

**GALVESTON COUNTY MUNICIPAL
UTILITY DISTRICT NO. 39**

GALVESTON COUNTY, TEXAS

FINANCIAL REPORT

August 31, 2023

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		7
BASIC FINANCIAL STATEMENTS		
Statement of Net Position and Governmental Funds Balance Sheet		14
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		15
Notes to Financial Statements		17
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund		32
Notes to Required Supplementary Information		33
TEXAS SUPPLEMENTARY INFORMATION		
Services and Rates	TSI-1	36
General Fund Expenditures	TSI-2	38
Investments	TSI-3	39
Taxes Levied and Receivable	TSI-4	40
Long-Term Debt Service Requirements by Years	TSI-5	41
Change in Long-Term Bonded Debt	TSI-6	48
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	50
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	52
Board Members, Key Personnel and Consultants	TSI-8	54

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Independent Auditor's Report

Board of Directors
Galveston County Municipal Utility District No. 39
Galveston County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Galveston County Municipal Utility District No. 39 (the "District"), as of and for the year ended August 31, 2023, 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 Galveston County Municipal Utility District No. 39, as of August 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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

*Board of Directors
Galveston County Municipal Utility District No. 39
Galveston County, Texas*

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 schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.



Houston, Texas
December 4, 2023

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Management's Discussion and Analysis

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***Galveston County Municipal Utility District No. 39
Management's Discussion and Analysis
August 31, 2023***

Using this Annual Report

Within this section of the financial report of Galveston County Municipal Utility District No. 39 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended August 31, 2023. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

***Galveston County Municipal Utility District No. 39
Management's Discussion and Analysis
August 31, 2023***

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at August 31, 2023, was negative \$10,911,474. The District's net position is negative because the District incurs debt to construct water, sewer and drainage facilities which it conveys to the City of League City. A comparative summary of the District's overall financial position, as of August 31, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 2,154,634	\$ 1,897,177
Capital assets	1,959,119	2,129,241
Total assets	<u>4,113,753</u>	<u>4,026,418</u>
Total deferred outflows of resources	<u>406,288</u>	<u>474,441</u>
Current liabilities	1,564,682	1,545,558
Long-term liabilities	13,866,833	15,443,208
Total liabilities	<u>15,431,515</u>	<u>16,988,766</u>
Net position		
Net investment in capital assets	(373,624)	(434,705)
Restricted	1,670,962	1,638,701
Unrestricted	(12,208,812)	(13,691,903)
Total net position	<u>\$ (10,911,474)</u>	<u>\$ (12,487,907)</u>

Galveston County Municipal Utility District No. 39
Management's Discussion and Analysis
August 31, 2023

The total net position of the District increased during the current fiscal year by \$1,576,433. A comparative summary of the District's *Statement of Activities* for the past two years is as follows.

	2023	2022
Revenues		
Property taxes, penalties and interest	\$ 2,282,097	\$ 2,335,728
Other	125,760	14,879
Total revenues	<u>2,407,857</u>	<u>2,350,607</u>
Expenses		
Operating and administrative	115,555	136,820
Debt interest and fees	545,747	596,279
Depreciation and amortization	170,122	170,122
Total expenses	<u>831,424</u>	<u>903,221</u>
Change in net position	1,576,433	1,447,386
Net position, beginning of year	(12,487,907)	(13,935,293)
Net position, end of year	<u>\$ (10,911,474)</u>	<u>\$ (12,487,907)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of August 31, 2023, were \$2,052,761, which consists of \$468,489 in the General Fund and \$1,584,272 in the Debt Service Fund.

General Fund

A comparative summary of the General Fund's financial position as of August 31, 2023 and 2022 is as follows:

	2023	2022
Total assets	<u>\$ 481,666</u>	<u>\$ 256,470</u>
Total liabilities	\$ 7,676	\$ 8,552
Total deferred inflows	5,501	4,432
Total fund balance	468,489	243,486
Total liabilities, deferred inflows and fund balance	<u>\$ 481,666</u>	<u>\$ 256,470</u>

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	2023	2022
Total revenues	\$ 292,195	\$ 255,386
Total expenditures	(67,192)	(346,558)
Revenues over/(under) expenditures	<u>\$ 225,003</u>	<u>\$ (91,172)</u>

Galveston County Municipal Utility District No. 39
Management's Discussion and Analysis
August 31, 2023

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, which is dependent upon assessed values in the District and a maintenance tax rate set by the District. Property tax revenues increased from prior year because assessed values increased from prior year.

