
2041	2,665,000	321,675	2,986,675
2042	2,795,000	192,775	2,987,775
2043	2,535,000	63,375	2,598,375
Totals	\$ 38,620,000	\$ 19,332,575	\$ 57,952,575

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the Year Ended September 30, 2024

Year Ending September 30,	Notes Payable		
	Principal	Interest	Total
2025	\$ 556,177	\$ 488,055	\$ 1,044,232
2026	592,100	459,006	1,051,106
2027	618,604	428,378	1,046,982
2028	655,716	396,141	1,051,857
2029	683,470	362,262	1,045,732
2030	716,900	326,832	1,043,732
2031	756,041	291,941	1,047,982
2032	780,932	260,275	1,041,207
2033	806,612	232,370	1,038,982
2034	833,122	205,860	1,038,982
2035	345,507	183,425	528,932
2036	363,813	165,119	528,932
2037	383,090	145,842	528,932
2038	403,387	125,545	528,932
2039	424,760	104,172	528,932
2040	447,266	81,666	528,932
2041	470,964	57,969	528,933
2042	495,917	33,015	528,932
2043	257,725	6,740	264,465
Totals	\$ 10,592,103	\$ 4,354,613	\$ 14,946,716

Year Ending September 30,	Lease Liability - Building		
	Principal	Interest	Total
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
Totals	\$ 319,702	\$ 28,156	\$ 347,858

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

F. Other Long-Term Liabilities

The following is a summary of changes in the District's total other long-term liabilities for the year ended. In general, the District uses the general fund to liquidate governmental compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 301,666	\$ -	\$ (33,914)	\$ 267,752	\$ 240,977
Total Governmental Activities	<u>\$ 301,666</u>	<u>\$ -</u>	<u>\$ (33,914)</u>	<u>\$ 267,752</u>	<u>\$ 240,977</u>
				<u>\$ 26,775</u>	
				Long-term liabilities due in more than one year	

G. Interfund Receivables, Payables, And Transfers

The compositions of interfund due to/from balances as of the year ended September 30, 2024 were as follows:

	Payable Fund:		
Receivable Fund:	Capital Projects	General Fund	Total
General Fund	\$ 127,750	\$ -	\$ 127,750
Debt Service Fund	-	9,414	9,414
Total	<u>\$ 127,750</u>	<u>\$ 9,414</u>	<u>\$ 137,164</u>

Transfers between the primary government funds during the 2024 year were as follows:

	Transfers In:	
	Debt Service	Total
Transfers Out:		
General	\$ 1,047,862	\$ 1,047,862
Total	<u>\$ 1,047,862</u>	<u>\$ 1,047,862</u>

The outstanding balances between funds result mainly from the time lag between the dates that the payments between funds are made.

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

NOTE 6 – OTHER INFORMATION

A. 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.

B. 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 renewed the agreement on March 1, 2024 for an initial term of five years and shall automatically renew upon the end of the initial five-year term on December 31, 2028, for successive one-year periods unless the District or City gives the other party notice of termination or non-renewal. For the year ended September 30, 2024, Texas City paid the District \$36,462 for these services.

C. 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,

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

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 6 B.).

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

On September 19, 2000, the District agreed to accept an additional 665,000 gallons per day of the Authority's remaining capacity in their surface water plant. Therefore, the total reserved capacity the District now has in the Authority's water treatment plant is 4,165,000 gallons per day. On August 15, 2002, and as amended May 15, 2014, the District signed a separate contract with the Authority to transfer 500,000 gallons per day from its east side take point reserve contract quantity to its west side take point reserve contract quantity. Effective April 21, 2014, the Authority and District signed an amendment which moved the operation and maintenance cost of the surface water treatment plant from a take or pay formula to pay for what you take; intended to reward customers of the Authority who encourage water conservation by their customers. This contract extended the life of the original agreement to December 31, 2027. The District paid \$1,727,557 for treated water delivered to the District in the current year.

D. 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

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

For the Year Ended September 30, 2024

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 \$89,020 under this program, of which \$170,170 is recorded as grants receivable.

On March 20, 2024, District and the Houston-Galveston Area Council (H-GAC) entered into an interlocal agreement to develop the GCWCID#1 Hazard Mitigation Plan (Plan) with a project cost of \$60,191 and a project timeframe of twenty-four months. The District will be responsible for administering the Texas General Land Office – Local Hazard Mitigation Plans Program (GLO-LHMPP) grant. The District and H-GAC shall jointly develop the Plan and share in decisions regarding scope and product.

E. Fire Protection

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, 2024, the District’s total collections remitted to VFD were \$640,330.

F. Solid Waste Service 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

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

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. Even though the Agreement expired February 28, 2024, the district continues to honor the payment of franchise fees to the city as the two entities negotiate renewal of the agreement. For the year ended September 30, 2024, the District's total collections for solid waste services were \$1,846,229. The District paid AmeriWaste a total of \$1,434,633 for contracted solid waste disposal services. Total Solid Waste Fund Balance included in the General Fund is \$631,090.

G. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, cybersecurity, 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, cybersecurity 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.

H. Maintenance Tax

The District has committed maintenance tax proceeds to fund the cost of system maintenance. On October 1, 2023, the reserve was \$1,776,626. In the current fiscal year, the reserved fund generated \$1,970,011 in total revenue including maintenance tax revenues of \$1,937,964. Expenditures of the fund for system maintenance were \$1,146,237, resulting in a committed fund balance at the fiscal year-end of \$2,600,400.

