

**GALVESTON COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 68**

**GALVESTON COUNTY, TEXAS**

**FINANCIAL REPORT**

**May 31, 2024**



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*Certified Public Accountants*

2900 North Loop West, Suite 880

Houston, Texas 77092

## Independent Auditor's Report

Board of Directors  
Galveston County Municipal Utility District No. 68  
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. 68 (the "District"), as of and for the year ended May 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the 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. 68, as of May 31, 2024, 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. 68  
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  
September 17, 2024

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## **Management's Discussion and Analysis**

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***Galveston County Municipal Utility District No. 68  
Management's Discussion and Analysis  
May 31, 2024***

**Using this Annual Report**

Within this section of the financial report of Galveston County Municipal Utility District No. 68 (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 May 31, 2024. 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. 68**  
**Management’s Discussion and Analysis**  
**May 31, 2024**

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 May 31, 2024, was negative \$20,223,499. 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 La Marque. A comparative summary of the District’s overall financial position, as of May 31, 2024 and 2023, is as follows:

|  | 2024            | 2023            |
|--|-----------------|-----------------|
| Current and other assets                 | \$ 2,209,511    | \$ 1,577,572    |
| Capital assets                           | 4,197,062       | 4,220,487       |
| Total assets                             | 6,406,573       | 5,798,059       |
| <br>Total deferred outflows of resources | 33,948          | 37,034          |
| <br>Current liabilities                  | 488,160         | 337,801         |
| Long-term liabilities                    | 26,175,860      | 23,973,375      |
| Total liabilities                        | 26,664,020      | 24,311,176      |
| <br>Net position                         |                 |                 |
| Net investment in capital assets         | (835,124)       | (401,439)       |
| Restricted                               | 1,420,732       | 1,040,753       |
| Unrestricted                             | (20,809,107)    | (19,115,397)    |
| Total net position                       | \$ (20,223,499) | \$ (18,476,083) |

**Galveston County Municipal Utility District No. 68**  
**Management's Discussion and Analysis**  
**May 31, 2024**

The total net position of the District decreased during the current fiscal year by \$1,747,416. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

|  | 2024            | 2023            |
|--|-----------------|-----------------|
| Revenues                                 |                 |                 |
| Property taxes, penalties and interest   | \$ 1,169,234    | \$ 892,668      |
| Other                                    | 87,925          | 43,123          |
| Total revenues                           | 1,257,159       | 935,791         |
| Expenses                                 |                 |                 |
| Operating and administrative             | 228,647         | 196,313         |
| Debt interest and fees                   | 434,705         | 252,611         |
| Developer interest                       | 413,750         |                 |
| Debt issuance costs                      | 412,726         |                 |
| Depreciation                             | 23,425          | 23,425          |
| Total expenses                           | 1,513,253       | 472,349         |
| Change in net position before other item | (256,094)       | 463,442         |
| Other item                               |                 |                 |
| Transfers to other governments           | (1,491,322)     | (5,062,082)     |
| Change in net position                   | (1,747,416)     | (4,598,640)     |
| Net position, beginning of year          | (18,476,083)    | (13,877,443)    |
| Net position, end of year                | \$ (20,223,499) | \$ (18,476,083) |

**Financial Analysis of the District's Funds**

The District's combined fund balances, as of May 31, 2024, were \$2,148,429, which consists of \$447,303 in the General Fund, \$1,511,958 in the Debt Service Fund, and \$189,168 in the Capital Projects Fund.

*General Fund*

A comparative summary of the General Fund's financial position as of May 31, 2024 and 2023, is as follows:

|  | 2024       | 2023       |
|--|------------|------------|
| Total assets   | \$ 486,791 | \$ 420,171 |
| Total liabilities                                    | \$ 35,340  | \$ 8,322   |
| Total deferred inflows                               | 4,148      | 2,626      |
| Total fund balance                                   | 447,303    | 409,223    |
| Total liabilities, deferred inflows and fund balance | \$ 486,791 | \$ 420,171 |

**Galveston County Municipal Utility District No. 68**  
**Management's Discussion and Analysis**  
**May 31, 2024**

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

|                            | <u>2024</u>      | <u>2023</u>      |
|----------------------------|------------------|------------------|
| Total revenues             | \$ 240,515       | \$ 191,134       |
| Total expenditures         | <u>(202,435)</u> | <u>(153,824)</u> |
| Revenues over expenditures | <u>\$ 38,080</u> | <u>\$ 37,310</u> |

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 the maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.