During the previous fiscal year, the District used \$266,307 in available resources to redeem \$260,000 of its outstanding Series 2009A park bonds prior to the bonds stated maturity. This early redemption will save the District \$67,393 in future debt service requirements.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of August 31, 2023 and 2022 is as follows:

	2023	2022
Total assets	<u>\$ 1,672,968</u>	<u>\$ 1,640,707</u>
Total liabilities	\$ 2,006	\$ 2,006
Total deferred inflows	86,690	74,856
Total fund balance	<u>1,584,272</u>	<u>1,563,845</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,672,968</u>	<u>\$ 1,640,707</u>

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	2023	2022
Total revenues	\$ 2,102,759	\$ 2,076,219
Total expenditures	<u>(2,082,332)</u>	<u>(2,094,763)</u>
Revenues over/(under) expenditures	<u>\$ 20,427</u>	<u>\$ (18,544)</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in changes in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$75,376 greater than budgeted. The *Budgetary*

Galveston County Municipal Utility District No. 39
Management's Discussion and Analysis
August 31, 2023

Comparison Schedule on page 32 of this report provides variance information per financial statement line item.

Capital Assets

Capital assets held by the District at August 31, 2023 and 2022 are summarized as follows:

	2023	2022
Capital assets being depreciated/amortized		
Impact fees	\$ 2,679,541	\$ 2,679,541
Parks and recreational facilities	1,058,720	1,058,720
	<u>3,738,261</u>	<u>3,738,261</u>
Less accumulated depreciation/amortization		
Impact fees	(1,100,210)	(1,000,669)
Parks and recreational facilities	(678,932)	(608,351)
	<u>(1,779,142)</u>	<u>(1,609,020)</u>
Capital assets, net	<u>\$ 1,959,119</u>	<u>\$ 2,129,241</u>

Long-Term Debt

At August 31, 2023 and 2022, the District had total bonded debt outstanding as shown below:

Series	2023	2022
2009A Park	\$ -	\$ 40,000
2014 Refunding	1,695,000	2,015,000
2014A	2,720,000	2,950,000
2015 Park	760,000	845,000
2019 Refunding	4,415,000	4,555,000
2020 Refunding	3,955,000	4,505,000
2021 Refunding	1,745,000	1,915,000
	<u>\$ 15,290,000</u>	<u>\$ 16,825,000</u>

At August 31, 2023, the District had \$4,970,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$2,165,000 for parks and recreational facilities; \$20,593,808 for refunding purposes.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and the projected cost of operating the District.

***Galveston County Municipal Utility District No. 39
Management's Discussion and Analysis
August 31, 2023***

A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	<u>2023 Actual</u>	<u>2024 Budget</u>
Total revenues	\$ 292,195	\$ 248,000
Total expenditures	<u>(67,192)</u>	<u>(78,700)</u>
Revenues over expenditures	225,003	169,300
Beginning fund balance	<u>243,486</u>	<u>468,489</u>
Ending fund balance	<u><u>\$ 468,489</u></u>	<u><u>\$ 637,789</u></u>

Property Taxes

The District's property tax base increased approximately \$17,632,000 for the 2022 tax year from \$507,140,673 to \$524,772,647. This increase was primarily due to increased property values. For the 2023 tax year, the District has levied a maintenance tax rate of \$0.045 per \$100 of assessed value and a debt service tax rate of \$0.36 per \$100 of assessed value, for a total combined tax rate of \$0.405 per \$100 of assessed value. Tax rates for the 2022 tax year were \$0.055 per \$100 for maintenance and operations and \$0.395 per \$100 for debt service for a combined total of \$0.45 per \$100 of assessed value.

Basic Financial Statements

Galveston County Municipal Utility District No. 39
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2023

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash	\$ 14,291	\$ 38,136	\$ 52,427	\$ -	\$ 52,427
Investments	460,455	1,548,363	2,008,818		2,008,818
Taxes receivable	5,501	86,690	92,191		92,191
Internal balances	1,419	(1,419)			
Accrued interest receivable		1,198	1,198		1,198
Capital assets, net				1,959,119	1,959,119
Total Assets	\$ 481,666	\$ 1,672,968	\$ 2,154,634	1,959,119	4,113,753
Deferred Outflows of Resources					
Deferred difference on refunding				406,288	406,288
Liabilities					
Accounts payable	\$ 7,676	\$ -	\$ 7,676		7,676
Other payables		2,006	2,006		2,006
Long-term debt					
Due within one year				1,555,000	1,555,000
Due after one year				13,866,833	13,866,833
Total Liabilities	7,676	2,006	9,682	15,421,833	15,431,515
Deferred Inflows of Resources					
Deferred property taxes	5,501	86,690	92,191	(92,191)	
Fund Balances/Net Position					
Fund Balances					
Restricted		1,584,272	1,584,272	(1,584,272)	
Unassigned	468,489		468,489	(468,489)	
Total Fund Balances	468,489	1,584,272	2,052,761	(2,052,761)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 481,666	\$ 1,672,968	\$ 2,154,634		
Net Position					
Net investment in capital assets				(373,624)	(373,624)
Restricted for debt service				1,670,962	1,670,962
Unrestricted				(12,208,812)	(12,208,812)
Total Net Position				\$ (10,911,474)	\$ (10,911,474)

See notes to basic financial statements.