I. 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.

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

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 dependent coverage.

The commitment of the employer provided insurance fund balance as of September 30, 2024 is as follows:

Self-Insured Plans		
Committed as of Sept 30, 2023	\$	71,734
Contributions		32,421
Claims		(43,424)
Committed as of Sept 30, 2024	\$	60,731

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

NOTE 7 – RETIREMENT BENEFITS

A. Retirement Plans

Defined Benefit Pension Plan

1. Plan Description

The District provides retirement and death benefits for all its eligible employees through a nontraditional defined benefit pension plan in the statewide Texas County & District Retirement System (“TCDRS”). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of nearly 870 nontraditional defined contribution benefit plans. TCDRS, in the aggregate, issues an annual comprehensive financial report (“ACFR”) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

2. Benefits Provided

The plan provisions are adopted by the District within the options available in 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 contribution to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the District 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 or death, 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.

3. Funding Policy

The District 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

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

The District contributed using the ADCR of 15.71% for calendar year 2024 and 15.65% for calendar year 2023.

The District adopted the rate of 7% as the contribution rate payable by the employee members for calendar years 2024 and 2023. The District may change the employee contribution rate and the employer contribution rate within the options available in the TCDRS Act.

4. Contributions

	<u>9/30/2024</u>	<u>9/30/2023</u>
Annual Determined Contribution Cost (ADRC)	\$ 484,793	\$ 432,336
Actual Contributions Made	\$ 484,793	\$ 432,336
Percentage of APC Made	100%	100%
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The required contribution rates for fiscal year 2024 were determined as part of the December 31, 2023 actuarial valuation.

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

Additional information as of the three latest actuarial valuations also follows:

Valuation Date	<u>12/31/2021</u>	<u>12/31/2022</u>	<u>12/31/2023</u>
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percent of	Level Percent of	Level Percent of
	payroll, closed	payroll, closed	payroll, closed
Amortization Period	18.8 years	14.6 years	10.8 years
in years			
Asset Valuation Method	5-year Smoothed	5-year Smoothed	5-year Smoothed
	Fund	Market	Market
Actuarial Assumptions:			
Investment Rate of	7.5%	7.5%	7.5%
Return *			
Projected Salary	2.25%	2.25%	2.25%
Increases *			
* Includes Inflation at	2.50%	2.50%	2.50%
stated-rate			
Cost-of Living			
Adjustments	n/a	n/a	n/a

Employees covered by benefit terms

At the December 31, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	31
Active employees	42
Total	98

5. Net Pension Liability

The District's Net Pension Liability (Asset) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

Actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	4.70% per year; varies by age and service
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on 135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010

Actuarial assumptions used in the December 31, 2023 valuation 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 68.

The long-term expected rate of return on pension plan investments is 7.50% gross of administrative expenses. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

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 capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2024 information for a 10-year time horizon.

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected minus inflation) (2)
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.75%
Global Equities	MSCI World (net) Index	2.50%	4.75%
International Equities – Developed	MSCI World Ex USA (net) Index	5.00%	4.75%
International Equities – Emerging	MSCI Emerging Markets (net) Index	6.00%	4.75%
Investment - Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.35%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	3.65%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	7.25%
Distressed Debt	Cambridge Associates Distressed Securities Index (3)	4.00%	6.90 %
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.10%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.20%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (4)	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (5)	25.00%	7.75%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	3.25%
Cash Equivalents	90-day U.S. Treasury	2.00%	0.60%

(1) Target asset allocation adopted at the March 2024 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.2%, per Cliffwater’s 2024 capital market assumptions.

(3) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

Discount Rate:

The discount rate used to measure the Total Pension Liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability (Asset):

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balance at 12/31/22	\$ 22,766,496	\$ 21,241,456	\$ 1,525,040
Changes for the year:			
Service Cost	378,619	-	378,619
Interest on total pension liability ⁽¹⁾	1,723,321	-	1,723,321
Effect of plan changes ⁽²⁾	4,177,043	-	4,177,043
Difference in expected and actual gains or losses	(354,923)	-	(354,923)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(1,602)	(1,602)	-
Benefit payments	(955,592)	(955,592)	-
Administrative expense	-	(12,132)	12,132
Member contributions	-	197,159	(197,159)
Net investment income	-	2,331,300	(2,331,300)
Employer contributions	-	440,793	(440,793)
Other ⁽³⁾	-	(7,462)	7,462
Net changes	4,966,866	1,992,464	2,974,402
Balance at 12/31/23	<u>\$ 27,733,362</u>	<u>\$ 23,233,920</u>	<u>\$ 4,499,442</u>

- (1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
- (2) Reflects plan changes adopted effective in 2024. Also reflects increase in substantively automatic COLA valued.
- (3) Relates to allocation of system-wide items.

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

Sensitivity of the net pension liability / (asset) to changes in the discount rate

The following presents the net pension liability / (asset) of the District, calculated using the discount rate of 7.60%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate:

1% Decrease 6.60%	Current Single Rate Assumption 7.60%	1% Increase 8.60%
\$ 8,299,357	\$ 4,499,442	\$ 1,321,530

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained on the internet at <https://www.tcdrs.com>.

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended September 30, 2024, the District recognized pension expense of \$4,204,086.

At September 30, 2024, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Investment earnings	\$ 85,465	\$
Changes in actuarial assumptions	228,121	
Differences between expected and actual economic experience		(305,020)
Contributions subsequent to the measurement date	355,817	-
Total	\$ 669,403	\$ (305,020)

The District reported \$355,817 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2025.

