

**Galveston County Water Control
and Improvement District No. 8**

GALVESTON COUNTY, TEXAS

FINANCIAL REPORT

December 31, 2022

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Independent Auditors' Report

Board of Directors
Galveston County Water Control and Improvement District No. 8
Galveston County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Galveston County Water Control and Improvement District No. 8 (the "District") as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of 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 Auditors' Responsibilities for the Audit of the Financial Statements sections 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.

Management's Responsibility for the Financial Statements

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

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

Auditor's Responsibility 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 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 perform audit procedures responsive to those risks. Such procedures including 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, we express no such opinion.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- 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 identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the budgetary comparison information and pension information on pages 40 through 46 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) listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Sugar Land, Texas
April 6, 2023

Management's Discussion and Analysis

As management of Galveston County Water Control and Improvement District No. 8 (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 year ended December 31, 2022.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$10,544,568 (net position).
- As of December 31, 2022, the District's governmental funds reported an ending fund balance of \$8,392,452.
- The District's cash and investments balance at December 31, 2022 was \$8,931,785 representing a decrease of \$154,690 from December 31, 2021.
- The District had revenues of \$3,314,220 and a change in net position of \$2,957 for the year ended December 31, 2022.
- At the end of the fiscal year, unrestricted and unassigned fund balance for the General Fund was \$1,150,470 or 34 percent of total General Fund expenditures.
- The District's total debt increased by \$818,191 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The *statement of net position* presents information on all of the District's assets, liabilities and deferred inflows 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation).

The government-wide financial statements present functions of the District that are provided from funding sources (governmental activities). The government-wide financial statements can be found on pages 10-13 of this report.

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. The funds of the District consist solely of governmental funds (the General Fund, Debt Service Fund and Capital Projects Fund).

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the 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 financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide an adjustments column to facilitate this comparison between the governmental funds and *governmental activities*. The basic governmental fund financial statements can be found on pages 10-13 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 38 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's General Fund budget and pension. Required supplementary information can be found on pages 40 through 46 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$10,544,568 as of December 31, 2022.

The largest portion of the District's net position reflects its net investment in capital assets (\$8,712,286).

The second largest portion of the District's net position represents unrestricted financial resources available for future operations (\$1,634,292).

Additionally, a portion of the District's net position represents restricted assets for debt service (\$197,990).

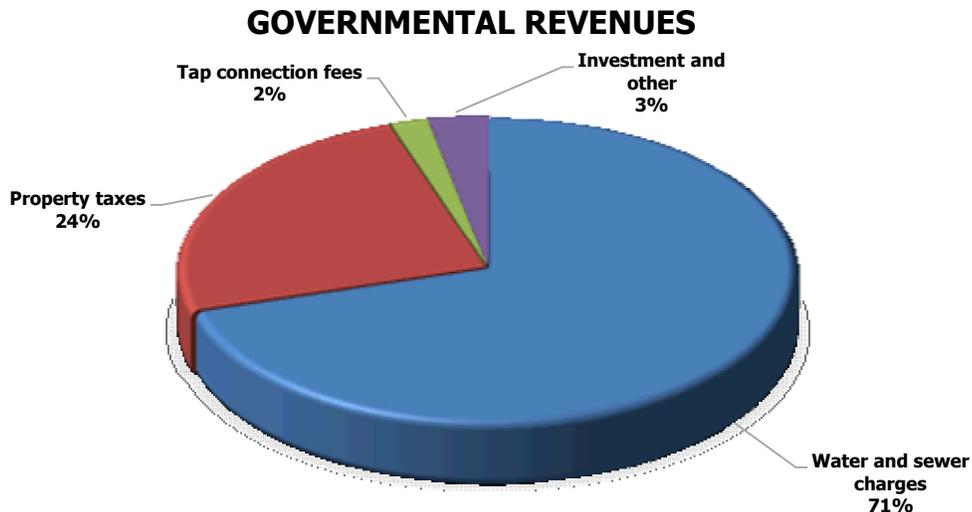
SUMMARY OF STATEMENT OF NET POSITION

| | Governmental Activities | |
|--|------------------------------------|----------------------|
| | 2022 | 2021 |
| Current and other assets | \$ 9,692,977 | \$ 9,827,103 |
| Capital assets, net | 17,275,086 | 16,462,465 |
| Total Assets | 26,968,063 | 26,289,568 |
| Pension related deferred outflows of resources | 162,953 | 136,984 |
| Total Deferred Outflows of Resources | 162,953 | 136,984 |
| Long-term liabilities | 15,259,541 | 14,441,350 |
| Other liabilities | 418,966 | 655,685 |
| Total Liabilities | 15,678,507 | 15,097,035 |
| Pension related deferred inflows of resources | 30,406 | 878 |
| Unavailable revenues - property taxes | 877,535 | 787,028 |
| Total Deferred Inflows of Resources | 907,941 | 787,906 |
| Net Position: | | |
| Net investment in capital assets | 8,712,286 | 9,185,730 |
| Restricted | 197,990 | 262,784 |
| Unrestricted | 1,634,292 | 1,093,097 |
| Total Net Position | \$ 10,544,568 | \$ 10,541,611 |

Net position of the District, all of which relates to governmental activities, increased by \$2,957. Key elements of the increase are as follows:

CHANGES IN NET POSITION

| | Governmental Activities | |
|---|------------------------------------|----------------------|
| | 2022 | 2021 |
| Revenues | | |
| Water and sewer charges | \$ 2,334,363 | \$ 2,187,181 |
| Property taxes, penalties and interest | 807,302 | 707,348 |
| Tap connection fees | 66,600 | 65,650 |
| Investment income and other | 105,955 | 42,421 |
| Total Revenues | 3,314,220 | 3,002,600 |
| Expenses | | |
| Purchased services | 349,520 | 377,952 |
| Professional fees and contracted services | 206,790 | 128,665 |
| Repairs and maintenance | 584,020 | 523,772 |
| Personnel, utilities and administration | 1,136,504 | 1,141,224 |
| Interest and fiscal charges on long-term debt | 344,040 | 319,260 |
| Issuance costs | | 285,336 |
| Depreciation | 690,389 | 498,896 |
| Total Expenses | 3,311,263 | 3,275,105 |
| Change in Net Position | 2,957 | (272,505) |
| Net Position, Beginning | 10,541,611 | 10,814,116 |
| Net Position, Ending | \$ 10,544,568 | \$ 10,541,611 |



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, fund balances may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of December 31, 2022, the District's governmental funds, which consist of a general fund, debt service fund and capital projects fund, reported an ending fund balance of \$8,392,452 which is a decrease of \$8,749 from last year's total of \$8,401,201. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 34 percent of total General Fund expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital and Lease Assets - The District's net investment in capital assets as of December 31, 2022 amounts to \$17,275,086 (net of accumulated depreciation and amortization). This net investment in capital assets includes land, construction in progress, buildings, vehicles and equipment, lease assets and water and wastewater infrastructure.

CAPITAL ASSETS SCHEDULE

| | Governmental Activities | |
|--|------------------------------------|----------------------|
| | 2022 | 2021 |
| Capital assets not being depreciated: | | |
| Land | \$ 582,583 | \$ 582,583 |
| Construction in progress | 469,127 | 1,899,327 |
| | <u>1,051,710</u> | <u>2,481,910</u> |
| Capital assets being depreciated: | | |
| Buildings | 2,231,551 | 375,000 |
| Lease assets | 1,061,889 | 132,924 |
| Vehicles and equipment | 750,874 | 707,669 |
| Infrastructure | 20,325,074 | 20,220,585 |
| | <u>24,369,388</u> | <u>21,436,178</u> |
| Less: accumulated depreciation and amortization | <u>(8,146,012)</u> | <u>(7,455,623)</u> |
| | <u>16,223,376</u> | <u>13,980,555</u> |
| Total Capital Assets, Net | <u>\$ 17,275,086</u> | <u>\$ 16,462,465</u> |

Additional information on the District's capital assets can be found in Note 6 in the notes to financial statements.

Long-term Debt - As of December 31, 2022, the District has total debt outstanding of \$15,259,541. Interest expense and fiscal charges totaled \$344,040 for the 2022 fiscal year on this debt. The outstanding debt, which consists of bonds, lease liabilities and unamortized bond premium, has maturities ranging from 2023 to 2046.

LONG-TERM DEBT SCHEDULE

| | Governmental Activities | |
|-----------------------------|------------------------------------|----------------------|
| | 2022 | 2021 |
| Tax bonds | \$ 13,970,000 | \$ 14,245,000 |
| Unamortized bond premium | 59,695 | 63,426 |
| Lease liabilities | 1,229,846 | 132,924 |
| Total Long-term Debt | \$ 15,259,541 | \$ 14,441,350 |

Additional information on the District’s long-term debt can be found in Note 7 in the notes to the financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current year. The budget was amended during the year. Actual revenues were \$30,545 greater than the District’s final amended budget primarily due to higher-than-expected property tax revenue and sewer service charges. Actual expenditures were \$814,471 more than the District’s final amended budget primarily due to higher-than-expected capital outlay expenditures. The District’s budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. The Budgetary Comparison Schedule on page 40 of this report provides variance information per financial statement line item.

NEW ACCOUNTING PRONOUNCEMENT

The District adopted a new accounting standard, GASB 87 *Leases* effective January 1, 2022. GASB 87 requires the net present value of the payment stream associated with a right-to-use asset to be included in the Statement of Net Position. Implementation of the new standard had no effect on beginning net position.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Galveston County Water Control and Improvement District No. 8’s finances for all those with an interest in the District’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Galveston County Water Control and Improvement District No. 8: James Newman, General Manager, P.O. Box 337, Santa Fe, Texas 77510.