Galveston County Municipal Utility District No. 39

**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended August 31, 2023**

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues					
Property taxes	\$ 275,939	\$ 1,981,241	\$ 2,257,180	\$ 7,171	\$ 2,264,351
Penalties and interest		12,014	12,014	5,732	17,746
Miscellaneous		10	10		10
Investment earnings	16,256	109,494	125,750		125,750
Total Revenues	<u>292,195</u>	<u>2,102,759</u>	<u>2,394,954</u>	<u>12,903</u>	<u>2,407,857</u>
Expenditures/Expenses					
Operating and administrative					
Professional fees	44,176		44,176		44,176
Contracted services	17,050	41,804	58,854		58,854
Administrative	5,966	6,559	12,525		12,525
Other					
Debt service					
Principal		1,535,000	1,535,000	(1,535,000)	
Interest and fees		498,969	498,969	46,778	545,747
Depreciation and amortization				170,122	170,122
Total Expenditures/Expenses	<u>67,192</u>	<u>2,082,332</u>	<u>2,149,524</u>	<u>(1,318,100)</u>	<u>831,424</u>
Revenues Over Expenditures	225,003	20,427	245,430	(245,430)	
Change in Net Position				1,576,433	1,576,433
Fund Balance/Net Position					
Beginning of the year	243,486	1,563,845	1,807,331	(14,295,238)	(12,487,907)
End of the year	<u>\$ 468,489</u>	<u>\$ 1,584,272</u>	<u>\$ 2,052,761</u>	<u>\$ (12,964,235)</u>	<u>\$ (10,911,474)</u>

See notes to basic financial statements.

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Galveston County Municipal Utility District No. 39
Notes to Financial Statements
August 31, 2023

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Galveston County Municipal Utility District No. 39 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Natural Resource Conservation Commission, statutory predecessor to the Texas Commission on Environmental Quality dated September 12, 2001, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on September 13, 2001 and the first bonds were issued on July 8, 2003.

The District’s primary activities include construction of water, sewer and drainage, and park and recreational facilities. As further discussed in Note 8, the District transfers water, sewer and drainage facilities to the City of League City upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has two governmental funds, which are both considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal source of revenue is property taxes. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes and interest earned on investments. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Prepaid Items

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.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At August 31, 2023, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of impact fees paid to the City of League City and parks and recreational facilities, are depreciated or amortized using the straight-line method as follows:

Assets	Useful Life
Impact fees	Remaining life of contract
Parks and recreational facilities	15 years

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Deferred outflows of financial resources at the government-wide level are from refunding bond transactions in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District’s restricted fund balances consist of property taxes levied for debt service in the Debt Service Fund.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables and the useful lives and impairment of capital assets. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Galveston County Municipal Utility District No. 39
Notes to Financial Statements
August 31, 2023

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds	\$ 2,052,761
--	--------------

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

Historical cost	\$ 3,738,261	
Less accumulated depreciation/amortization	<u>(1,779,142)</u>	
Change due to capital assets		1,959,119

The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.

406,288

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of bonds payable, net.

(15,421,833)

Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.

Property taxes receivable	58,832	
Penalty and interest receivable	<u>33,359</u>	
Change due to property taxes		92,191

Total net position - governmental activities		<u><u>\$ (10,911,474)</u></u>
--	--	-------------------------------

Galveston County Municipal Utility District No. 39
Notes to Financial Statements
August 31, 2023

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds	\$	245,430
--	----	---------

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes and related penalties and interest.		12,903
--	--	--------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Principal payments	\$	1,535,000	
Interest expense		(46,778)	
		1,488,222	

In the <i>Statement of Activities</i> , the cost of capital assets is charged to depreciation/amortization expense over the estimated useful life of the asset.		(170,122)
---	--	-----------

Change in net position of governmental activities		\$ 1,576,433
---	--	--------------

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District’s deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District’s written investment policy establishes additional requirements for collateralization of deposits.