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

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

Year ended December 31:	
2024	\$ (67,966)
2025	(151,515)
2026	373,964
2027	(145,917)
2028	-
Thereafter	-
	\$ 8,566

B. Other Postemployment Benefits

1. Plan Description

The District participates in the retiree Group Term Life ("GTL") program for the TCDRS, which is a statewide, agent multiple-employer, public employee retirement system. The benefit terms of this program are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out (or opt into) coverage as of January 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.

2. Benefits Provided

The benefits provided by this program are as follows:

- All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year and are eligible for the TCDRS pension plan. Only employers that have elected participate in the retiree GTL program are included in the OPEB plan.
- They provide a \$5,000 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the GTL program.
- The OPEB benefit is a fixed \$5,000 lump-sum benefit amount.
- No future increases are assumed in the \$5,000 benefit amount.

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

Employees covered by benefit terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	21
Inactive employees entitled to but not yet receiving benefits	10
Active employees	42
Total	73

3. Contributions and Actuarial Information

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust as defined by paragraph 4 of GASB Statement No. 75.

4. Total OPEB Liability

The District's Postemployment Benefits Other Than Pensions Liability for the benefit plan was measured as of December 31, 2023, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Level Percent of Salary
Discount Rate	3.26%
Amortization Method	Straight-line over expected working life

Mortality rates for active members, retirees, and beneficiaries were based 135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees 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 (Continued)

For the Year Ended September 30, 2024

All actuarial assumptions that determined the total OPEB liability as of December 31, 2023 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. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

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

The following presents the OPEB liability of the District, calculated using the discount rate of 3.26%, as well as what the County's OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26%) or 1-percentage-point higher (4.26%) than the current rate:

Discount Rate		
1% Decrease 2.26%	Current Discount Rate 3.26 %	1% Increase 4.26%
\$ 135,971	\$ 113,576	\$ 96,066

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/2022	\$ 102,049
Changes for the year:	
Service Cost	2,114
Interest ⁽¹⁾	3,833
Difference between expected and actual experience	(747)
Changes of assumptions ⁽²⁾	8,580
Benefit payments	(2,253)
Net changes	11,527
Balance at 12/31/2023	<u>\$ 113,576</u>

(1) Reflects the change in the liability due to the time value of money.

TCDRS does not charge fees or interest.

(2) Reflects change in discount rate.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2024, the District recognized OPEB expense of \$5.624.

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

At September 30, 2024, the District reported deferred outflows/inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Difference between expected and actual experience	\$ 84	\$ (4,112)
Changes in assumptions	12,473	(21,314)
Contributions subsequent to the measurement date	6,569	-
Total	<u>\$ 19,126</u>	<u>\$ (25,426)</u>

The District reported \$6,569 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2025.

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

Year Ended December 31:	
2024	\$ (4,459)
2025	(4,464)
2026	(5,511)
2027	1,565
2028	-
	<u>\$ (12,869)</u>

NOTE 8 – SUBSEQUENT EVENTS

On 10/01/2024 the District changed the employee leave policy. The change was removing the earning of vacation and sick leave and instead earning the singular paid time off (PTO). All previously earned vacation and sick leave hours were converted to the new PTO hours. The new policy had a lower cap than the previous combined cap of the vacation and sick leaves and the employees who would have been above the new cap are having their time above the new cap bought out by the District.

Galveston County Water Control and Improvement District No. 1

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2024

After the balance sheet date, the District's general manager put in his notice for resignation. The date of departure is expected to be consistent with the date a new general manager is hired.

We have evaluated subsequent events through June 13, 2025, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

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Galveston County Water Control and Improvement District No. 1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended September 30, 2024

	Original & Final Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for water/sewer service	\$ 10,679,474	\$ 10,517,495	\$ (161,979)
Charges for garbage services	304,045	1,846,229	1,542,184
Property taxes	1,984,772	1,937,964	(46,808)
Penalty and interest	215,234	230,157	14,923
Tap connection and inspection fees	245,850	264,722	18,872
Investment income	143,589	243,339	99,750
Miscellaneous income	225,326	262,455	37,129
Total Revenues	<u>13,798,290</u>	<u>15,302,361</u>	<u>1,504,071</u>
Expenditures			
Personnel	5,027,831	4,421,982	605,849
Purchased bulk water	1,703,535	1,727,557	(24,022)
Professional fees	68,500	79,499	(10,999)
Contracted services	728,700	2,180,694	(1,451,994)
Repairs and maintenance	890,699	1,888,578	(997,879)
Administrative expenses	1,144,565	1,177,241	(32,676)
Utilities	466,200	404,107	62,093
Capital outlay	2,895,700	1,468,050	1,427,650
Debt Service:			
Principal	71,810	71,810	-
Interest	15,154	15,154	-
Total Expenditures	<u>13,012,694</u>	<u>13,434,672</u>	<u>(421,978) *</u>
Other Financing Sources (Uses)			
Transfers (out)	(1,547,862)	(1,047,862)	500,000
Total Other Financing Sources (Uses)	<u>(1,547,862)</u>	<u>(1,047,862)</u>	<u>500,000</u>
Net Change in Fund Balance	<u>\$ (762,266)</u>	<u>\$ 819,827</u>	<u>\$ 1,582,093</u>
Beginning Fund Balance		<u>5,914,980</u>	
Ending Fund Balance		<u><u>\$ 6,734,807</u></u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.
2. * Expenditures exceeded appropriations at legal level of control.