FINANCIAL STATEMENTS

Galveston County Water Control and Improvement District No. 8

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2022

| | <u>General</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Total</u> |
|---|---------------------|-------------------------|-----------------------------|---------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 1,030,198 | \$ 646,821 | \$ 6,909,887 | \$ 8,586,906 |
| Investments | 342,455 | 2,424 | | 344,879 |
| Receivables: | | | | |
| Property taxes, net | 106,133 | 323,187 | | 429,320 |
| Customer service accounts | 211,477 | | | 211,477 |
| Penalties and interest | | | | |
| Internal receivables | 196,852 | | | 196,852 |
| Prepayments | 86,291 | | | 86,291 |
| Net pension asset | | | | |
| Capital assets, net of accum depreciation/amortization: | | | | |
| Land | | | | |
| Buildings | | | | |
| Vehicles and equipment | | | | |
| Lease assets | | | | |
| Infrastructure | | | | |
| Construction in progress | | | | |
| Total Assets | <u>\$ 1,973,406</u> | <u>\$ 972,432</u> | <u>\$ 6,909,887</u> | <u>\$ 9,855,725</u> |
| Deferred Outflows of Resources | | | | |
| Pension related deferred outflows of resources | | | | |
| Total Deferred Outflows of Resources | | | | |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 112,509 | \$ | \$ 18,688 | \$ 131,197 |
| Customer deposits | 205,300 | | | 205,300 |
| Builder deposits | 9,500 | | | 9,500 |
| Other | 1,000 | | | 1,000 |
| Internal payables | | 2,394 | 194,458 | 196,852 |
| Accrued interest payable | | | | |
| Long-term liabilities: | | | | |
| Due within one year | | | | |
| Due after one year | | | | |
| Total Liabilities | <u>328,309</u> | <u>2,394</u> | <u>213,146</u> | <u>543,849</u> |
| Deferred Inflows of Resources | | | | |
| Pension related deferred inflows of resources | | | | |
| Unavailable revenues - property taxes | 222,791 | 696,633 | | 919,424 |
| Total Deferred Inflows of Resources | <u>222,791</u> | <u>696,633</u> | <u></u> | <u>919,424</u> |
| Fund Balances/Net Position | | | | |
| Fund Balances: | | | | |
| Nonspendable | 271,836 | | | 271,836 |
| Restricted for debt service | | 273,405 | | 273,405 |
| Restricted for capital projects | | | 6,696,741 | 6,696,741 |
| Unrestricted and unassigned | 1,150,470 | | | 1,150,470 |
| Total Fund Balances | <u>1,422,306</u> | <u>273,405</u> | <u>6,696,741</u> | <u>8,392,452</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,973,406</u> | <u>\$ 972,432</u> | <u>\$ 6,909,887</u> | <u>\$ 9,855,725</u> |
| Net Position: | | | | |
| Net investment in capital assets | | | | |
| Restricted for debt service | | | | |
| Unrestricted | | | | |
| Total Net Position | | | | |

See Notes to Financial Statements.

Exhibit B(1)

| <u>Adjustments (Note 2)</u> | <u>Statement of Net Position</u> |
|---------------------------------|--------------------------------------|
| \$ | \$ 8,586,906 |
| | 344,879 |
| | 429,320 |
| | 211,477 |
| 32,784 | 32,784 |
| (196,852) | |
| | 86,291 |
| 1,320 | 1,320 |
| 582,583 | 582,583 |
| 1,992,298 | 1,992,298 |
| 202,111 | 202,111 |
| 948,430 | 948,430 |
| 13,080,537 | 13,080,537 |
| 469,127 | 469,127 |
| <u>17,112,338</u> | <u>26,968,063</u> |
| <u>162,953</u> | <u>162,953</u> |
| <u>162,953</u> | <u>162,953</u> |
| | 131,197 |
| | 205,300 |
| | 9,500 |
| | 1,000 |
| (196,852) | |
| 71,969 | 71,969 |
| 556,457 | 556,457 |
| 14,703,084 | 14,703,084 |
| <u>15,134,658</u> | <u>15,678,507</u> |
| 30,406 | 30,406 |
| (41,889) | 877,535 |
| <u>(11,483)</u> | <u>907,941</u> |
| (271,836) | |
| (273,405) | |
| (6,696,741) | |
| (1,150,470) | |
| <u>(8,392,452)</u> | |
| 8,712,286 | 8,712,286 |
| 197,990 | 197,990 |
| 1,634,292 | 1,634,292 |
| <u>\$ 10,544,568</u> | <u>\$ 10,544,568</u> |

Galveston County Water Control and Improvement District No. 8

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 2022

| | General | Debt Service | Capital Projects | Total |
|--|---------------------|-------------------------|-----------------------------|---------------------|
| Revenues | | | | |
| Water service charges | \$ 1,449,261 | \$ | \$ | \$ 1,449,261 |
| Sewer service charges | 885,102 | | | 885,102 |
| Property taxes | 223,868 | 556,668 | | 780,536 |
| Penalties and interest | 31,877 | 1,667 | | 33,544 |
| Tap connection and inspection fees | 66,600 | | | 66,600 |
| Investment earnings | 3,670 | 870 | 12,474 | 17,014 |
| Other | 88,941 | | | 88,941 |
| Total Revenues | 2,749,319 | 559,205 | 12,474 | 3,320,998 |
| Expenditures/Expenses | | | | |
| Current: | | | | |
| Purchased services | 349,520 | | | 349,520 |
| Professional fees | 205,835 | | | 205,835 |
| Contracted services | 955 | | | 955 |
| Utilities | 93,811 | | | 93,811 |
| Repairs and maintenance | 584,020 | | | 584,020 |
| Personnel services | 899,087 | | | 899,087 |
| Administration | 159,302 | | | 159,302 |
| Capital Outlay | 1,070,663 | | 432,347 | 1,503,010 |
| Debt Service: | | | | |
| Principal retirement | | 275,000 | | 275,000 |
| Interest and fiscal charges | | 352,390 | | 352,390 |
| Principal repayment - leases | 17,588 | | | 17,588 |
| Interest payment - leases | 3,739 | | | 3,739 |
| Depreciation and amortization | | | | |
| Total Expenditures/Expenses | 3,384,520 | 627,390 | 432,347 | 4,444,257 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (635,201) | (68,185) | (419,873) | (1,123,259) |
| Other Financing Sources (Uses) | | | | |
| Lease proceeds | 1,114,510 | | | 1,114,510 |
| Transfers | 48,001 | | (48,001) | |
| Total Other Financing Sources (Uses) | 1,162,511 | | (48,001) | 1,114,510 |
| Net Change in Fund Balance | 527,310 | (68,185) | (467,874) | (8,749) |
| Change in Net Position | | | | |
| Fund Balances/Net Position - Beginning | 894,996 | 341,590 | 7,164,615 | 8,401,201 |
| Fund Balances/Net Position - Ending | \$ 1,422,306 | \$ 273,405 | \$ 6,696,741 | \$ 8,392,452 |

See Notes to Financial Statements.

| <u>Adjustments (Note 2)</u> | <u>Statement of Activities</u> |
|---------------------------------|------------------------------------|
| \$ | \$ 1,449,261 |
| | 885,102 |
| (3,753) | 776,783 |
| (3,025) | 30,519 |
| | 66,600 |
| | 17,014 |
| | 88,941 |
| <u>(6,778)</u> | <u>3,314,220</u> |
| | 349,520 |
| | 205,835 |
| | 955 |
| | 93,811 |
| (15,696) | 584,020 |
| | 883,391 |
| | 159,302 |
| (1,503,010) | |
| (275,000) | |
| (12,089) | 340,301 |
| (17,588) | |
| | 3,739 |
| <u>690,389</u> | <u>690,389</u> |
| <u>(1,132,994)</u> | <u>3,311,263</u> |
| 1,123,259 | |
| (1,114,510) | |
| <u>(1,114,510)</u> | <u></u> |
| 8,749 | |
| 2,957 | 2,957 |
| <u>2,140,410</u> | <u>10,541,611</u> |
| <u>\$ 2,152,116</u> | <u>\$ 10,544,568</u> |

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Galveston County Water Control and Improvement District No. 8

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Galveston County Water Control and Improvement District No. 8 (the "District") conform with accounting principles generally accepted in the United States of America. The following is a summary of the most significant policies:

A. Reporting Entity

Galveston County Water Control and Improvement District No. 8 (the "District") was created by the filing on September 20, 1945 of a petition to the State of Texas requesting the organization of a Water Control and Improvement District within the terms and provisions of Section 56, Article 16, of the Constitution of Texas. The State's right to create districts was authorized under the provisions of Chapter 3A, Title 128, Revised Civil Statutes of 1925 together with all amendments and additions by the provisions of Chapter 280, Acts of the 41st Legislature, 1929. The Board of Directors held its first meeting on January 13, 1959 and the first bonds were sold on August 1, 1959. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District's primary activities include construction, maintenance, and operation of water and sewer system facilities and debt service on bonds issued to construct the facilities.

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

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

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NOTES TO FINANCIAL STATEMENTS

Financial Statement Presentation

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement, known as the “Reporting Model” statement, affects the way the District prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial information.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

Some of the significant changes of GASB Statement No. 34 include the following:

Management’s Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government’s financial activities in the form of “management’s discussion and analysis” (MD&A). This analysis is similar to the analysis that private sector companies provide in their annual reports.

Government-wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government’s activities. This approach includes not just current assets and liabilities, but also capital assets and long-term liabilities (such as buildings and infrastructure and general obligation debt). Accrual accounting reports all of the revenues and costs of providing services each year, not just those received or paid in the current or soon thereafter, as is the case with the modified accrual basis of accounting. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report related depreciation expense, the cost of “using up” capital assets, in the Statement of Activities. The net position of a government is broken down into three categories: 1) net investment in capital assets 2) restricted; and 3) unrestricted.

Fund Financial Statements - These statements focus on the District’s major funds and are prepared using the modified accrual basis of accounting.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the primary government and its component units, as applicable. The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary

Galveston County Water Control and Improvement District No. 8

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NOTES TO FINANCIAL STATEMENTS

government is financially accountable. The District had no business-type activities or component units as of and for the year ended December 31, 2022.

The governmental funds financial statements consist of the balance sheet and statement of revenues, expenditures and changes in fund balance. These financial statements have been adjusted to arrive at the government-wide financial statement balances (statement of net position and statement of activities). Major individual governmental funds are reported as separate columns in the fund financial statements.

B. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Revenues accrued include interest earned on investments and income from District operations. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service requirements, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

Nonspendable:

To indicate fund balance associated with amounts that are not in a spendable form or are required to be maintained intact.

Restricted:

To indicate fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed:

To indicate fund balance that can be used only for the specific purposes determined by a formal action of the Board of Directors (the District's highest level of decision-making authority).

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Assigned:

To indicate fund balance to be used for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned:

To indicate the residual classification of fund balance in the General Fund and includes all spendable amounts not contained in the other classifications.

In circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned and unassigned.

GASB 54 requires disclosure of any formally adopted minimum fund balance policies. The District does not currently have any such policies.

The accounting system is organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which comprise its assets, liabilities, deferred inflows, fund equity or deficit, revenues and expenditures.

The District reports the following governmental funds:

General Fund

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 and sewer service operations. Expenditures include all costs associated with the daily operations of the District.

Debt Service Fund

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt. The primary source of revenue for debt service is property taxes pursuant to requirements of the District's bond resolutions. Expenditures include costs incurred in assessing and collecting these taxes.

Capital Projects Fund

The Capital Projects Fund is used to account for the expenditure of bond proceeds for the construction of the District's water and sewer facilities.