*Debt Service Fund*

A comparative summary of the Debt Service Fund's financial position as of May 31, 2024 and 2023, is as follows:

|  | <u>2024</u>         | <u>2023</u>         |
|--|---------------------|---------------------|
| Total assets   | <u>\$ 1,533,552</u> | <u>\$ 1,105,232</u> |
| Total liabilities                                    | \$ 1,243            | \$ 1,174            |
| Total deferred inflows                               | 20,351              | 9,644               |
| Total fund balance                                   | <u>1,511,958</u>    | <u>1,094,414</u>    |
| Total liabilities, deferred inflows and fund balance | <u>\$ 1,533,552</u> | <u>\$ 1,105,232</u> |

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

|                               | <u>2024</u>       | <u>2023</u>       |
|-------------------------------|-------------------|-------------------|
| Total revenues                | \$ 995,276        | \$ 737,253        |
| Total expenditures            | <u>(677,341)</u>  | <u>(474,942)</u>  |
| Revenues over expenditures    | 317,935           | 262,311           |
| Other changes in fund balance | <u>99,609</u>     | <u></u>           |
| Net change in fund balance    | <u>\$ 417,544</u> | <u>\$ 262,311</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 an increase 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.

**Galveston County Municipal Utility District No. 68**  
**Management’s Discussion and Analysis**  
**May 31, 2024**

*Capital Projects Fund*

A comparative summary of the Capital Projects Fund’s financial position as of May 31, 2024 and 2023, is as follows:

|                    | 2024       | 2023      |
|--------------------|------------|-----------|
| Total assets       | \$ 189,168 | \$ 52,169 |
| Total fund balance | \$ 189,168 | \$ 52,169 |

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

|                               | 2024        | 2023        |
|-------------------------------|-------------|-------------|
| Total revenues                | \$ 9,140    | \$ 2,416    |
| Total expenditures            | (4,247,532) | (21,245)    |
| Revenues under expenditures   | (4,238,392) | (18,829)    |
| Other changes in fund balance | 4,375,391   |             |
| Net change in fund balance    | \$ 136,999  | \$ (18,829) |

The District’s capital asset activity in the current year was financed with proceeds from the issuance of its Series 2023 Unlimited Tax Bonds. The District did not have any significant capital asset activity in the previous fiscal year.

**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 amended the budget during the year to reflect changes in anticipated revenues.

Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$26,580 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

**Capital Assets**

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District’s financial statements upon completion of construction.

**Galveston County Municipal Utility District No. 68**  
**Management's Discussion and Analysis**  
**May 31, 2024**

Capital assets held by the District at May 31, 2024 and 2023, are summarized as follows:

|                                      | <u>2024</u>         | <u>2023</u>         |
|--------------------------------------|---------------------|---------------------|
| Capital assets not being depreciated |                     |                     |
| Land and improvements                | <u>\$ 3,237,948</u> | <u>\$ 3,237,948</u> |
| Capital assets being depreciated     |                     |                     |
| Infrastructure                       | 1,054,129           | 1,054,129           |
| Less accumulated depreciation        | <u>(95,015)</u>     | <u>(71,590)</u>     |
| Depreciable capital assets, net      | <u>959,114</u>      | <u>982,539</u>      |
| Capital assets, net                  | <u>\$ 4,197,062</u> | <u>\$ 4,220,487</u> |

The District and the City of La Marque (the “City”) have entered into an agreement which obligates the District to construct water, wastewater, and certain storm drainage facilities to serve the District and, when completed, to convey title to the facilities to the City. Detention facilities and certain other capital assets are retained by the District. For the year ended May 31, 2024, capital assets in the amount of \$1,491,322 have been completed and recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 9.

**Long-Term Debt and Related Liabilities**

As of May 31, 2024, the District owes approximately \$13,855,854 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District’s financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of \$5,616,566 for projects under construction by the developers. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At May 31, 2024 and 2023, the District had total bonded debt outstanding as shown below:

| <u>Series</u> | <u>2024</u>          | <u>2023</u>         |
|---------------|----------------------|---------------------|
| 2016          | \$ 1,080,000         | \$ 1,080,000        |
| 2019          | 3,550,000            | 3,625,000           |
| 2021          | 1,765,000            | 1,895,000           |
| 2022          | 1,740,000            | 1,800,000           |
| 2023          | 4,475,000            |                     |
|               | <u>\$ 12,610,000</u> | <u>\$ 8,400,000</u> |



**Galveston County Municipal Utility District No. 68**  
**Management’s Discussion and Analysis**  
**May 31, 2024**

During the current year, the District issued \$4,475,000 in unlimited tax bonds. At May 31, 2024, the District had \$36,125,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$32,420,000 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 projected cost of operating the District. A comparison of next year’s budget to current year actual amounts for the General Fund is as follows:

|                            | <u>2024 Actual</u>       | <u>2025 Budget</u>       |
|----------------------------|--------------------------|--------------------------|
| Total revenues             | \$ 240,515               | \$ 237,485               |
| Total expenditures         | <u>(202,435)</u>         | <u>(172,620)</u>         |
| Revenues over expenditures | 38,080                   | 64,865                   |
| Beginning fund balance     | <u>409,223</u>           | <u>447,303</u>           |
| Ending fund balance        | <u><u>\$ 447,303</u></u> | <u><u>\$ 512,168</u></u> |

**Property Taxes**

The District’s property tax base increased approximately \$41,090,000 for the 2024 tax year from \$134,834,070 to \$175,923,577. This increase was primarily due to new construction in the District and increased property values. For the 2024 tax year, the District has levied a maintenance tax rate of \$0.134 per \$100 of assessed value and a debt service tax rate of \$0.73 per \$100 of assessed value, for a total combined tax rate of \$0.864 per \$100 of assessed value. Tax rates for the 2023 tax year were \$0.164 per \$100 for maintenance and operations and \$0.70 per \$100 for debt service for a combined total of \$0.864 per \$100 of assessed value.