Galveston County Municipal Utility District No. 39
Notes to Financial Statements
August 31, 2023

Note 3 – Deposits and Investments (continued)

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of August 31, 2023, the District's investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	Debt Service	\$ 230,000	11%		
TexSTAR	General	460,455		AAAm	27 days
	Debt Service	1,318,363			
		<u>1,778,818</u>	<u>89%</u>		
Total		<u>\$ 2,008,818</u>	<u>100%</u>		

The District's investments in certificates of deposit are reported at cost.

Galveston County Municipal Utility District No. 39
Notes to Financial Statements
August 31, 2023

Note 3 – Deposits and Investments (continued)

TexSTAR

The District participates in Texas Short Term Asset Reserve fund (TexSTAR) which is managed by Hilltop Securities, Inc., and J.P. Morgan Investment Management, Inc. Hilltop Securities provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

The District’s investment in TexSTAR is reported at fair value because TexSTAR uses fair value to report investments. Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District’s investment in TexSTAR is measured using published fair value per share (level 1 inputs).

Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District’s investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at August 31, 2023, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 1,419	Maintenance tax collections not remitted as of year end

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

Galveston County Municipal Utility District No. 39
Notes to Financial Statements
August 31, 2023

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended August 31, 2023, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets being depreciated/amortized			
Impact fees	\$ 2,679,541	\$ -	\$ 2,679,541
Parks and recreational facilities	1,058,720		1,058,720
	<u>3,738,261</u>		<u>3,738,261</u>
Less accumulated depreciation/amortization			
Impact fees	(1,000,669)	(99,541)	(1,100,210)
Parks and recreational facilities	(608,351)	(70,581)	(678,932)
	<u>(1,609,020)</u>	<u>(170,122)</u>	<u>(1,779,142)</u>
Capital assets, net	<u>\$ 2,129,241</u>	<u>\$ (170,122)</u>	<u>\$ 1,959,119</u>

Depreciation/amortization expense for the current year was \$170,122.

Note 6 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 15,290,000
Unamortized discounts	(80,084)
Unamortized premiums	211,917
	<u>\$ 15,421,833</u>
Due within one year	<u>\$ 1,555,000</u>

Galveston County Municipal Utility District No. 39
Notes to Financial Statements
August 31, 2023

Note 6 – Long-Term Debt (continued)

The District’s bonds payable at August 31, 2023, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2014 Refunding	\$ 1,695,000	\$ 3,770,000	2.00% - 3.25%	September 1, 2015/2032	March 1, September 1	September 1, 2022
2014A	2,720,000	4,390,000	2.00% - 3.50%	September 1, 2015/2032	March 1, September 1	September 1, 2022
2015 Park	760,000	1,450,000	2.00% - 3.25%	September 1, 2016/2032	March 1, September 1	September 1, 2022
2019 Refunding	4,415,000	4,970,000	2.00% - 3.00%	September 1, 2020/2032	March 1, September 1	September 1, 2025
2020 Refunding	3,955,000	5,170,000	2.00% - 4.00%	September 1, 2021/2030	March 1, September 1	September 1, 2026
2021 Refunding	1,745,000	2,080,000	1.50% - 4.00%	September 1, 2022/2032	March 1, September 1	September 1, 2026
	<u>\$ 15,290,000</u>					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At August 31, 2023, the District had authorized but unissued bonds in the amount of \$4,970,000 for water, sewer and drainage facilities; \$2,165,000 for park and recreational facilities; and \$20,593,808 for refunding purposes.

The change in the District’s long-term debt during the year is as follows:

Bonds payable, beginning of year	\$ 16,825,000
Bonds retired	<u>(1,535,000)</u>
Bonds payable, end of year	<u>\$ 15,290,000</u>

Galveston County Municipal Utility District No. 39
Notes to Financial Statements
August 31, 2023

Note 6 – Long-Term Debt (continued)

The debt service payment due September 1 was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of August 31, 2023, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2024	\$ 1,555,000	\$ 448,006	\$ 2,003,006
2025	1,610,000	395,782	2,005,782
2026	1,665,000	340,606	2,005,606
2027	1,720,000	283,057	2,003,057
2028	1,760,000	242,800	2,002,800
2029	1,790,000	200,250	1,990,250
2030	1,755,000	151,475	1,906,475
2031	1,840,000	102,525	1,942,525
2032	1,595,000	47,892	1,642,892
	<u>\$ 15,290,000</u>	<u>\$ 2,212,393</u>	<u>\$ 17,502,393</u>

Note 7 – Property Taxes

On November 6, 2001, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. The District’s bond resolutions require that property 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 to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2023 fiscal year was financed through the 2022 tax levy, pursuant to which the District levied property taxes of \$0.45 per \$100 of assessed value, of which \$0.055 was allocated to maintenance and operations and \$0.395 was allocated to debt service. The resulting tax levy was \$2,282,133 on the adjusted taxable value of \$507,140,673.