C. Short-Term Internal Receivables/Payables

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are classified as internal receivables and payables on the combined balance sheet. These amounts are eliminated for government-wide presentation.

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NOTES TO FINANCIAL STATEMENTS

D. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of pension related differences between expected and actual earnings and employer retirement contributions made subsequent to the measurement date.

E. Deferred Inflows of Resources

Deferred inflows of resources represent 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. Deferred inflows of resources consist of pension related differences between expected and actual experience and unavailable property tax revenues.

F. Prepayments

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

G. Receivables

All receivables are reported at the gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At December 31, 2022, allowances of \$2,166 and \$6,596 are provided for possible uncollectible property taxes in the General Fund and Debt Service Fund, respectively.

H. Capital Assets

Capital assets, which include property, improvements and infrastructure assets, are reported in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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. The District has not capitalized interest incurred during the construction of its capital assets.

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NOTES TO FINANCIAL STATEMENTS

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

| Asset Description | Estimated Useful Life |
|--------------------------|------------------------------|
| Land | N/A |
| Infrastructure | 20 to 45 years |
| Other | 10 to 20 years |

I. Lease Assets

The District has recorded lease assets in accordance with GASB 87 "Leases." Lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

J. Compensated Employee Absences

Compensated employee absences, which include unpaid vacation and sick leave, are accumulated during employment. At December 31, 2022, amounts accrued for compensated employee absences are deemed immaterial and are not included in the financial statements.

K. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums or discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of any applicable bond premium or discount.

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

L. Fund Equity

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that can be spent for the specific purposes stipulated by constitution, external resource providers or through enabling legislation. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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NOTES TO FINANCIAL STATEMENTS

M. Reclassifications

Certain reclassifications to prior year balances have been made to conform to current year presentation. Such reclassifications have had no effect on the excess of revenues over expenditures.

N. Date of Management's Review

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through April 6, 2023 the date that the financial statements were available to be issued.

O. 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 financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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NOTES TO FINANCIAL STATEMENTS

NOTE 2 - 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 an adjustments column to arrive at the government-wide statement of net position balances. Amounts reported in the statement of net position are different because:

| | |
|---|-----------------------------|
| Total fund balances - governmental funds | \$ 8,392,452 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 17,275,086 |
| Other long-term assets are not available to pay for current period expenditures and are deferred inflows of resources in the funds. | 41,889 |
| Some assets, including the net pension asset is not a financial resource and is not reported in the funds. | 1,320 |
| Penalty and interest on delinquent taxes is not receivable in the current period and is not reportable in the funds. | 32,784 |
| Deferred inflows and outflows of resources related to pensions are applicable to future periods and, therefore are not reported in the funds. | 132,547 |
| Accrued interest on long-term liabilities is not due and payable with current financial resources and is not reported in the funds. | (71,969) |
| Long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and therefore are not reported in the funds. | <u>(15,259,541)</u> |
| Net Position of Governmental Activities | <u>\$ 10,544,568</u> |

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NOTES TO FINANCIAL STATEMENTS

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 an adjustments column to arrive at changes in net position as reported in the government-wide statement of activities. Amounts reported in the statement of activities are different because:

| | | |
|---|-----------|---------------------|
| Net change in fund balances - total governmental funds | \$ | (8,749) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period. | | 812,621 |
| Deferred inflows and outflows of resources related to pension calculations do not require the use of current financial resources and therefore are not reported in government funds. This adjustment reflects the net change in deferred outflows and inflows of resources. | | 15,696 |
| Governmental funds report bond premium as revenue. However in the statement of activities, the bond premium is amortized over the life of the debt. | | 3,731 |
| Repayment of bond, lease and note principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | | 292,588 |
| Proceeds from lease liabilities are reported as lease proceeds in the governmental funds, but the issuance increases lease liabilities in the Statement of Net Position. | | (1,114,510) |
| Some expenses in the statement of activities do not require the use of current financial resources and therefore are reported as expenditures in governmental funds. This adjustment reflects the net change in interest payable and other debt related interest. | | 8,358 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the net change in property taxes receivable (\$3,753) and accrued penalty and interest (\$3,025) on the accrual basis of accounting. | | <u>(6,778)</u> |
| Change in Net Position of Governmental Activities | \$ | <u>2,957</u> |

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NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CASH AND INVESTMENTS

Cash consists of interest-bearing checking accounts and investments consist of certificates of deposit and deposits in TexPool. Cash and investments in the Debt Service Fund of \$649,245 are restricted for use in paying interest and principal on long-term debt, paying agent fees and costs of assessing and collecting property taxes pursuant to the District's bond resolutions.

The carrying amounts for cash and investment balances, which approximate fair values, by fund at December 31, 2022, are as follows:

| | <u>General</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Total</u> |
|----------------------------------|-----------------------|--------------------------------|------------------------------------|---------------------|
| Cash and Cash Equivalents | | | | |
| Checking and savings accounts | \$ 1,030,198 | \$ 646,821 | \$ 6,909,887 | \$ 8,586,906 |
| | <u>\$ 1,030,198</u> | <u>\$ 646,821</u> | <u>\$ 6,909,887</u> | <u>\$ 8,586,906</u> |
| Investments | | | | |
| Certificates of deposit | \$ 341,258 | \$ | \$ | \$ 341,258 |
| TexPool | 1,197 | 2,424 | | 3,621 |
| | <u>\$ 342,455</u> | <u>\$ 2,424</u> | <u>\$ -</u> | <u>\$ 344,879</u> |

Custodial Credit Risk - Deposits

For deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. Collateral is required for all bank deposits at 100% of deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. Collateral pledged to cover the District's deposits is required to be held in the District's name by the trust department of a bank other than the pledging bank (the District's agent). Collateral securities must bear a Baa-1 or better rating to qualify for use in securing uninsured depository balances. Deposits at year-end are representative of the types of deposits maintained by the District during the year.

The District's deposits in banks at year-end were entirely covered by federal depository insurance or by acceptable collateral held by the District's agent in the District's name.

Restricted Cash

Cash and investments in the Debt Service Fund are restricted for use in paying interest and principal on long-term debt, paying agent fees and costs of assessing and collecting property taxes pursuant to the District's bond resolution.

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NOTES TO FINANCIAL STATEMENTS

Included in cash and cash equivalents in the General Fund are \$185,545 in escrow funds restricted for the purchase of AMR water meters.

Investments

At year-end, the District’s investment balances were as follows:

| | Fair Value | Weighted Average Maturity (Days) |
|--------------------------|-------------------|---|
| Certificates of deposit | \$ 341,258 | 576 |
| TexPool | 3,621 | 17 |
| Total Investments | \$ 344,879 | |

Investment Policies

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investments of the District are in compliance with its investment policy.

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. Balances in checking accounts in depository institutions were entirely guaranteed by federal depository insurance or security as provided by statutes and bond provisions at December 31, 2022.

Investment Pools

The District participates in TexPool, The Texas Local Government Investment Pool. The State Comptroller of Public Accounts (the “Comptroller”) administers TexPool, as a public funds investment pool through the Texas Treasury Safekeeping Trust Company (The “Trust Company”). The Comptroller is the sole officer, director, and shareholder of the Trust Company and thus maintains oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. The Comptroller has established an advisory board composed of both participants in TexPool and other qualified persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

In accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 79, TexPool uses amortized cost (which excludes unrealized gains and losses) to compute share

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price. An external investment pool qualifies for amortized cost reporting if it transacts with its participants at a stable net asset value per share and meets various portfolio maturity, quality, diversification liquidity and pricing requirements.

Interest Rate Risk

In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to the maximum limits established by law for public investments.

Credit Risk - Investments

In accordance with its investment policy, the District minimized credit risk losses due to default of a security issuer or backer, by limiting investments to the safest types of securities. As of December 31, 2022, TexPool is rated AAAM by Standard and Poor's.

NOTE 4 - PROPERTY TAXES

The voters of the District have authorized the District's Board of Directors to levy maintenance taxes annually for use in financing general operations limited to \$0.30 per \$100 of assessed value. The District's bond resolutions require that ad valorem taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied for debt service requirements are without limitation as to rate or amount.

The Galveston Central Appraisal District determines all property values. A tax lien attaches to all properties within the District on February 1st of each year. Taxes are generally levied on October 1 and are due upon receipt of the tax bill by the property owner. Penalties and interest are charged if taxes are not paid by the succeeding January 31st.

Property taxes are prorated between operations and debt service based on the respective rates adopted for the year of the levy. For the 2023 fiscal year (2022 tax year), the District levied a combined rate of \$0.283541 per \$100 of assessed valuation of which \$0.067443 was allocated to maintenance and operations and \$0.216098 was allocated to debt service. The resulting tax levy was \$877,535 on the adjusted taxable valuation of \$309,491,572 for the 2022 tax year. In accordance with governmental accounting standards, the levy for the 2022 tax year of \$877,535 was recorded as a deferred inflow of resources in both the Statement of Net Position and Governmental Funds Balance Sheet, since revenues from this levy are intended to finance the 2023 fiscal year.

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NOTES TO FINANCIAL STATEMENTS

Property taxes receivable at December 31, 2022, consisted of the following:

| | General Fund | Debt Service Fund | Total |
|---|---------------------------------|----------------------------------|---------------------------------|
| 2022 Levy | \$ 94,238 | \$ 301,955 | \$ 396,193 |
| 2021 Levy | 2,723 | 6,793 | 9,516 |
| 2020 Levy | 1,155 | 2,881 | 4,036 |
| 2019 Levy | 1,297 | 2,623 | 3,920 |
| 2018 and prior | 8,886 | 15,531 | 24,417 |
| Total property taxes receivable | <u>108,299</u> | <u>329,783</u> | <u>438,082</u> |
| Less allowance for doubtful accounts | (2,166) | (6,596) | (8,762) |
| Total Property Taxes Receivable, Net | <u><u>\$ 106,133</u></u> | <u><u>\$ 323,187</u></u> | <u><u>\$ 429,320</u></u> |

NOTE 5 - RECEIVABLES

Receivables, net of allowance for uncollectible accounts, as of year-end for the government's individual major funds are as follows:

| | General | Debt Service | Total |
|--------------------------|---------------------------------|---------------------------------|---------------------------------|
| Receivables: | | | |
| Taxes, net | \$ 106,133 | \$ 323,187 | \$ 429,320 |
| Accounts | 211,477 | | 211,477 |
| Total Receivables | <u><u>\$ 317,610</u></u> | <u><u>\$ 323,187</u></u> | <u><u>\$ 640,797</u></u> |

The governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows reported by the District were as follows:

| | Unavailable |
|--|---------------------------------|
| Property taxes - General Fund | \$ 222,791 |
| Property taxes - Debt Service Fund | 696,633 |
| Total Deferred Inflows of Resources | <u><u>\$ 919,424</u></u> |

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NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CAPITAL AND LEASE ASSETS

A summary of changes in capital assets for the year ended December 31, 2022, follows:

| | Balance Jan. 1, 2022 | Increases | (Decreases) | Balance Dec. 31, 2022 |
|---|---------------------------------|---------------------|-----------------------|----------------------------------|
| Governmental Activities: | | | | |
| Non-depreciable Assets: | | | | |
| Land and improvements | \$ 582,583 | \$ | \$ | \$ 582,583 |
| Construction in progress | 1,899,327 | 438,341 | (1,868,541) | 469,127 |
| Total Non-Depreciable Assets | 2,481,910 | 438,341 | (1,868,541) | 1,051,710 |
| Depreciable Assets: | | | | |
| Buildings | 375,000 | 1,856,551 | | 2,231,551 |
| Vehicles and equipment | 707,669 | 43,205 | | 750,874 |
| Lease assets | 132,924 | 928,965 | | 1,061,889 |
| Infrastructure | 20,220,585 | 104,489 | | 20,325,074 |
| Total Depreciable Assets | 21,436,178 | 2,933,210 | - | 24,369,388 |
| Less Accumulated Depreciation and Amortization | (7,455,623) | (690,389) | | (8,146,012) |
| Totals | \$ 16,462,465 | \$ 2,681,162 | \$ (1,868,541) | \$ 17,275,086 |

Depreciation and amortization expense for the year ended December 31, 2022, totaled \$690,389.