Galveston County Water Control and Improvement District No. 1

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

Years Ended:

	12/31/2023	12/31/2022	12/31/2021	12/31/2020
Total pension liability				
Service cost	\$ 378,619	\$ 368,521	\$ 356,430	\$ 305,299
Interest	1,723,321	1,612,532	1,517,024	1,427,877
Changes in benefit terms	4,177,043	317,050	353,278	-
Differences between expected and actual experience	(354,923)	58,977	(230,514)	(53,445)
Changes of assumptions	-	-	(5,612)	1,147,623
Benefit payments, including refunds of participant contributions	(957,194)	(863,366)	(632,885)	(461,224)
Net change in total pension liability	4,966,866	1,493,714	1,357,721	2,366,130
Total pension liability - beginning	22,766,496	21,272,782	19,915,061	17,548,931
Total pension liability - ending (a)	27,733,362	22,766,496	21,272,782	19,915,061
Plan fiduciary net position				
Contributions - employer	\$ 440,793	\$ 411,780	\$ 318,450	\$ 310,101
Contributions - members	197,159	186,085	174,017	169,454
Net investment income	2,331,300	(1,317,143)	4,130,062	1,766,862
Benefit payments, including refunds of participant contributions	(957,194)	(863,366)	(632,885)	(461,224)
Administrative expenses	(12,132)	(12,448)	(12,365)	(13,812)
Other	(7,462)	(18,281)	1,221	2,237
Net change in plan fiduciary net position	1,992,464	(1,613,373)	3,978,500	1,773,618
Plan fiduciary net position - beginning	21,241,456	22,854,829	18,876,329	17,102,711
Plan fiduciary net position - ending (b)	\$ 23,233,920	\$ 21,241,456	\$ 22,854,829	\$ 18,876,329
(b)	\$ 4,499,442	\$ 1,525,040	\$ (1,582,047)	\$ 1,038,732
Plan fiduciary net position as a percentage of the total pension liability	83.78%	93.30%	107.44%	94.78%
Covered payroll	\$ 2,816,564	\$ 2,658,359	\$ 2,485,951	\$ 2,420,772
Fund's net pension liability as a percentage of covered payroll	159.75%	57.37%	-63.64%	42.91%

<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
\$ 310,646	\$ 288,312	\$ 289,323	\$ 285,375	\$ 257,071	\$ 260,251
1,324,172	1,224,645	1,135,127	1,041,383	975,992	896,243
-	52,874	-	-	(41,727)	-
77,401	31,391	72,527	30,556	(133,252)	106,808
-	-	(17,470)	-	85,000	-
(393,206)	(388,564)	(358,689)	(340,451)	(316,915)	(280,604)
1,319,013	1,208,658	1,120,818	1,016,863	826,169	982,698
16,229,918	15,021,260	13,900,442	12,883,579	12,057,410	11,074,712
17,548,931	16,229,918	15,021,260	13,900,442	12,883,579	12,057,410
\$ 298,526	\$ 374,536	\$ 295,113	\$ 455,136	\$ 246,203	\$ 256,264
163,896	150,726	155,909	141,855	137,433	134,876
2,403,782	(273,847)	1,873,387	863,525	(142,323)	733,079
(393,206)	(388,564)	(358,689)	(340,451)	(316,915)	(280,604)
(13,033)	(11,757)	(9,830)	(9,383)	(8,420)	(8,707)
4,752	5,557	1,144	57,555	18,510	26,296
2,464,717	(143,349)	1,957,034	1,168,237	(65,512)	861,204
14,637,994	14,781,343	12,824,309	11,656,072	11,721,584	10,860,380
\$ 17,102,711	\$ 14,637,994	\$ 14,781,343	\$ 12,824,309	\$ 11,656,072	\$ 11,721,584
\$ 446,220	\$ 1,591,924	\$ 239,917	\$ 1,076,133	\$ 1,227,507	\$ 335,826
97.46%	90.19%	98.40%	92.26%	90.47%	97.21%
\$ 2,341,376	\$ 2,153,225	\$ 2,227,272	\$ 2,026,501	\$ 1,963,355	\$ 1,926,799
19.06%	73.93%	10.77%	53.10%	62.52%	17.43%

<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u> ¹
\$ 272,966	\$ 260,268	\$ 239,482	\$ 248,341	\$ 231,832
309,222	294,972	271,011	280,480	260,794
<u>\$ (36,256)</u>	<u>\$ (34,704)</u>	<u>\$ (31,529)</u>	<u>\$ (32,139)</u>	<u>\$ (28,962)</u>
\$ 2,417,077	\$ 2,313,602	\$ 2,101,962	\$ 2,142,613	\$ 1,930,800
12.79%	12.75%	12.89%	13.09%	13.51%

Galveston County Water Control and Improvement District No. 1

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

Year Ended:

	12/31/2023	12/31/2022	12/31/2021	12/31/2020
Total OPEB liability				
Service cost	\$ 2,114	\$ 4,049	\$ 4,016	\$ 2,720
Interest	3,833	2,825	2,971	3,427
Differences between expected and actual experience	(747)	140	(7,032)	(2,096)
Changes of assumptions	8,580	(35,522)	2,009	14,418
Benefit payments, including refunds of participant contributions	(2,253)	(5,051)	(4,972)	(4,357)
Net change in total OPEB liability	11,527	(33,559)	(3,008)	14,112
Total OPEB liability - beginning	\$ 102,049	\$ 135,608	\$ 138,616	\$ 124,504
Total OPEB liability - ending	\$ 113,576	\$ 102,049	\$ 135,608	\$ 138,616
 Covered employee payroll	 \$ 2,816,564	 \$ 2,658,359	 \$ 2,485,951	 \$ 2,420,712
City's total OPEB liability as a percentage of covered employee payroll	 4.03%	 3.84%	 5.45%	 5.73%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten calendar years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	¹
\$ 1,744	\$ 2,278	\$ 2,075	
3,907	3,518	3,398	
2,618	2,727	5,522	
24,928	(10,922)	5,021	
(4,449)	(3,660)	(4,009)	
28,748	(6,059)	12,007	
\$ 95,756	\$ 101,815	\$ 89,808	
\$ 124,504	\$ 95,756	\$ 101,815	²
\$ 2,341,376	\$ 2,153,225	\$ 2,227,272	
5.32%	4.45%	4.57%	

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TEXAS SUPPLEMENTARY INFORMATION

Galveston County Water Control and Improvement District No. 1

TSI-1 SERVICES AND RATES

For the Year Ended September 30, 2024

1. Services provided by the District:

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

2. a. Retail rates based on 5/8" meter

The most prevalent type of meter (if not a 5/8"):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons Over Minimum	Usage Levels
Water	\$ 14.46	1,000	N	\$3.69	1,001 to 2,000
				\$7.38	2,000 to 6,000
				\$7.69	6,001 to 12,000
				\$8.00	12,001 gallons & up
Wastewater	\$ 19.65	1,000	N	\$3.65	1,001 and up**

Surcharge:

Commission Regulatory
Assessments

0.5% of actual water/sewer bill

Solid Waste \$ 24.00

District employs winter averaging for wastewater usage?

Yes ☐ No ☐ X ☒

Total water and sewer charges per 10,000 gallons usage:

Water: \$78.43

Wastewater: \$52.10

Surcharge: \$0.65

Solid Waste: \$24.00

Fire: \$5.00

Total: \$160.18

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

b. Retail Service Providers: Number of retail water and/or wastewater connections * within the District as of the fiscal year end. Provide actual numbers and single family equivalents (ESFC) as noted:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
< 3/4"	8,123	8,062	x 1.0	8,062
1"	300	294	x 2.5	735
1 1/2"	23	23	x 5.0	115
2"	113	97	x 8.0	776
3"	13	13	x 15.0	195
4"	9	6	x 25.0	150
6"	6	6	x 50.0	350
8"	1	-	x 80.0	-
10"	-	-	x 115.0	-
Total water	8,588	8,501		10,383
Total wastewater	8,439	8,173	x 1.0	8,173

* Number of connections relates to water service, if provided. Otherwise, the number of wastewater connections should be provided.

Galveston County Water Control and Improvement District No. 1

TSI-1 SERVICES AND RATES

For the Year Ended September 30, 2024

3. Total Water Consumption (In Thousands) During the Fiscal Year:

Gallons pumped into system:	743,623,000	Water Accountability Ratio:
Gallons for flushing:	10,140,000	<u>94.6%</u>
Gallons billed to customers:	694,052,000	

4. Standby Fees: Does the District assess standby fees?

Yes No X

Does the District have Operation and Maintenance standby fees?

Yes No X

5. Location of District:

County in which District is located.

Galveston County

Is the District located entirely within one county?

Yes X No

Is the District located within a city?

Yes No Partly X

City in which District is located.

Dickinson, League City & Texas City, Texas

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

Entirely Partly X Not at all

ETJ's in which District is located.

Dickinson, League City & Texas City, Texas

Is the general membership of the Board appointed by an office outside the District?

If yes, by whom?

Yes No X

Galveston County Water Control and Improvement District No. 1

TSI-2 GENERAL FUND EXPENDITURES (Page 1)

For the Years Ended September 30, 2024 and 2023

	2024	2023
<u>Current</u>		
Personnel Services (including benefits)	\$ 4,421,982	\$ 4,230,280
Professional Fees:		
Auditing	33,500	33,000
Legal	45,999	32,612
Subtotal	79,499	65,612
Purchased Services:		
Purchased water service	1,727,557	1,791,374
Contracted Services		
Management and consulting	422,048	424,373
Janitorial	11,739	10,715
Garbage	1,489,940	-
Security	5,758	5,805
Sludge hauling	145,198	126,944
Billing statement services	106,011	80,395
Subtotal	2,180,694	648,232
Utilities	404,107	396,456
Repairs and Maintenance	1,888,578	1,293,506
Capital Outlay	1,468,050	2,283,763
Administrative and Other		
Board expenditures	2,776	4,521
Bank charges	20,982	18,835
Credit card charges	105,599	92,529
Director fees	19,700	22,650
After hours dispatch	9,896	9,545
Dues	11,641	10,433
Education and training	86,685	57,096
Events	8,681	17,949
Fuel	64,218	52,992
Subtotal	330,178	286,550

Galveston County Water Control and Improvement District No. 1

TSI-2 GENERAL FUND EXPENDITURES (Page 2)