Galveston County Municipal Utility District No. 39
Notes to Financial Statements
August 31, 2023

Note 7 – Property Taxes (continued)

Property taxes receivable, at August 31, 2023, consisted of the following:

Current year taxes receivable	\$ 16,639
Prior years taxes receivable	42,193
	<u>58,832</u>
Penalty and interest receivable	33,359
Property taxes receivable	<u>\$ 92,191</u>

Note 8 – Utility Agreement with the City of League City

In November 2001, the District entered into a utility agreement with the City of League City (the “City”) for construction and extension of water distribution lines, sanitary sewer collection systems, and drainage facilities to serve the District. As the system is acquired or constructed, the District shall transfer the system to the City but will reserve a security interest in the system and provide service to all users in the District. The term of the agreement is 40 years. Water and sewer rates charged by the City to users in the District, shall be the same rates charged to similar users within the City. All revenue derived from these charges belongs to the City.

Note 9 – 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 personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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Required Supplementary Information

*Galveston County Municipal Utility District No. 39
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended August 31, 2023*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 225,577	\$ 275,939	\$ 50,362
Investment earnings	750	16,256	15,506
Total Revenues	<u>226,327</u>	<u>292,195</u>	<u>65,868</u>
Expenditures			
Operating and administrative			
Professional fees	48,500	44,176	4,324
Contracted services	17,000	17,050	(50)
Administrative	11,200	5,966	5,234
Total Expenditures	<u>76,700</u>	<u>67,192</u>	<u>9,508</u>
Revenues Over Expenditures	149,627	225,003	75,376
Fund Balance			
Beginning of the year	243,486	243,486	
End of the year	<u>\$ 393,113</u>	<u>\$ 468,489</u>	<u>\$ 75,376</u>

Galveston County Municipal Utility District No. 39
Notes to Required Supplementary Information
August 31, 2023

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. There were no amendments to the budget during the year.

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Texas Supplementary Information

Galveston County Municipal Utility District No. 39
TSI-1. Services and Rates
August 31, 2023

1. Services provided by the District During the Fiscal Year:

- | | | | |
|---|---|--|-------------------------------------|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Roads | <input type="checkbox"/> Security |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | | |
| <input checked="" type="checkbox"/> Other (Specify): <u>Water and sewer services provided by the City of League City</u> | | | |

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	_____	_____	_____	_____	_____ to _____
Wastewater:	_____	_____	_____	_____	_____ to _____
Surcharge:	_____	_____	_____	_____	_____ to _____

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water _____ Wastewater _____

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered	_____	_____	x 1.0	_____
less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____	_____	_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditor's report.

Galveston County Municipal Utility District No. 39
TSI-1. Services and Rates
August 31, 2023

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

Gallons pumped into system:	<u> N/A </u>	Water Accountability Ratio:
Gallons billed to customers:	<u> N/A </u>	(Gallons billed / Gallons pumped)
		<u> N/A </u>

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

5. Location of District:

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Galveston County

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

City(ies) in which the District is located: City of League City

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

Entirely Partly Not at all

ETJs in which the District is located: _____

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

If Yes, by whom? _____

See accompanying auditors' report.

*Galveston County Municipal Utility District No. 39
TSI-2. General Fund Expenditures
For the Year Ended August 31, 2023*

Professional fees	
Legal	\$ 31,676
Audit	12,500
	<hr/>
	44,176
	<hr/>
Contracted services	
Bookkeeping	17,050
	<hr/>
Administrative	
Directors fees	3,584
Printing and office supplies	1,436
Insurance	343
Other	603
	<hr/>
	5,966
	<hr/>
Total expenditures	\$ 67,192
	<hr/>

See accompanying auditors' report.

Galveston County Municipal Utility District No. 39
TSI-3. Investments
August 31, 2023

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General				
TexSTAR		N/A	\$ 460,455	\$ -
Debt Service				
Certificate of deposit	5.14%	01/23/24	230,000	1,198
TexSTAR			1,318,363	
			<u>1,548,363</u>	<u>1,198</u>
Total - All Funds			<u>\$ 2,008,818</u>	<u>\$ 1,198</u>

See accompanying auditors' report.