NOTE 7 - LONG-TERM DEBT AND LEASE LIABILITIES

Long-term debt includes bonds and lease liabilities. Payments of principal and interest on the bonds are to be provided from tax levies on properties within the District. Investment income realized by the Debt Service Fund from investment of funds will be used to pay outstanding bond principal and interest.

The following is a summary of changes in bonds payable for the year ended December 31, 2022:

| | |
|---|----------------------|
| Bonds payable, January 1, 2022 | \$ 14,245,000 |
| Bonds issued | |
| Bonds retired/refunded | (275,000) |
| Bonds Payable, December 31, 2022 | \$ 13,970,000 |

Galveston County Water Control and Improvement District No. 8

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NOTES TO FINANCIAL STATEMENTS

Bonds payable at December 31, 2022, are comprised of the following individual issues:

| <u>Series</u> | <u>Amounts Outstanding</u> | <u>Interest Rate</u> | <u>Date Serially Begin/End</u> | <u>Maturity Interest Dates</u> | <u>Callable Date</u> |
|----------------|--------------------------------|--------------------------|--|--|--------------------------|
| 2017 Bonds | \$1,300,000 | 2.00%- 3.75% | April 1 2020/2040 | April 1/ October 1 | April 1, 2024 * |
| 2019R Bonds | \$1,340,000 | 2.00%- 5.50% | April 1 2020/2039 | April 1/ October 1 | April 1, 2029 * |
| 2020R Bonds | \$2,935,000 | 2.00%- 3.00% | April 1 2021/2039 | April 1/ October 1 | April 1, 2026 * |
| 2020 Bonds | \$4,395,000 | 2.00%- 2.125% | April 1 2021/2045 | April 1/ October 1 | April 1, 2031 * |
| 2021 Bonds | \$4,000,000 | 1.00%- 2.30% | April 1 2022/2046 | April 1/ October 1 | April 1, 2027 * |

* Or any interest payment date thereafter in accordance with redemption provisions of the bond resolution.

As of December 31, 2022, the debt service requirements on the bonds outstanding are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|----------------------|---------------------|----------------------|
| 2023 | \$ 440,000 | \$ 320,489 | \$ 760,489 |
| 2024 | 450,000 | 308,401 | 758,401 |
| 2025 | 460,000 | 295,664 | 755,664 |
| 2026 | 475,000 | 284,176 | 759,176 |
| 2027 | 480,000 | 274,551 | 754,551 |
| 2028-2032 | 2,565,000 | 1,218,610 | 3,783,610 |
| 2033-2037 | 2,895,000 | 892,939 | 3,787,939 |
| 2038-2042 | 3,295,000 | 495,837 | 3,790,837 |
| 2043-2046 | 2,910,000 | 125,267 | 3,035,267 |
| | <u>\$ 13,970,000</u> | <u>\$ 4,215,934</u> | <u>\$ 18,185,934</u> |

At December 31, 2022, the District has \$14,910,000 authorized but unissued bonds.

The Debt Service Fund has \$273,405 available to service the above bonds.

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NOTES TO FINANCIAL STATEMENTS

The District is in compliance with all significant bond requirements and restrictions contained in the bond resolutions.

Lease Liabilities

In December 2021, the District entered into a lease-purchase agreement with Caterpillar Financial Services Corporation to lease a 2022 Caterpillar Hydraulic Excavator. Annual lease payments of \$21,327 began December 2022. The lease expires December 2028. The lease has an option to purchase the equipment for \$1 at the end of the lease.

In March 2022, the District entered into a municipal lease-purchase agreement for AMR Water Meters. The agreement calls for annual payments of \$128,596 starting March 2023 and continues through March 2032. The lease has an \$1 purchase option at the end of the lease.

The futures minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2022, are as follows:

| <u>Year Ending December 31</u> | <u>Governmental Activities</u> |
|---|------------------------------------|
| 2023 | \$ 149,923 |
| 2024 | 149,923 |
| 2025 | 149,922 |
| 2026 | 149,923 |
| 2027 | 149,922 |
| 2028 and thereafter | 664,307 |
| Total minimum lease payments | 1,413,920 |
| Less: amount representing interest | (184,074) |
| Present value of minimum lease payments | <u>\$ 1,229,846</u> |

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2022, was as follows:

| | <u>Balance Jan. 1, 2022</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance Dec. 31, 2022</u> | <u>Amounts Due Within One Year</u> |
|---------------------------------|---------------------------------|---------------------|---------------------|----------------------------------|--|
| Governmental Activities: | | | | | |
| Bonds payable: | | | | | |
| Tax bonds | \$ 14,245,000 | \$ | \$ (275,000) | \$ 13,970,000 | \$ 440,000 |
| Unamortized bond premium | 63,426 | | (3,731) | 59,695 | |
| Private placement: | | | | | |
| Lease liabilities | 132,924 | 1,114,510 | (17,588) | 1,229,846 | 116,457 |
| | <u>\$ 14,441,350</u> | <u>\$ 1,114,510</u> | <u>\$ (296,319)</u> | <u>\$ 15,259,541</u> | <u>\$ 556,457</u> |

**Galveston County Water Control and Improvement
District No. 8**

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Texas County & District Retirement System (TCDRS)

Plan Description

As of October 1, 2018, the District began providing retirement, disability and death benefits for all of its full-time employees through a non-traditional defined benefit plan in the state-wide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system, consisting of various employer nontraditional defined benefit pension plans. TCDRS issues a annual comprehensive financial report (ACFR) on a calendar year basis. The CAFR is available, upon written request, from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas, 78768-2034 or online at www.tcdrs.org.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with 8 or more years of service, with 20 years of service regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions to 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.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits, with interest. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitments to contribute. At retirement, disability 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, as prescribed by the TCDRS Act.

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

| | |
|--|------------------|
| Inactive employees or beneficiaries currently receiving benefits | 0 |
| Inactive employees entitled to but not yet receiving benefits | 3 |
| Active employees | <u>11</u> |
| Totals | <u><u>14</u></u> |

**Galveston County Water Control and Improvement
District No. 8**

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

Funding Policy/Contributions

The employer has chosen a variable rate plan under the provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. For the current fiscal year, the contribution rate of the employer was 11.99% and the contribution rate for employees was 7%, as adopted by the governing body of the employer. The contribution rate of the employer is actuarially determined and is one of the rates that can be adopted in accordance with the TCDRS Act. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer with options available in the TCDRS ACT.

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

Net Pension Asset/Liability

The District's Net Pension Asset ("NPA") or Liability ("NPL") was measured as of December 31, 2021, and the Total Pension Liability ("TPL") used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

| | |
|-------------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, closed |
| Remaining Amortization Period | 19.1 years |
| Asset Valuation Method | 5 Year smoothed market |
| Inflation | 2.50% |
| Salary Increases | 4.7% average over career including inflation |
| Investment Rate of Return | 7.50% |
| Retirement Age | Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61. |
| Mortality | 135% of the PB-2010 General Retirees Table for males and 120% of the PB-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. |

**Galveston County Water Control and Improvement
District No. 8**

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

Long-Term Expected Rate of Return

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 assumption and information shown below are provide by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2022 information for a 10-year time horizon.

Note that the valuation assumption for a long-term expected return is re-assessed at a minimum of every four years, and is set based on long-term horizon; The TCDRS Board of Trustees adopted the current assumption March 2021.

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate Of Return (Geometric)</u> |
|------------------------------------|--------------------------|---|
| U.S. Equities | 11.5% | 3.80% |
| Private Equity | 25.0% | 6.80% |
| Global Equity | 2.5% | 4.10% |
| Int'l Equities - Developed Markets | 5.0% | 3.80% |
| Int'l Equities - Emerging Markets | 6.0% | 4.30% |
| Investment - Grade Bonds | 3.0% | -0.85% |
| Strategic Credit | 9.0% | 1.77% |
| Direct Lending | 16.0% | 6.25% |
| Distressed Debt | 4.0% | 4.50% |
| REIT Equities | 2.0% | 3.10% |
| Master Limited Partnerships | 2.0% | 3.85% |
| Private Real Estate Partnerships | 6.0% | 5.10% |
| Hedge Funds | 6.0% | 1.55% |
| Cash Equivalents | 2.0% | -1.05% |
| Total | <u>100.0%</u> | |

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.