For the Years Ended September 30, 2024 and 2023

	2024	2023
Administrative and Other (continued)		
Health Dist - Pollution Control	14,869	13,744
Information technology	83,113	49,148
Insurance	391,162	334,712
Lab fees	47,841	69,137
Equipment/building lease payments	31,747	38,922
Bad debt expenses	18,997	32,584
Office supplies and postage	18,222	20,253
Regulatory assessment	53,464	53,316
Safety materials and supplies	80,977	45,474
Uniform/floor mat rental	38,046	22,247
Election costs and other	68,625	62,587
	<u>1,177,241</u>	<u>1,028,674</u>
Debt Service		
Principal	71,810	68,876
Interest	15,154	18,088
Subtotal	<u>86,964</u>	<u>86,964</u>
 Total Expenditures	 <u><u>\$ 13,434,672</u></u>	 <u><u>\$ 11,824,861</u></u>

Galveston County Water Control and Improvement District No. 1

TSI-3 CASH AND INVESTMENTS

For the Year Ended September 30, 2024

Funds	Identification or Certificate Number	Interest Rate (%)	Maturity Date	Balance
<u>General Fund</u>				
TexPool	XXXX0002	Varies	Daily	\$ 366,505
US Taxable Bonds - US Bank	XXXXXXXX15554	Varies	Multiple	2,767,412
Money Market - US Bank	XXXXXXXX15554	4.78%	N/A	1,722,080
Checking - Amegy Bank	XXXX003656	-	N/A	1,644,176
Checking - Amegy Bank	XXXX603474	-	N/A	45,498
Checking - Amegy Bank	XXXX601318	-	N/A	19,643
Petty cash	N/A	N/A	N/A	3,400
Total General Fund				6,568,714
<u>Debt Service Fund</u>				
TexPool	XXXX0001	Varies	Daily	545,609
Checking - Amegy Bank	XXX4846	-	N/A	180,358
Checking - Amegy Bank	XXX4889	-	N/A	470,821
Total Debt Service Fund				1,196,788
<u>Capital Projects Fund</u>				
TexPool	XXXX0005	Varies	Daily	1,323,286
Bank OZK (escrow)	XX-XXXX-01-1	-	N/A	268,808
Checking - Amegy Bank	Multiple	-	N/A	45,348
US Taxable Bonds - US Bank	XXXXXXXX23012	Varies	Multiple	2,137,096
Money Market - US Bank	XXXXXXXX23012	4.78%	N/A	1,662,996
US Taxable Bonds - US Bank	XXXXXXXX23013	Varies	Multiple	22,241,278
Money Market - US Bank	XXXXXXXX23013	4.78%	N/A	10,229,253
				37,908,065
Total All Funds				\$ 45,673,567

Galveston County Water Control and Improvement District No. 1

TSI-4 ANALYSIS OF TAXES LEVIED AND RECEIVABLE

For the Year Ended September 30, 2024

	General Fund	Debt Service Fund
Taxes receivable - September 30, 2023	\$ 140,294	\$ 87,414
FY 2024 Adjusted tax roll	1,972,051	3,095,942
Total to be Accounted For	2,112,345	3,183,356
Tax Collections		
Current year	1,925,849	3,023,410
Prior years	11,876	18,644
Total Collections	1,937,725	3,042,054
Total Adjustments (includes principal & interest on A/R)	(13,715)	(53,251)
Taxes Receivable - September 30, 2024	\$ 160,905	\$ 88,051
Taxes Receivable - By Year		
2023	\$ 43,496	\$ 68,286
2022	20,637	7,364
2021	10,149	1,757
2020	6,397	1,387
2019	5,677	1,423
Thereafter	74,549	7,834
Taxes Receivable - September 30, 2024	\$ 160,905	\$ 88,051

	2023	2022	2021	2020	2019
Assessed					
Property Valuations	\$ 1,968,809,630	\$ 1,788,490,526	\$ 1,579,816,427	\$ 1,359,192,659	\$ 1,182,735,898
Tax Rates (Per \$100					
Valuations)					
Debt service	\$ 0.1570	\$ 0.0356	\$ 0.0166	\$ 0.021	\$ 0.024
Maintenance	0.1000	0.1000	0.0960	0.096	0.097
Total Tax Rate (per					
\$100 Valuation)	\$ 0.257	\$ 0.136	\$ 0.113	\$ 0.117	\$ 0.121
Tax Rolls**	\$ 5,059,841	\$ 2,425,372	\$ 1,778,968	\$ 1,584,193	\$ 1,436,776

For the Year Ended September 30, 2024

Percent of current taxes collected to current taxes levied (as adjusted)

All Taxes
97.8%

** As adjusted

Galveston County Water Control and Improvement District No. 1

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS

September 30, 2024

Due During Fiscal Year Ending Sept 30,	Unlimited Tax Bonds - Series 2016, 2022 & 2023		
	Principal	Interest	Total
2025	\$ 1,440,000	\$ 1,790,950	\$ 3,230,950
2026	1,505,000	1,720,913	3,225,913
2027	1,570,000	1,649,163	3,219,163
2028	1,635,000	1,574,163	3,209,163
2029	1,715,000	1,495,538	3,210,538
2030	1,785,000	1,412,906	3,197,906
2031	1,870,000	1,326,144	3,196,144
2032	1,745,000	1,240,925	2,985,925
2033	1,830,000	1,157,350	2,987,350
2034	1,920,000	1,069,600	2,989,600
2035	2,015,000	977,425	2,992,425
2036	2,105,000	880,775	2,985,775
2037	2,205,000	779,525	2,984,525
2038	2,315,000	673,225	2,988,225
2039	2,425,000	561,625	2,986,625
2040	2,545,000	444,525	2,989,525
2041	2,665,000	321,675	2,986,675
2042	2,795,000	192,775	2,987,775
2043	2,535,000	63,375	2,598,375
Totals	<u><u>\$ 38,620,000</u></u>	<u><u>\$ 19,332,575</u></u>	<u><u>\$ 57,952,575</u></u>