Galveston County Municipal Utility District No. 39
TSI-4. Taxes Levied and Receivable
August 31, 2023

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 4,432	\$ 47,229	\$ 51,661	
Adjustments	(1,918)	(15,713)	(17,631)	
Adjusted Receivable	2,514	31,516	34,030	
2022 Original Tax Levy	273,126	1,961,541	2,234,667	
Adjustments	5,801	41,665	47,466	
Adjusted Tax Levy	278,927	2,003,206	2,282,133	
Total to be accounted for	281,441	2,034,722	2,316,163	
Tax collections:				
Current year	276,894	1,988,600	2,265,494	
Prior years	(954)	(7,209)	(8,163)	
Total Collections	275,940	1,981,391	2,257,331	
Taxes Receivable, End of Year	\$ 5,501	\$ 53,331	\$ 58,832	
Taxes Receivable, By Years				
2022	\$ 2,033	\$ 14,606	\$ 16,639	
2021	914	7,397	8,311	
2020	602	5,774	6,376	
2019 and prior	1,952	25,554	27,506	
Taxes Receivable, End of Year	\$ 5,501	\$ 53,331	\$ 58,832	
	2022	2021	2020	2019
Property Valuations:				
Land	\$ 69,926,390	\$ 69,926,390	\$ 69,926,390	\$ 69,929,130
Improvements	463,449,593	406,317,762	376,012,439	348,812,965
Personal Property	1,254,140	1,244,878	1,356,780	1,709,530
Exemptions	(27,489,450)	(16,188,263)	(15,429,606)	(12,753,427)
Total Property Valuations	\$ 507,140,673	\$ 461,300,767	\$ 431,866,003	\$ 407,698,198
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.055	\$ 0.055	\$ 0.05	\$ 0.04
Debt service tax rates	0.395	0.445	0.48	0.53
Total Tax Rates per \$100 Valuation	\$ 0.450	\$ 0.500	\$ 0.53	\$ 0.57
Adjusted Tax Levy:	\$ 2,282,133	\$ 2,306,504	\$ 2,288,890	\$ 2,323,880
Percentage of Taxes Collected to Taxes Levied **	99.27%	99.64%	99.72%	99.76%

* Maximum Maintenance Tax Rate Approved by Voters: \$ 1.50 on November 6, 2001

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

See accompanying auditors' report.

Galveston County Municipal Utility District No. 39
TSI-5. Long-Term Debt Service Requirements
Series 2014 Refunding--by Years
August 31, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 325,000	\$ 57,463	\$ 382,463
2025	330,000	47,713	377,713
2026	340,000	36,988	376,988
2027	120,000	25,938	145,938
2028	120,000	21,738	141,738
2029	115,000	17,537	132,537
2030	115,000	13,224	128,224
2031	115,000	8,912	123,912
2032	115,000	4,455	119,455
	<u>\$ 1,695,000</u>	<u>\$ 233,968</u>	<u>\$ 1,928,968</u>

See accompanying auditors' report.

Galveston County Municipal Utility District No. 39
TSI-5. Long-Term Debt Service Requirements
Series 2014A--by Years
August 31, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 240,000	\$ 88,306	\$ 328,306
2025	250,000	81,106	331,106
2026	275,000	73,606	348,606
2027	285,000	65,356	350,356
2028	300,000	56,450	356,450
2029	310,000	46,700	356,700
2030	340,000	36,238	376,238
2031	350,000	24,763	374,763
2032	370,000	12,949	382,949
	<u>\$ 2,720,000</u>	<u>\$ 485,474</u>	<u>\$ 3,205,474</u>

See accompanying auditors' report.

Galveston County Municipal Utility District No. 39
TSI-5. Long-Term Debt Service Requirements
Series 2015 Park--by Years
August 31, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 90,000	\$ 23,162	\$ 113,162
2025	95,000	20,688	115,688
2026	85,000	17,837	102,837
2027	85,000	15,288	100,288
2028	85,000	12,737	97,737
2029	85,000	10,188	95,188
2030	85,000	7,638	92,638
2031	75,000	4,875	79,875
2032	75,000	2,438	77,438
	<u>\$ 760,000</u>	<u>\$ 114,851</u>	<u>\$ 874,851</u>

See accompanying auditors' report.

Galveston County Municipal Utility District No. 39
TSI-5. Long-Term Debt Service Requirements
Series 2019 Refunding--by Years
August 31, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 145,000	\$ 124,400	\$ 269,400
2025	145,000	120,050	265,050
2026	145,000	115,700	260,700
2027	375,000	112,800	487,800
2028	380,000	105,300	485,300
2029	585,000	96,750	681,750
2030	710,000	79,200	789,200
2031	1,095,000	57,900	1,152,900
2032	835,000	25,050	860,050
	<u>\$ 4,415,000</u>	<u>\$ 837,150</u>	<u>\$ 5,252,150</u>

See accompanying auditors' report.