**Galveston County Water Control and Improvement
District No. 8**

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

Changes in the Net Pension Liability/(Asset)

| | Increase (Decrease) | | |
|---|------------------------------------|--|--|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| | (a) | (b) | (a) - (b) |
| Balance at 12/31/20 | \$ 234,347 | \$ 216,412 | \$ 17,935 |
| Changes for the year: | | | |
| Service cost | 98,827 | 0 | 98,827 |
| Interest on total pension liability | 25,321 | 0 | 25,321 |
| Change in benefit terms | 0 | 0 | 0 |
| Difference between expected and actual experience | 0 | 0 | 0 |
| Change in assumptions | 1,196 | 0 | 1,196 |
| Effect of economic/demographic gains or losses | 19,690 | 0 | 19,690 |
| Contributions - employer | 0 | 59,544 | (59,544) |
| Contributions - employee | 0 | 42,706 | (42,706) |
| Net investment income | 0 | 59,288 | (59,288) |
| Benefit payments | 0 | 0 | 0 |
| Administrative expenses | 0 | (206) | 206 |
| Other | 0 | 2,957 | (2,957) |
| Net Changes | 145,034 | 164,289 | (19,255) |
| Balance at 12/31/21 | \$ 379,381 | \$ 380,701 | \$ (1,320) |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability 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 in Discount Rate 6.60% | Current Discount Rate 7.60% | 1% Increase in Discount Rate 8.60% |
|-------------------------------|---|--|---|
| Total pension liability | \$ 451,981 | \$ 379,381 | \$ 321,255 |
| Fiduciary net position | 380,701 | 380,701 | 380,701 |
| Net pension liability (asset) | \$ 71,280 | \$ (1,320) | \$ (59,446) |

**Galveston County Water Control and Improvement
District No. 8**

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

| <u>Pension Expense</u> | <u>January 1, 2021 to December 31, 2021</u> |
|---|--|
| Service cost | \$ 98,827 |
| Interest on total pension liability (1) | 25,321 |
| Effect of plan changes | 0 |
| Administrative expenses | 206 |
| Member contributions | (42,706) |
| Expected investment return net of investment expenses | (20,364) |
| Recognition of economic/demographic gains and losses | 4,534 |
| Recognition of assumption changes or inputs | 2,198 |
| Recognition of investment gains and losses | (7,085) |
| Other (2) | (2,957) |
| Total Pension Expense | <u>\$ 57,974</u> |

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

TCDRS does not charge fees or interest.

(2) Relates to allocation of system-wide items.

At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Inflows of Resources</u> | <u>Deferred Outflows of Resources</u> |
|---|---|--|
| Differences between expected and actual economic experience | \$ 753 | \$ 32,614 |
| Changes in actuarial assumptions | | 15,386 |
| Net difference between projected and actual investment earnings | 29,653 | |
| Contributions subsequent to the measurement date | | 114,953 |
| Totals | <u>\$ 30,406</u> | <u>\$ 162,953</u> |

Amounts currently reported as deferred outflows and inflows of resources related to pensions, excluding contributions subsequent to the measurement date, will be recognized in pension expense as follows:

| <u>Year Ended Dec 31:</u> | | |
|----------------------------------|----|---------------|
| 2022 | \$ | (353) |
| 2023 | | (468) |
| 2024 | | (853) |
| 2025 | | (1,051) |
| 2026 | | 6,732 |
| Thereafter | | 13,587 |
| Total | \$ | <u>17,594</u> |

**Galveston County Water Control and Improvement
District No. 8**

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

Texas Municipal Retirement System (TMRS)

Prior to participating in TCDRS, the District participated in the City of Santa Fe's (the "City") defined benefit pension plan. Until June 2018, the District remitted employee and employer contributions to the City for inclusion in its plan. All pension plan assets, liabilities, deferred inflows, deferred outflows and activities are recorded in the City's financial statements.

Prior to joining TMRS in 1996, the City participated in a prior retirement plan. Under the prior retirement plan, the City accepted an amendment to allow employees of the District to contribute to and participate in the prior retirement plan. Upon joining TMRS and as a continuation of prior practice, all City and District employees were enrolled in TMRS and have continued to contribute to and participate in TMRS.

In July 2018, TMRS determined that the employees of the District are not eligible to participate in TMRS. With respect to employees of the District who have accounts at TMRS and are no longer eligible to participate, TMRS will continue to manage their accounts in accordance with IRS guidelines. However, TMRS no longer accepts contributions from the employees of the District.

NOTE 9 - WATER SUPPLY CONTRACT

In 1991, as amended in 1998, the District has contracted with the Gulf Coast Water Authority (GCWA) to provide its residents with a supply of potable water through GCWA's Mainland System.

During the year ended December 31, 2022, the District incurred \$349,520 for the cost of water purchased from the GCWA under this contract.

The relationship between the GCWA and its Participating Districts is purely contractual. The GCWA is a separate functioning governmental entity whose management and Board of Directors are not subject to the control of the participating districts. The District, together with other area municipal utility districts with similar contracts with the GCWA (collectively the "Participating Districts"), contracts directly with the GCWA for required facilities and does not have a contract with other Participating Districts. The GCWA is not a participating facility user.

The GCWA serves as the sponsor and common provider to each of its Participating Districts of facilities and related services and has full legal title and ownership to facilities, subject only to the contractual rights of the Participating Districts to receive services.

**Galveston County Water Control and Improvement
District No. 8**

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

The GCWA invests its own capital funds in the construction and acquisition of the required facilities. Each Participating District makes a payment to the GCWA to defray the costs of construction of capital facilities proportionate to the contractual rights of use (or capacity rights) of such districts pursuant to its contract with the GCWA. Thus, each Participating District has invested funds in the acquisition of such contract rights; however, no Participating District owns nor has legal title to all or any portion of the physical facilities providing such services.

Under these circumstances, the District's relationship with the GCWA is not considered to constitute either a shared facilities agreement or a joint venture arrangement.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the current year or the three prior years.

NOTE 11 - COMMITMENTS & CONTINGENT LIABILITIES

Financing and Reimbursement Agreement

On December 17, 2020, the District entered into a Financing and Reimbursement Agreement for Water and Sanitary Sewer Facilities with REME Development, LP (Developer). Subject to the terms of the agreement, the District agrees to reimburse the Developer in the future for costs incurred by the Developer for the design and construction of the potable water and sanitary sewer facilities to serve the Property (as defined in the Agreement). Upon completion of construction of each segment or phase of the project, the Developer will convey to the District and the District will accept, such portion of the Project for ownership, operation, and maintenance. Under the agreement, the developer will advance funds for the construction of facilities to serve the property.

To reimburse the Developer for project costs, the District agrees to make annual reimbursement payments to the Developer equal to 70% of the annual ad valorem tax revenue it collects, on real and personal property within the Property as defined in the agreement. The reimbursement payments shall commence beginning with the tax year in which the certified assessed value of taxable property within the Property, as of January 1 of such year, is at least \$25 million. The annual payments will be equal to 70% of the ad valorem taxes actually collected by the District as of March 1 (of the following calendar year) on all real and personal property within the Property, with 70% of the ad valorem taxes actually collected by the District after March 1 on real and personal property within the Property being paid on the March 1 following such collection. The Reimbursement Payments shall continue for each year in which taxable value within the Property exceeds \$25,000,000; provided, however, if the taxable value falls below the

Galveston County Water Control and Improvement
District No. 8

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

minimum amount of \$25,000,000, no reimbursement payment will be made for that year. Once commenced, the reimbursement payments will continue for a maximum of 10 years or until the Developer has been reimbursed a total of 50% of its actual water and sewer construction costs with a maximum reimbursement amount of \$800,000. As of December 31, 2022, the certified assessed value threshold had not been met and, as such, no costs have been reimbursed.

NOTE 12 - RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

Effective January 1, 2022, The District implemented Governmental Accounting Standards Board ("GASB") Statement No. 87, *Leases*. This Statement increases the usefulness of government's financial statement by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows for resources or outflows based on the payment provision of the contract. It establishes a single mode for lease accounting based on the foundational principle that leases are financing of the right-to-use an underlying assets. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and deferred inflow of resources. These changes were incorporated in the District's financial statements for the year ended December 31, 2022. There was no effect on beginning net position as a result of the adoption of Statement No. 87.

REQUIRED SUPPLEMENTARY INFORMATION

Galveston County Water Control and Improvement District No. 8

Exhibit C(1)

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Water service charges | \$ 1,317,800 | \$ 1,455,650 | \$ 1,449,261 | \$ (6,389) |
| Sewer service charges | 829,500 | 863,612 | 885,102 | 21,490 |
| Property taxes | 179,100 | 198,800 | 223,868 | 25,068 |
| Penalties and interest | 17,977 | 25,695 | 31,877 | 6,182 |
| Tap connection and inspection fees | 55,250 | 68,500 | 66,600 | (1,900) |
| Investment earnings | 5,000 | 3,120 | 3,670 | 550 |
| Other | 13,740 | 103,397 | 88,941 | (14,456) |
| Total Revenues | <u>2,418,367</u> | <u>2,718,774</u> | <u>2,749,319</u> | <u>30,545</u> |
| Expenditures | | | | |
| Current: | | | | |
| Purchased services | 386,000 | 377,000 | 349,520 | 27,480 |
| Professional fees | 136,300 | 196,100 | 205,835 | (9,735) |
| Contracted services | 2,000 | 1,000 | 955 | 45 |
| Utilities | 80,900 | 77,200 | 93,811 | (16,611) |
| Repairs and maintenance | 600,215 | 714,900 | 584,020 | 130,880 |
| Personnel services | 899,786 | 935,549 | 899,087 | 36,462 |
| Administration | 193,947 | 182,150 | 159,302 | 22,848 |
| Capital Outlay | 15,000 | 64,650 | 1,070,663 | (1,006,013) |
| Debt Service: | | | | |
| Lease payments | | 21,500 | 21,327 | 173 |
| Total Expenditures | <u>2,314,148</u> | <u>2,570,049</u> | <u>3,384,520</u> | <u>(814,471)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 104,219 | 148,725 | (635,201) | (783,926) |
| Other Financing Sources: | | | | |
| Lease proceeds | | | 1,114,510 | 1,114,510 |
| Internal transfers | | | 48,001 | 48,001 |
| Net Change in Fund Balance | 104,219 | 148,725 | 527,310 | 378,585 |
| Fund Balance - Beginning | 894,996 | 894,996 | 894,996 | |
| Fund Balance - Ending | <u>\$ 999,215</u> | <u>\$ 1,043,721</u> | <u>\$ 1,422,306</u> | <u>\$ 378,585</u> |

Galveston County Water Control and Improvement District No. 8

Exhibit C(2)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was amended during the year by the Board.