Galveston County Water Control and Improvement District No. 1

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS (Continued)

September 30, 2024

Due During Fiscal Year Ending Sept 30,	Notes Payable		
	Principal	Interest	Total
2025	\$ 556,177	\$ 488,055	\$ 1,044,232
2026	592,100	459,006	1,051,106
2027	618,604	428,378	1,046,982
2028	655,716	396,141	1,051,857
2029	683,470	362,262	1,045,732
2030	716,900	326,832	1,043,732
2031	756,041	291,941	1,047,982
2032	780,932	260,275	1,041,207
2033	806,612	223,370	1,029,982
2034	833,122	205,860	1,038,982
2035	345,507	183,425	528,932
2036	363,813	165,119	528,932
2037	383,090	145,842	528,932
2038	403,387	125,545	528,932
2039	424,760	104,172	528,932
2040	447,266	81,666	528,932
2041	470,964	57,969	528,933
2042	495,917	33,015	528,932
2043	257,725	6,740	264,465
Totals	\$ 10,592,103	\$ 4,345,613	\$ 14,937,716

Due During Fiscal Year Ending Sept 30,	Lease Liability - Building		
	Principal	Interest	Total
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
	\$ 319,702	\$ 28,156	\$ 347,858

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Galveston County Water Control and Improvement District No. 1

TSI-6 CHANGE IN LONG-TERM BONDED DEBT

For the Year Ended September 30, 2024

	Bond Issues				
	Tax Bonds - Series 2016	Rev. Refunding Bonds - Series 2020	Tax Bonds - Series 2022	Tax Bonds - Series 2023	Note payable
Interest rate	2.5% - 4.0%	2.0% - 5.0%	3.0% - 5.0%	5.00%	5.23%
Dates interest payable	3/1; 9/1	2/1; 9/1	2/15; 8/15	3/1; 9/1	6/1; 12/1
Maturity dates	5/18/2016 - 3/1/2031	8/19/2020 - 3/1/2034	3/22/2022 - 3/1/2042	3/01/2024 - 3/1/2043	12/22/2022 - 12/1/2042
Balance outstanding at beginning of current year	\$ 1,640,000	\$ 4,705,000	\$ 5,525,000	\$ -	\$ 6,417,906
New issuances	-	-	-	32,845,000	-
Debt sold or refunded	-	-	-	-	-
Principal retirements	(205,000)	(335,000)	(195,000)	(990,000)	(195,803)
Bonds Outstanding at End of Current Year	\$ 1,435,000	\$ 4,370,000	\$ 5,330,000	\$ 31,855,000	\$ 6,222,103
Interest Retirements	\$ 44,075	\$ 182,425	\$ 198,075	\$ 1,275,365	\$ 333,129
<u>Paying Agent/Registrar</u>					
Series 2016	BOKF, N.A.	Austin, Texas			
Series 2020	BOKF, N.A.	Dallas, TX			
Series 2022	BOKF, N.A.	Dallas, TX			
Series 2023	BOKF, N.A.	Dallas, TX			
Bond Authority	Tax Bonds				
Amount authorized by voters	\$ 33,985,500				
Amount issued	\$ 33,985,500				
Remaining	\$ -				
Debt Service Fund cash and temporary investments balances as of September 30, 2024				\$	1,196,788
Average annual debt service payment (Principal and Interest)					
for remaining term of all debt:				\$	1,743,765

Galveston County Water Control and Improvement District No. 1

TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES

GENERAL FUND

Last Five Years

		Amounts				
		2024	2023	2022	2021	2020
<u>General Fund Revenues</u>						
Service revenues & surcharges	\$	12,363,724	\$ 10,539,634	\$ 9,047,190	\$ 7,859,090	\$ 7,871,955
Property taxes		1,937,964	1,771,202	1,508,194	1,277,555	1,144,333
Tap connection and fees		264,722	344,411	504,358	393,929	262,630
Penalty and interest		230,157	202,159	203,472	172,663	74,799
Grant revenues		-	-	-	40,933	127,592
Investment revenues		243,339	178,874	27,192	12,924	48,646
Miscellaneous revenues		262,455	232,777	154,144	145,572	84,264
Total Revenues		15,302,361	13,269,057	11,444,550	9,902,666	9,614,219
<u>General Fund Expenditures</u>						
Payroll		4,421,982	4,230,280	3,839,654	3,664,990	3,529,313
Purchased bulk water		1,727,557	1,791,374	1,376,228	1,433,794	1,382,221
Professional fees		79,499	65,612	84,177	103,423	89,652
Contracted services		2,180,694	648,232	735,189	911,832	338,822
Repairs and maintenance		1,888,578	1,293,506	1,832,764	1,498,230	996,632
Utilities		404,107	396,456	330,388	350,991	321,151
Administrative expenses		1,177,241	1,028,674	899,432	821,934	704,015
Debt service		86,964	86,964	-	-	-
Capital outlay		1,468,050	2,283,763	1,999,995	2,619,958	575,753
Total Expenditures		13,434,672	11,824,861	11,097,827	11,405,152	7,937,559
Revenues Over (Under)						
Expenditures	\$	1,867,689	\$ 1,444,196	\$ 346,723	\$ (1,502,486)	\$ 1,676,660
<u>Other Financing Sources (Uses)</u>						
Transfers, net	\$	(1,047,862)	\$ (1,352,910)	\$ (758,310)	\$ (391,510)	\$ (339,502)
Total Other Financing Sources						
(Uses)		(1,047,862)	(1,352,910)	(758,310)	(391,510)	(339,502)
Net Change in Fund Balance		819,827	\$ 91,286	(411,587)	(1,893,996)	1,337,158
Beginning Fund Balance		5,914,980	5,823,694	5,607,107	7,501,103	6,163,945
Ending Fund Balance	\$	6,734,807	\$ 5,914,980	\$ 5,195,520	\$ 5,607,107	\$ 7,501,103