*Galveston County Municipal Utility District No. 39
 TSI-5. Long-Term Debt Service Requirements
 Series 2020 Refunding--by Years
 August 31, 2023*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 580,000	\$ 115,400	\$ 695,400
2025	605,000	92,200	697,200
2026	630,000	68,000	698,000
2027	660,000	42,800	702,800
2028	680,000	29,600	709,600
2029	495,000	16,000	511,000
2030	305,000	6,100	311,100
	<u>\$ 3,955,000</u>	<u>\$ 370,100</u>	<u>\$ 4,325,100</u>

See accompanying auditors' report.

Galveston County Municipal Utility District No. 39
TSI-5. Long-Term Debt Service Requirements
Series 2021 Refunding--by Years
August 31, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 175,000	\$ 39,275	\$ 214,275
2025	185,000	34,025	219,025
2026	190,000	28,475	218,475
2027	195,000	20,875	215,875
2028	195,000	16,975	211,975
2029	200,000	13,075	213,075
2030	200,000	9,075	209,075
2031	205,000	6,075	211,075
2032	200,000	3,000	203,000
	<u>\$ 1,745,000</u>	<u>\$ 170,850</u>	<u>\$ 1,915,850</u>

See accompanying auditors' report.

Galveston County Municipal Utility District No. 39
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
August 31, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 1,555,000	\$ 448,006	\$ 2,003,006
2025	1,610,000	395,782	2,005,782
2026	1,665,000	340,606	2,005,606
2027	1,720,000	283,057	2,003,057
2028	1,760,000	242,800	2,002,800
2029	1,790,000	200,250	1,990,250
2030	1,755,000	151,475	1,906,475
2031	1,840,000	102,525	1,942,525
2032	1,595,000	47,892	1,642,892
	<u>\$ 15,290,000</u>	<u>\$ 2,212,393</u>	<u>\$ 17,502,393</u>

See accompanying auditors' report.

Galveston County Municipal Utility District No. 39
TSI-6. Change in Long-Term Bonded Debt
August 31, 2023

	Bond Issue			
	Series 2009A Park	Series 2014 Refunding	Series 2014A	Series 2015 Park
Interest rate	6.00%	2.00% - 3.25%	2.00% - 3.50%	2.00% - 3.25%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/12 - 9/1/32	9/1/15 - 9/1/32	9/1/15 - 9/1/32	9/1/16 - 9/1/32
Beginning bonds outstanding	\$ 40,000	\$ 2,015,000	\$ 2,950,000	\$ 845,000
Bonds retired	(40,000)	(320,000)	(230,000)	(85,000)
Ending bonds outstanding	\$ -	\$ 1,695,000	\$ 2,720,000	\$ 760,000
Interest paid during fiscal year	\$ 2,400	\$ 67,063	\$ 94,631	\$ 25,500
Paying agent's name and city				
Series 2009A Park	Bank of New York Mellon Trust Co., N.A., Houston, Texas			
All other Series	Bank of New York Mellon Trust Co., N.A., Dallas, Texas			
	Water, Sewer and Drainage Bonds	Park Bonds	Refunding Bonds	
Bond Authority:				
Amount Authorized by Voters	\$ 34,200,000	\$ 4,805,000	\$ 22,200,000	
Amount Issued	(29,230,000)	(2,640,000)	(1,606,192)	
Remaining To Be Issued	\$ 4,970,000	\$ 2,165,000	\$ 20,593,808	

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investment balances as of August 31, 2023: \$ 1,586,499

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,944,710

See accompanying auditors' report.

Bond Issue			
Series 2019 Refunding	Series 2020 Refunding	Series 2021 Refunding	Totals
2.00% - 3.00% 3/1; 9/1 9/1/20 - 9/1/32	2.00% - 4.00% 3/1; 9/1 9/1/21 - 9/1/30	1.50% - 4.00% 3/1; 9/1 9/1/22 - 9/1/32	
\$ 4,555,000	\$ 4,505,000	\$ 1,915,000	\$ 16,825,000
(140,000)	(550,000)	(170,000)	(1,535,000)
<u>\$ 4,415,000</u>	<u>\$ 3,955,000</u>	<u>\$ 1,745,000</u>	<u>\$ 15,290,000</u>
<u>\$ 128,600</u>	<u>\$ 131,900</u>	<u>\$ 44,375</u>	<u>\$ 494,469</u>