Galveston County Water Control and Improvement District No. 8

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

Last Ten Years *

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|-------------------|-------------------|
| Total Pension Liability | | | | |
| Service cost | \$ 98,827 | \$ 85,318 | \$ 70,911 | \$ 15,621 |
| Interest on total pension liability | 25,321 | 15,728 | 7,010 | 1,265 |
| Effect of plan changes | - | - | - | - |
| Effect of economic/demographic (gains) or losses | 1,196 | 6,010 | 15,301 | (1,253) |
| Effect of assumption changes or inputs | 19,690 | 18,436 | | |
| Net Change in Total Pension Liability | <u>145,034</u> | <u>125,492</u> | <u>93,222</u> | <u>15,633</u> |
| Total pension liability, beginning | 234,347 | 108,855 | 15,633 | |
| Total Pension Liability, Ending (a) | <u>\$ 379,381</u> | <u>\$ 234,347</u> | <u>\$ 108,855</u> | <u>\$ 15,633</u> |
| Plan Fiduciary Net Position | | | | |
| Employer contributions | \$ 59,544 | \$ 51,455 | \$ 50,542 | \$ 11,396 |
| Member contributions | 42,706 | 38,605 | 35,309 | 7,961 |
| Investment income net of investment expenses | 59,288 | 11,762 | 3,219 | 216 |
| Benefit payments/refunds of contributions | | | | |
| Administrative expenses | (206) | (158) | (85) | (16) |
| Other | 2,957 | 2,674 | 2,955 | 577 |
| Net Change in Plan Fiduciary Net Position | <u>164,289</u> | <u>104,338</u> | <u>91,940</u> | <u>20,134</u> |
| Plan fiduciary net position, beginning | 216,412 | 112,074 | 20,134 | |
| Plan Fiduciary Net Position, Ending (b) | <u>\$ 380,701</u> | <u>\$ 216,412</u> | <u>\$ 112,074</u> | <u>\$ 20,134</u> |
| Net Pension Liability (Asset), Ending (a) - (b) | <u>\$ (1,320)</u> | <u>\$ 17,935</u> | <u>\$ (3,219)</u> | <u>\$ (4,501)</u> |
| Plan Fiduciary Net Position as a % of Total Pension Liability | 100.35% | 92.35% | 102.96% | 128.79% |
| Pensionable covered payroll | \$ 610,090 | \$ 551,494 | \$ 504,411 | \$ 113,731 |
| Net pension liability as a % of covered payroll | -0.22% | 3.25% | -0.64% | -3.96% |

* - GASB 68 requires 10 years of data to be provided in this schedule. Measurement date is December 31st of each year. Only four years of data are available as 2018 was the first year the District participated in TCDRS.

Exhibit C(3)

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|----|-------------|---------------|---------------|---------------|---------------|---------------|
| \$ | N/A | \$ N/A | \$ N/A | \$ N/A | \$ N/A | \$ N/A |
| | N/A | N/A | N/A | N/A | N/A | N/A |
| | N/A | N/A | N/A | N/A | N/A | N/A |
| | N/A | N/A | N/A | N/A | N/A | N/A |
| | N/A | N/A | N/A | N/A | N/A | N/A |
| | N/A | N/A | N/A | N/A | N/A | N/A |
| | N/A | N/A | N/A | N/A | N/A | N/A |
| | N/A | N/A | N/A | N/A | N/A | N/A |
| \$ | <u>N/A</u> | <u>\$ N/A</u> |

| | | | | | | |
|----|------------|---------------|---------------|---------------|---------------|---------------|
| \$ | N/A | \$ N/A |
| | N/A | N/A | N/A | N/A | N/A | N/A |
| | N/A | N/A | N/A | N/A | N/A | N/A |
| | N/A | N/A | N/A | N/A | N/A | N/A |
| | N/A | N/A | N/A | N/A | N/A | N/A |
| | N/A | N/A | N/A | N/A | N/A | N/A |
| | N/A | N/A | N/A | N/A | N/A | N/A |
| | N/A | N/A | N/A | N/A | N/A | N/A |
| \$ | <u>N/A</u> | <u>\$ N/A</u> |

| | | | | | | |
|----|------------|---------------|---------------|---------------|---------------|---------------|
| \$ | <u>N/A</u> | <u>\$ N/A</u> |
|----|------------|---------------|---------------|---------------|---------------|---------------|

N/A N/A N/A N/A N/A N/A

\$ N/A \$ N/A \$ N/A \$ N/A \$ N/A \$ N/A

N/A N/A N/A N/A N/A N/A

Galveston County Water Control and Improvement District No. 8

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM **SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Last Ten Fiscal Years *

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|--------------------|--------------------|--------------------|--------------------|
| Actuarially Determined Contribution | \$ 59,544 | \$ 51,455 | \$ 50,542 | \$ 11,396 |
| Actual Employer Contribution | <u>59,544</u> | <u>51,455</u> | <u>50,542</u> | <u>11,396</u> |
| Contribution Deficiency (Excess) | - | - | - | - |
| Pensionable Covered Payroll | \$ 610,090 | \$ 551,494 | \$ 504,411 | \$ 113,731 |
| Actual Contributions as a % of Covered Payroll | 9.8% | 9.3% | 10.0% | 10.0% |

* - GASB 68 requires 10 years of data to be provided in this schedule.

Only four years of data are available as 2018 was the first year the District participated in TCDRS.

| 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|-------------|-------------|-------------|-------------|-------------|-------------|
| \$ N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |
| \$ N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |

Galveston County Water Control and Improvement District No. 8

Exhibit C(5)

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|--|--|
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level percentage of payroll, closed |
| Remaining Amortization Method | 19.1 years (based on contribution rate calculated in 12/31/2021 valuation) |
| Asset Valuation Method | 5 Year smoothed market |
| Inflation | 2.50% |
| Salary Increases | Varies by age and service. 4.7% average over career including inflation. |
| Investment Rate of Return | 7.50%, net of investment expenses, including inflation. |
| Retirement Age | Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61. |
| Mortality | 135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retiree Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. |
| Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions * | 2015, 2017 and 2019: New inflation, mortality and other assumptions reflected. |
| Changes in Plan Provisions Reflected in the Schedule of Employer Contributions * | No changes in plan provisions were reflected in the Schedule. |

* - Only changes effective 2015 and later are shown in the Notes to Schedule of Contributions.

TEXAS SUPPLEMENTARY INFORMATION

Galveston County Water Control and Improvement District No. 8

SCHEDULE OF SERVICES AND RATES

For the Year Ended December 31, 2022

1. Services provided by the District:

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

2. Retail Service Providers

a. Retail rates based on 5/8" meter

Retail rates not applicable

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

Not Applicable

| | <u>Minimum Charge</u> | <u>Minimum Usage</u> | <u>Flat Rate Y/N</u> | <u>Rate per 1,000 Gallons Over Minimum</u> | <u>Usage Levels</u> |
|------------|-----------------------|----------------------|----------------------|--|-------------------------|
| Water | <u>\$20.00</u> | <u>2,000</u> | <u>N</u> | <u>\$5.00</u> | <u>2,001-4,000</u> |
| | | | | <u>\$6.00</u> | <u>4,001 & over</u> |
| Wastewater | <u>\$20.00</u> | <u>2,000</u> | <u>N</u> | <u>\$5.00</u> | <u>2,001-4,000</u> |
| | | | | <u>\$6.00</u> | <u>4,001 & over</u> |

District employs winter averaging for wastewater usage? Yes ___ No X

Total charges per 10,000 gallons usage:

Water \$66.00 Wastewater \$66.00

b. Water and Wastewater Retail Connections:

| <u>Meter Size</u> | <u>Total Connections</u> | <u>Active Connections</u> | <u>ESFC Factor</u> | <u>Active ESFCs</u> |
|-------------------|--------------------------|---------------------------|--------------------|---------------------|
| < or = .75" | <u>2,287</u> | <u>2,219</u> | x 1.0 | <u>2,219</u> |
| 1" | <u>79</u> | <u>74</u> | x 2.5 | <u>185</u> |
| 1.5" | <u>4</u> | <u>4</u> | x 5.0 | <u>20</u> |
| 2" | <u>46</u> | <u>46</u> | x 8.0 | <u>368</u> |
| 3" | <u>1</u> | <u>1</u> | x 15.0 | <u>15</u> |
| 4" | <u>4</u> | <u>4</u> | x 25.0 | <u>100</u> |
| 6" | <u>2</u> | <u>2</u> | x 50.0 | <u>100</u> |
| 8" | <u> </u> | <u> </u> | x 80.0 | <u> </u> |
| 10" | <u> </u> | <u> </u> | x 115.0 | <u> </u> |
| Total Water | <u>2,423</u> | <u>2,350</u> | <u> </u> | <u>3,007</u> |
| Total Wastewater | <u>2,079</u> | <u>2,010</u> | x 1.0 | <u>2,010</u> |

3. Total Water Consumption During the Fiscal Year: (Rounded to the nearest thousand)

| | | |
|------------------------------|-------------|---------------------------------|
| Gallons pumped into system: | 203,302,800 | |
| | | Water Accountability Ratio |
| | | (Gallons billed/Gallons pumped) |
| Gallons billed to customers: | 161,519,600 | 79.4% |

4. Standby Fees (n/a)

5. Location of District:

County(ies) in which District is located. Galveston

Is the District located entirely within one county? Yes X No

Is the District located within a city? Entirely X Partly Not at all

City(ies) in which District is located. City of Santa Fe

Is the District located within a city's extra territorial jurisdiction (ETJ)?
Entirely Partly Not at all X

ETJ's in which District is located. _____

Are Board members appointed by an office outside the District?
Yes No X

If yes, by whom? _____

Galveston County Water Control and Improvement District No. 8

TSI-2

SCHEDULE OF GENERAL FUND EXPENDITURES

For the Year Ended December 31, 2022

Current

| | |
|---|----------------------------|
| Personnel Services | <u>\$ 899,087</u> |
| Professional Fees: | |
| Auditing | 18,000 |
| Engineering | 58,562 |
| Legal | 42,420 |
| Lab services | 35,190 |
| Other | 51,663 |
| | <u>205,835</u> |
| Purchased Services for Resale - Bulk water purchases | <u>349,520</u> |
| Contracted Services: | |
| Legal notices | <u>955</u> |
| Utilities | <u>93,811</u> |
| Repairs and Maintenance | <u>584,020</u> |
| Administration: | |
| Training and dues | 8,190 |
| Office supplies | 10,232 |
| Insurance | 84,527 |
| Other | 56,353 |
| | <u>159,302</u> |
| Capital Outlay | <u>1,070,663</u> |
| Debt Service - Lease Payments | <u>21,327</u> |
| Total Expenditures | <u><u>\$ 3,384,520</u></u> |
| Number of employees employed by the District: | <u>9</u> Full-time |

Galveston County Water Control and Improvement District No. 8

TSI-3

SCHEDULE OF TEMPORARY INVESTMENTS

For the Year Ended December 31, 2022

| <u>Funds</u> | <u>Identification or Certificate Number</u> | <u>Interest Rate (%)</u> | <u>Maturity Date</u> | <u>Balances at December 31, 2022</u> | <u>Accrued Interest</u> |
|---------------------------------|---|------------------------------|--------------------------|--|-----------------------------|
| <u>General Fund</u> | | | | | |
| Certificate of deposit | 40418699 | 0.25% | 1/7/2024 | \$ 9,568 | \$ |
| Certificate of deposit | 41002144 | 0.25% | 8/24/2023 | 81,000 | |
| Certificate of deposit | 41002857 | 4.20% | 12/8/2024 | 250,690 | |
| TexPool | 7897000001 | Variable | N/A | 695 | |
| TexPool | 7897000003 | Variable | N/A | 502 | |
| Total General Fund | | | | <u>342,455</u> | |
| <u>Debt Service Fund</u> | | | | | |
| TexPool | 7897000002 | Variable | N/A | <u>2,424</u> | |
| Total Debt Service Fund | | | | <u>2,424</u> | |
| Total - All Funds | | | | <u>\$ 344,879</u> | <u>\$</u> |

All interest has been received as of December 31, 2022.