Percent of Total Fund Revenues

2024	2023	2022	2021	2020
80.8 %	79.4 %	79.1 %	79.4 %	81.9 %
12.7	13.3	13.2	12.9	11.9
1.7	2.6	4.4	4.0	2.7
1.5	1.5	1.8	1.7	0.8
-	-	0.0	0.4	1.3
1.6	1.3	0.2	0.1	0.5
1.7	1.8	1.3	1.5	0.9
100.0	100.0	100.0	100.0	100.0
28.9	31.9	33.6	37.0	36.7
11.3	13.5	12.0	14.5	14.4
0.5	0.5	0.7	1.0	0.9
14.3	4.9	6.4	9.2	3.5
12.3	9.7	16.0	15.1	10.4
2.6	3.0	2.9	3.5	3.3
7.7	7.8	7.9	8.3	7.3
0.6	0.7	-	-	-
9.6	17.2	17.5	26.5	6.0
87.8	89.1	97.0	115.2	82.6
12.2 %	10.9 %	3.0 %	(15.2) %	17.4 %

Galveston County Water Control and Improvement District No. 1

TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES

DEBT SERVICE FUND

Last Five Years

	Amounts				
	2024	2023	2022	2021	2020
<u>Debt Service Fund Revenues</u>					
Property taxes	\$ 3,083,491	\$ 646,434	\$ 265,078	\$ 286,450	\$ 292,957
Penalty and interest	-	-	17,469	26,061	16,238
Investment revenues	29,904	5,046	644	44	5,653
Total Revenues	3,113,395	651,480	283,191	312,555	314,848
<u>Debt Service Fund Expenditures</u>					
Tax collection expenditures	38,086	26,687	26,546	25,073	22,772
Debt service:					
Principal	1,920,803	823,594	205,000	210,000	795,000
Interest and fees	2,026,098	609,522	361,797	282,974	245,473
Bond issuance costs	-	-	-	-	260,570
Payment to escrow agent	-	-	-	-	955,130
Capital outlay	-	-	-	-	-
Total Expenditures	3,984,987	1,459,803	593,343	518,047	2,278,945
Revenues Over (Under)					
Expenditures	\$ (871,592)	\$ (808,323)	\$ (310,152)	\$ (205,492)	\$ (1,964,097)
<u>Other Financing Sources (Uses)</u>					
Transfers, net	\$ 1,047,862	\$ 1,352,910	\$ 423,153	\$ 391,510	\$ 339,502
Debt issuance	-	-	93,722	-	5,025,000
Bond premium	-	-	-	-	995,987
Payment to escrow agent	-	-	-	-	(5,755,114)
Total Other Financing Sources					
(Uses)	1,047,862	1,352,910	516,875	391,510	605,375
Net Change in Fund Balance	176,270	\$ 544,587	206,723	186,018	(1,358,722)
Beginning Fund Balance	1,029,932	485,345	278,622	92,604	1,451,326
Ending Fund Balance	\$ 1,206,202	\$ 1,029,932	\$ 485,345	\$ 278,622	\$ 92,604
Total Active Retail Water and Sewer Connections	16,674	16,462	16,424	16,630	16,325

Percent of Total Fund Revenues				
2024	2023	2022	2021	2020
99.0 %	99.2 %	93.6 %	91.6 %	93.0 %
-	-	6.2	8.3	5.2
1.0	0.8	0.2	0.0	1.8
100.0	100.0	100.0	100.0	100.0
1.2	4.1	9.4	8.0	7.2
62	126.4	72.4	67.2	252.5
65.1	93.6	127.8	90.5	78.0
-	-	-	-	82.8
-	-	-	-	303.4
-	-	-	-	-
128.0	224.1	209.5	165.7	723.8
(28.0) %	(124.1) %	(109.5) %	(65.7) %	(623.8) %

Name and Address	Date Hired / Contract	Fees and Expenses	Company or Title
<u>Key Administrative Personnel:</u>			
Worth Ferguson	04/30/24	\$ 48,558	CFO/Inv. Officer
Nancy Click	08/28/98	\$ 119,746	Human Resources
Keith Morgan	07/30/04	\$ 125,310	Superintendent of Water/Wastewater
Dylan Caldwell	4/4/1995	\$ 121,429	Superintendent Plant Operation
Aurora Amaro, CPA	5/16/2008- 4/4/2024	\$ 89,918	CFO/Inv. Officer
<u>Consultants:</u>			
Ivan Langford Consulting	9/1/2020	\$ 171,280	Management Consultant
BrooksWatson & Company	8/1/2022	\$ 33,500	Independent Auditor
Olson & Olson LLP	5/18/2001	\$ 38,417	General Counsel
HDR Engineering, Inc.	8/1/2006	\$ 1,110,013	Consulting Engineers
Galveston County Tax Assessor	8/1/2003	\$ 3,802	Tax Assessor Collector
Kathryn Lynn Thomas	12/1/2021	\$ 78,066	Public Relations Consultant

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