Galveston County Municipal Utility District No. 39

**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years**

	Amounts				
	2023	2022	2021	2020	2019
Revenues					
Property taxes	\$ 275,939	\$ 254,109	\$ 215,765	\$ 162,071	\$ 154,506
Investment earnings	16,256	1,277	336	2,647	3,982
Total Revenues	<u>292,195</u>	<u>255,386</u>	<u>216,101</u>	<u>164,718</u>	<u>158,488</u>
Expenditures					
Operating and administrative					
Professional fees	44,176	49,452	46,764	51,821	39,394
Contracted services	17,050	16,719	14,188	13,650	13,556
Administrative	5,966	14,580	10,631	12,644	9,307
Debt service					
Interest and fees		5,807	1,100	2,850	
Early extinguishment of debt		260,000	150,000	300,000	
Total Expenditures	<u>67,192</u>	<u>346,558</u>	<u>222,683</u>	<u>380,965</u>	<u>62,257</u>
Revenues Over/(Under) Expenditures	<u>\$ 225,003</u>	<u>\$ (91,172)</u>	<u>\$ (6,582)</u>	<u>\$ (216,247)</u>	<u>\$ 96,231</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
94%	99%	100%	98%	97%
6%	1%	*	2%	3%
100%	100%	100%	100%	100%
15%	19%	22%	31%	25%
6%	7%	7%	8%	9%
2%	6%	5%	8%	6%
	2%	1%	2%	
	102%	69%	182%	
23%	136%	104%	231%	40%
77%	(36%)	(4%)	(131%)	60%

Galveston County Municipal Utility District No. 39

**TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years**

	Amounts				
	2023	2022	2021	2020	2019
Revenues					
Property taxes	\$ 1,981,241	\$ 2,056,370	\$ 2,074,176	\$ 2,147,668	\$ 2,201,692
Penalties and interest	12,014	6,247	10,627	6,294	6,118
Miscellaneous	10				
Investment earnings	109,494	13,602	3,968	22,926	48,331
Total Revenues	<u>2,102,759</u>	<u>2,076,219</u>	<u>2,088,771</u>	<u>2,176,888</u>	<u>2,256,141</u>
Expenditures					
Tax collection services	48,363	46,069	44,855	40,587	42,513
Other		10,000	2,500	15,000	12,500
Debt service					
Principal	1,535,000	1,495,000	1,440,000	1,405,000	1,335,000
Interest and fees	498,969	543,694	639,038	726,779	861,726
Early extinguishment of debt					300,000
Debt issuance costs			34,740	199,601	136,189
Total Expenditures	<u>2,082,332</u>	<u>2,094,763</u>	<u>2,161,133</u>	<u>2,386,967</u>	<u>2,687,928</u>
Revenues Over/(Under) Expenditures	<u>\$ 20,427</u>	<u>\$ (18,544)</u>	<u>\$ (72,362)</u>	<u>\$ (210,079)</u>	<u>\$ (431,787)</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
94%	99%	99%	99%	98%
1%	*	1%	*	*
*				
5%	1%	*	1%	2%
100%	100%	100%	100%	100%
2%	2%	2%	2%	2%
	*	*	1%	1%
73%	72%	69%	65%	59%
24%	26%	31%	33%	38%
				13%
		2%	9%	6%
99%	100%	104%	110%	119%
1%	-%	(4%)	(10%)	(19%)

Galveston County Municipal Utility District No. 39
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended August 31, 2023

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027

District Business Telephone Number: (713) 860-6400

Submission Date of the most recent District Registration Form

(TWC Sections 36.054 and 49.054): August 2, 2022

Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200

(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid*	Expense Reimburse- ments	Title at Year End
Board Members				
David Parker	05/22 - 05/26	\$ 521	\$ 113	President
Courtney Boudreaux	05/20 - 05/24	821	25	Vice President
Rebecca Murphy	05/22 - 05/26	600	150	Secretary
Mark Marquis	05/20 - 05/24	821	31	Assistant Vice President
Omar Flores	05/20 - 05/24	821	31	Assistant Secretary
Consultants				
Allen Boone Humphries Robinson LLP <i>General legal fees</i>	2003	<u>Amounts Paid</u> \$ 27,112		Attorney
Myrtle Cruz, Inc.	2002	14,964		Bookkeeper
Bob Leared Interests, Inc.	2002	19,478		Tax Collector
Galveston Central Appraisal District	Legislation	19,876		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott LLP	2003	2,449		Delinquent Tax Attorney
Vogler & Spencer Enginnering	2005			Engineer
McGrath & Co., PLLC	2011	12,500		Auditor
Masterson Advisors, LLC	2018			Financial Advisor

* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.

See accompanying auditors' report.