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Galveston County Water Control and Improvement District No. 8

TSI-4

ANALYSIS OF TAXES LEVIED AND RECEIVABLE

For the Year Ended December 31, 2022

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Total</u> |
|---|-------------------------|----------------------------------|-------------------|
| Taxes receivable - January 1, 2022 | \$ 120,125 | \$ 295,081 | \$ 415,206 |
| Adjustments | (1,926) | (7,860) | (9,786) |
| Adjusted taxes receivable - January 1, 2022 | 118,199 | 287,221 | 405,420 |
| Original tax roll 2022 | 198,708 | 636,692 | 835,400 |
| Additions and corrections | 10,022 | 32,113 | 42,135 |
| Adjusted tax levy | 208,730 | 668,805 | 877,535 |
| Total to be Accounted for | 326,929 | 956,026 | 1,282,955 |
| <u>Tax Collections</u> | | | |
| Current year | 114,491 | 366,850 | 481,341 |
| Prior years | 104,138 | 259,393 | 363,531 |
| Total Collections | 218,629 | 626,243 | 844,872 |
| Taxes Receivable - December 31, 2022 | \$ 108,300 | \$ 329,783 | \$ 438,083 |

Taxes Receivable - By Tax Year

| | | | |
|---|-------------------|-------------------|-------------------|
| 2022 | \$ 94,238 | \$ 301,955 | \$ 396,193 |
| 2021 | 2,723 | 6,793 | 9,516 |
| 2020 | 1,155 | 2,881 | 4,036 |
| 2019 | 1,297 | 2,623 | 3,920 |
| Prior | 8,886 | 15,531 | 24,417 |
| Taxes Receivable - December 31, 2022 | \$ 108,299 | \$ 329,783 | \$ 438,082 |

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| <u>Property Valuations</u> | | | | |
| Land | 75,869,303 | 72,613,888 | 71,998,285 | 43,669,781 |
| Improvements | 326,763,037 | 301,293,306 | 241,439,408 | 206,426,375 |
| Personal Property | 18,147,977 | 17,299,577 | 15,780,819 | 15,517,677 |
| Exemptions | (111,288,745) | (122,496,423) | (96,280,293) | (62,171,582) |
| Total Property Valuations | \$ 309,491,572 | \$ 268,710,348 | \$ 232,938,219 | \$ 203,442,251 |
| <u>Tax Rates Per \$100</u> | | | | |
| <u>Valuations</u> | | | | |
| Debt service | \$ 0.216098 | \$ 0.209075 | \$ 0.212370 | \$ 0.197200 |
| Maintenance and operations * | 0.067443 | 0.083816 | 0.085150 | 0.097500 |
| Total Tax Rate per \$100 Valuation | \$ 0.283541 | \$ 0.292891 | \$ 0.297520 | \$ 0.294700 |
| Adjusted Tax Levy | \$ 877,535 | \$ 787,028 | \$ 693,038 | \$ 599,544 |

| | | | | | |
|---|-----|-------|-------|-------|-------|
| Percent of taxes collected to taxes levied (as adjusted) ** | *** | 54.9% | 98.8% | 99.4% | 99.4% |
|---|-----|-------|-------|-------|-------|

* Maximum maintenance tax rate approved by voters: \$.30 on 11/2/1999

** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

*** In process of collection.

Galveston County Water Control and Improvement District No. 8

LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS

December 31, 2022

| Due During Fiscal Year Ending December 31 | Total All Series | | | Series 2017 | | |
|--|-----------------------------|---------------------------------------|----------------------|-----------------------------|---------------------------------------|---------------------|
| | Principal Due April 1 | Interest Due April 1, October 1 | Total | Principal Due April 1 | Interest Due April 1, October 1 | Total |
| 2023 | \$ 440,000 | \$ 320,489 | \$ 760,489 | \$ 45,000 | \$ 40,469 | \$ 85,469 |
| 2024 | 450,000 | 308,401 | 758,401 | 50,000 | 39,269 | 89,269 |
| 2025 | 460,000 | 295,664 | 755,664 | 50,000 | 37,769 | 87,769 |
| 2026 | 475,000 | 284,176 | 759,176 | 55,000 | 36,194 | 91,194 |
| 2027 | 480,000 | 274,551 | 754,551 | 55,000 | 34,544 | 89,544 |
| 2028 | 490,000 | 265,139 | 755,139 | 60,000 | 32,819 | 92,819 |
| 2029 | 500,000 | 255,089 | 755,089 | 60,000 | 31,019 | 91,019 |
| 2030 | 515,000 | 244,457 | 759,457 | 65,000 | 29,144 | 94,144 |
| 2031 | 525,000 | 233,045 | 758,045 | 70,000 | 27,075 | 97,075 |
| 2032 | 535,000 | 220,883 | 755,883 | 70,000 | 24,888 | 94,888 |
| 2033 | 550,000 | 207,901 | 757,901 | 75,000 | 22,622 | 97,622 |
| 2034 | 565,000 | 193,895 | 758,895 | 80,000 | 20,150 | 100,150 |
| 2035 | 575,000 | 179,245 | 754,245 | 85,000 | 17,469 | 102,469 |
| 2036 | 595,000 | 163,945 | 758,945 | 90,000 | 14,625 | 104,625 |
| 2037 | 610,000 | 147,954 | 757,954 | 90,000 | 11,644 | 101,644 |
| 2038 | 625,000 | 131,307 | 756,307 | 95,000 | 8,522 | 103,522 |
| 2039 | 645,000 | 113,996 | 758,996 | 100,000 | 5,231 | 105,231 |
| 2040 | 660,000 | 97,850 | 757,850 | 105,000 | 1,768 | 106,768 |
| 2041 | 675,000 | 83,516 | 758,516 | | | |
| 2042 | 690,000 | 69,168 | 759,168 | | | |
| 2043 | 705,000 | 54,347 | 759,347 | | | |
| 2044 | 720,000 | 39,206 | 759,206 | | | |
| 2045 | 735,000 | 23,746 | 758,746 | | | |
| 2046 | 750,000 | 7,969 | 757,969 | | | |
| Total | <u>\$ 13,970,000</u> | <u>\$ 4,215,934</u> | <u>\$ 18,185,934</u> | <u>\$ 1,300,000</u> | <u>\$ 435,221</u> | <u>\$ 1,735,221</u> |

| Due During Fiscal Year Ending December 31 | Series 2020 | | | Series 2021 | | |
|--|-----------------------------|---------------------------------------|---------------------|-----------------------------|---------------------------------------|---------------------|
| | Principal Due April 1 | Interest Due April 1, October 1 | Total | Principal Due April 1 | Interest Due April 1, October 1 | Total |
| 2023 | \$ 90,000 | \$ 89,894 | \$ 179,894 | \$ 135,000 | \$ 76,900 | \$ 211,900 |
| 2024 | 105,000 | 87,944 | 192,944 | 115,000 | 74,400 | 189,400 |
| 2025 | 115,000 | 85,744 | 200,744 | 110,000 | 72,150 | 182,150 |
| 2026 | 110,000 | 83,494 | 193,494 | 115,000 | 69,900 | 184,900 |
| 2027 | 110,000 | 81,294 | 191,294 | 110,000 | 68,200 | 178,200 |
| 2028 | 105,000 | 79,144 | 184,144 | 110,000 | 67,100 | 177,100 |
| 2029 | 100,000 | 77,094 | 177,094 | 110,000 | 65,863 | 175,863 |
| 2030 | 105,000 | 75,044 | 180,044 | 115,000 | 64,456 | 179,456 |
| 2031 | 105,000 | 72,944 | 177,944 | 110,000 | 62,638 | 172,638 |
| 2032 | 100,000 | 70,894 | 170,894 | 110,000 | 60,438 | 170,438 |
| 2033 | 100,000 | 68,894 | 168,894 | 110,000 | 58,238 | 168,238 |
| 2034 | 90,000 | 66,994 | 156,994 | 115,000 | 55,988 | 170,988 |
| 2035 | 85,000 | 65,244 | 150,244 | 110,000 | 53,738 | 163,738 |
| 2036 | 80,000 | 63,594 | 143,594 | 115,000 | 51,488 | 166,488 |
| 2037 | 85,000 | 61,944 | 146,944 | 115,000 | 49,188 | 164,188 |
| 2038 | 80,000 | 60,294 | 140,294 | 110,000 | 46,938 | 156,938 |
| 2039 | 70,000 | 58,794 | 128,794 | 115,000 | 44,688 | 159,688 |
| 2040 | 445,000 | 53,644 | 498,644 | 110,000 | 42,438 | 152,438 |
| 2041 | 425,000 | 44,678 | 469,678 | 250,000 | 38,838 | 288,838 |
| 2042 | 445,000 | 35,434 | 480,434 | 245,000 | 33,734 | 278,734 |
| 2043 | 465,000 | 25,766 | 490,766 | 240,000 | 28,581 | 268,581 |
| 2044 | 480,000 | 15,725 | 495,725 | 240,000 | 23,481 | 263,481 |
| 2045 | 500,000 | 5,313 | 505,313 | 235,000 | 18,433 | 253,433 |
| 2046 | | | | 750,000 | 7,969 | 757,969 |
| Total | <u>\$ 4,395,000</u> | <u>\$ 1,429,803</u> | <u>\$ 5,824,803</u> | <u>\$ 4,000,000</u> | <u>\$ 1,235,785</u> | <u>\$ 5,235,785</u> |

| Due During Fiscal Year Ending December 31 | Series 2019R | | | Series 2020R | | |
|--|-----------------------------|---------------------------------------|---------------------|-----------------------------|---------------------------------------|---------------------|
| | Principal Due April 1 | Interest Due April 1, October 1 | Total | Principal Due April 1 | Interest Due April 1, October 1 | Total |
| 2023 | \$ 45,000 | \$ 48,538 | \$ 93,538 | \$ 125,000 | \$ 64,688 | \$ 189,688 |
| 2024 | 50,000 | 45,925 | 95,925 | 130,000 | 60,863 | 190,863 |
| 2025 | 55,000 | 43,038 | 98,038 | 130,000 | 56,963 | 186,963 |
| 2026 | 55,000 | 40,975 | 95,975 | 140,000 | 53,613 | 193,613 |
| 2027 | 60,000 | 39,750 | 99,750 | 145,000 | 50,763 | 195,763 |
| 2028 | 65,000 | 38,263 | 103,263 | 150,000 | 47,813 | 197,813 |
| 2029 | 70,000 | 36,400 | 106,400 | 160,000 | 44,713 | 204,713 |
| 2030 | 70,000 | 34,300 | 104,300 | 160,000 | 41,513 | 201,513 |
| 2031 | 75,000 | 32,125 | 107,125 | 165,000 | 38,263 | 203,263 |
| 2032 | 80,000 | 29,800 | 109,800 | 175,000 | 34,863 | 209,863 |
| 2033 | 80,000 | 27,000 | 107,000 | 185,000 | 31,147 | 216,147 |
| 2034 | 90,000 | 23,600 | 113,600 | 190,000 | 27,163 | 217,163 |
| 2035 | 95,000 | 19,900 | 114,900 | 200,000 | 22,894 | 222,894 |
| 2036 | 105,000 | 15,900 | 120,900 | 205,000 | 18,338 | 223,338 |
| 2037 | 105,000 | 11,700 | 116,700 | 215,000 | 13,478 | 228,478 |
| 2038 | 115,000 | 7,300 | 122,300 | 225,000 | 8,253 | 233,253 |
| 2039 | 125,000 | 2,500 | 127,500 | 235,000 | 2,783 | 237,783 |
| 2040 | | | | | | |
| 2041 | | | | | | |
| 2042 | | | | | | |
| 2043 | | | | | | |
| 2044 | | | | | | |
| 2045 | | | | | | |
| 2046 | | | | | | |
| Total | <u>\$ 1,340,000</u> | <u>\$ 497,014</u> | <u>\$ 1,837,014</u> | <u>\$ 2,935,000</u> | <u>\$ 618,111</u> | <u>\$ 3,553,111</u> |

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Galveston County Water Control and Improvement District No. 8

TSI-6

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT

For the Year Ended December 31, 2022

| | Bond Issue | | | | | Total |
|---|------------------------------|-------------------------------|-------------------------------|------------------------------|------------------------------|----------------------|
| | Series 2017 Bonds | Series 2019R Bonds | Series 2020R Bonds | Series 2020 Bonds | Series 2021 Bonds | |
| Interest rate | 2.0%-3.75% | 2.0%-5.5% | 2.0%-3.0% | 2.0%-2.125% | 1.0%-2.3% | |
| Dates interest payable | 4/1;10/1 | 4/1;10/1 | 4/1;10/1 | 4/1;10/1 | 4/1;10/1 | |
| Maturity dates | 4/1/2020- 4/1/2040 | 4/1/2020- 4/1/2039 | 4/1/2021- 4/1/2039 | 4/1/2021- 4/1/2045 | 4/1/2022 4/1/2046 | |
| Bonds outstanding at beginning of year | \$ 1,345,000 | \$ 1,385,000 | \$ 3,050,000 | \$ 4,465,000 | \$ 4,000,000 | \$ 14,245,000 |
| Bonds issued | | | | | | |
| Bonds refunded | | | | | | |
| Principal retirements | (45,000) | (45,000) | (115,000) | (70,000) | | (275,000) |
| Bonds Outstanding at End of Year | <u>\$ 1,300,000</u> | <u>\$ 1,340,000</u> | <u>\$ 2,935,000</u> | <u>\$ 4,395,000</u> | <u>\$ 4,000,000</u> | <u>\$ 13,970,000</u> |
| Interest Retirements | <u>\$ 41,369</u> | <u>\$ 51,012</u> | <u>\$ 68,287</u> | <u>\$ 91,494</u> | <u>\$ 97,813</u> | <u>\$ 349,975</u> |

Paying Agent's Name and City

All Series ZB, National Association

| <u>Bond Authority</u> | <u>Refunding and Tax Bonds</u> |
|------------------------------|---|
| Amount authorized | \$ 23,500,000 |
| Amount issued | 8,590,000 |
| Remaining | <u>\$ 14,910,000</u> |

| | |
|---|-------------------|
| Debt Service Fund Cash and Temporary Investment Balances at End of Year | \$ 649,245 |
| Average Annual Debt Service Payment for Remaining Term of all Debt | <u>\$ 757,747</u> |

Galveston County Water Control and Improvement District No. 8

COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL AND DEBT SERVICE FUNDS

Last Five Fiscal Years

| | Amounts | | | | |
|---|---------------------|---------------------|--------------------|--------------------|---------------------|
| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
| <u>General Fund Revenues</u> | | | | | |
| Water and sewer service | \$ 2,334,363 | \$ 2,187,181 | \$ 1,940,323 | \$ 1,887,963 | \$ 1,734,401 |
| Property taxes, penalties and int. | 255,745 | 212,640 | 217,034 | 220,646 | 206,110 |
| Tap connection and inspection fees | 66,600 | 65,650 | 58,250 | 55,550 | 55,400 |
| Investment income and other | 92,611 | 32,524 | 22,073 | 128,511 | 32,236 |
| Total Revenues | <u>2,749,319</u> | <u>2,497,995</u> | <u>2,237,680</u> | <u>2,292,670</u> | <u>2,028,147</u> |
| <u>General Fund Expenditures</u> | | | | | |
| Current | 2,292,530 | 2,181,451 | 1,912,813 | 1,915,124 | 1,855,427 |
| Capital outlay | 1,070,663 | 553,956 | 73,505 | 210,726 | 298,266 |
| Debt service | 21,327 | | 74,033 | 127,036 | 125,722 |
| Total Expenditures | <u>3,384,520</u> | <u>2,735,407</u> | <u>2,060,351</u> | <u>2,252,886</u> | <u>2,279,415</u> |
| Revenues Over (Under) Expenditures | <u>\$ (635,201)</u> | <u>\$ (237,412)</u> | <u>\$ 177,329</u> | <u>\$ 39,784</u> | <u>\$ (251,268)</u> |
| | | | | | |
| <u>Debt Service Fund Revenues</u> | | | | | |
| Property taxes, penalties and int. | \$ 558,335 | \$ 492,350 | \$ 397,628 | \$ 374,492 | \$ 329,156 |
| Investment income and other | 870 | 997 | 2,341 | 9,975 | 1,507 |
| Total Revenues | <u>559,205</u> | <u>493,347</u> | <u>399,969</u> | <u>384,467</u> | <u>330,663</u> |
| <u>Debt Service Fund Expenditures</u> | | | | | |
| Debt service | 627,390 | 507,262 | 430,904 | 438,804 | 368,869 |
| Total Expenditures | <u>627,390</u> | <u>507,262</u> | <u>430,904</u> | <u>438,804</u> | <u>368,869</u> |
| Revenues (Under) Expenditures | <u>\$ (68,185)</u> | <u>\$ (13,915)</u> | <u>\$ (30,935)</u> | <u>\$ (54,337)</u> | <u>\$ (38,206)</u> |
| | | | | | |
| Total Active Retail Water Connections | <u>2,350</u> | <u>2,291</u> | <u>2,232</u> | <u>2,204</u> | <u>2,171</u> |
| | | | | | |
| Total Active Retail Wastewater Connections | <u>2,010</u> | <u>1,964</u> | <u>1,923</u> | <u>1,902</u> | <u>1,878</u> |

Percent of Total Fund Revenues

| 2022 | 2021 | 2020 | 2019 | 2018 |
|-----------------|----------------|----------------|-----------------|-----------------|
| 84.9 % | 87.6 % | 86.7 % | 82.4 % | 85.5 % |
| 9.3 | 8.5 | 9.7 | 9.6 | 10.2 |
| 2.4 | 2.6 | 2.6 | 2.4 | 2.7 |
| 3.4 | 1.3 | 1.0 | 5.6 | 1.6 |
| <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> |
| 83.4 | 87.3 | 85.5 | 83.5 | 91.5 |
| 38.9 | 22.2 | 3.3 | 9.2 | 14.7 |
| 0.8 | | 3.3 | 5.5 | 6.2 |
| <u>123.1</u> | <u>109.5</u> | <u>92.1</u> | <u>98.2</u> | <u>112.4</u> |
| <u>(23.1) %</u> | <u>(9.5) %</u> | <u>7.9 %</u> | <u>1.8 %</u> | <u>(12.4) %</u> |
| 99.8 % | 99.8 % | 99.4 % | 97.4 % | 99.5 % |
| 0.2 | 0.2 | 0.6 | 2.6 | 0.5 |
| <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> |
| 112.2 | 102.8 | 107.7 | 114.1 | 111.6 |
| <u>112.2</u> | <u>102.8</u> | <u>107.7</u> | <u>114.1</u> | <u>111.6</u> |
| <u>(12.2) %</u> | <u>(2.8) %</u> | <u>(7.7) %</u> | <u>(14.1) %</u> | <u>(11.6) %</u> |

Galveston County Water Control and Improvement District No. 8

TSI-8

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

December 31, 2022

District's Mailing Address: P.O. Box 337, Sante Fe, Texas 77510
District's Business Telephone Number: (409) 925-2821
Submission Date of most recent District Registration Form
(TWC Sections 36.054 and 49.054) June 16, 2022
Limit on Fees of Office that a Director may receive during a year: \$ 7,200

| <u>Names</u> | <u>Term or Date Hired</u> | <u>Fees of Office Paid</u> | <u>Expenses</u> | <u>Title at Year-End</u> |
|--|-------------------------------|--------------------------------|-----------------|--------------------------------------|
| <u>Board Members</u> | | | | |
| C. T. Anderson | 5/22-5/26 | \$ 2,850 | 89 | President |
| William F. "Fritz" Barnett | 5/22-5/26 | 2,700 | | Vice- President |
| David K. Tyner | 5/20-5/24 | 3,300 | 164 | Secretary/ Treasurer |
| Bobby J. Wylie | 5/22-5/26 | 3,000 | | Assistant Secretary/ Treasurer |
| Ralph Stenzel | 5/20-5/24 | 2,550 | | Director |
| <u>Key Administrative Personnel</u> | | | | |
| James Newman | 2004 | | | General Manager |
| <u>Consultants</u> | | | | |
| Bacon, Wallace & Philbin, L.L.P. | | \$ 43,011 | | Attorney |
| Galveston Central Appraisal District | | 6,014 | | Appraisal District |
| Perdue Brandon Fielder Collins & Mott, LLP | | 6,031 | | Delinquent Tax Attorney |
| Sander Engineering Corporation | | 148,914 | | Engineer |
| Knox Cox & Company, LLP | | 18,000 | | Independent Auditor |