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## **Basic Financial Statements**

**Galveston County Municipal Utility District No. 68**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**May 31, 2024**

|   | General<br>Fund   | Debt<br>Service<br>Fund | Capital<br>Projects<br>Fund | Total               | Adjustments            | Statement of<br>Net Position |
|---|-------------------|-------------------------|-----------------------------|---------------------|------------------------|------------------------------|
| <b>Assets</b>   |                   |                         |                             |                     |                        |                              |
| Cash  | \$ 11,432         | \$ 37,847               | \$ 4,085                    | \$ 53,364           | \$ -                   | \$ 53,364                    |
| Investments   | 469,144           | 1,475,794               | 185,083                     | 2,130,021           |                        | 2,130,021                    |
| Taxes receivable, net   | 4,148             | 20,351                  |                             | 24,499              |                        | 24,499                       |
| Internal balances   | 440               | (440)                   |                             |                     |                        |                              |
| Other receivables   | 1,627             |                         |                             | 1,627               |                        | 1,627                        |
| Capital assets not being depreciated                                  |                   |                         |                             |                     | 3,237,948              | 3,237,948                    |
| Capital assets, net   |                   |                         |                             |                     | 959,114                | 959,114                      |
| Total Assets  | <u>\$ 486,791</u> | <u>\$ 1,533,552</u>     | <u>\$ 189,168</u>           | <u>\$ 2,209,511</u> | <u>4,197,062</u>       | <u>6,406,573</u>             |
| <b>Deferred Outflows of Resources</b>                                 |                   |                         |                             |                     |                        |                              |
| Deferred difference on refunding                                      |                   |                         |                             |                     | <u>33,948</u>          | <u>33,948</u>                |
| <b>Liabilities</b>  |                   |                         |                             |                     |                        |                              |
| Accounts payable  | \$ 35,340         | \$ -                    | \$ -                        | \$ 35,340           |                        | 35,340                       |
| Other payables  |                   | 1,243                   |                             | 1,243               |                        | 1,243                        |
| Accrued interest payable  |                   |                         |                             |                     | 111,577                | 111,577                      |
| Due to developers   |                   |                         |                             |                     | 13,855,854             | 13,855,854                   |
| Long-term debt  |                   |                         |                             |                     |                        |                              |
| Due within one year   |                   |                         |                             |                     | 340,000                | 340,000                      |
| Due after one year, net   |                   |                         |                             |                     | 12,320,006             | 12,320,006                   |
| Total Liabilities   | <u>35,340</u>     | <u>1,243</u>            | <u></u>                     | <u>36,583</u>       | <u>26,627,437</u>      | <u>26,664,020</u>            |
| <b>Deferred Inflows of Resources</b>                                  |                   |                         |                             |                     |                        |                              |
| Deferred property taxes   | <u>4,148</u>      | <u>20,351</u>           | <u></u>                     | <u>24,499</u>       | <u>(24,499)</u>        |                              |
| <b>Fund Balances/Net Position</b>                                     |                   |                         |                             |                     |                        |                              |
| <b>Fund Balances</b>  |                   |                         |                             |                     |                        |                              |
| Restricted  |                   | 1,511,958               | 189,168                     | 1,701,126           | (1,701,126)            |                              |
| Unassigned  | 447,303           |                         |                             | 447,303             | (447,303)              |                              |
| Total Fund Balances   | <u>447,303</u>    | <u>1,511,958</u>        | <u>189,168</u>              | <u>2,148,429</u>    | <u>(2,148,429)</u>     |                              |
| Total Liabilities, Deferred Inflows<br>of Resources and Fund Balances | <u>\$ 486,791</u> | <u>\$ 1,533,552</u>     | <u>\$ 189,168</u>           | <u>\$ 2,209,511</u> |                        |                              |
| <b>Net Position</b>   |                   |                         |                             |                     |                        |                              |
| Net investment in capital assets                                      |                   |                         |                             |                     | (835,124)              | (835,124)                    |
| Restricted for debt service   |                   |                         |                             |                     | 1,420,732              | 1,420,732                    |
| Unrestricted  |                   |                         |                             |                     | (20,809,107)           | (20,809,107)                 |
| Total Net Position  |                   |                         |                             |                     | <u>\$ (20,223,499)</u> | <u>\$ (20,223,499)</u>       |

See notes to basic financial statements.

**Galveston County Municipal Utility District No. 68**

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

**For the Year Ended May 31, 2024**

|                                    | General<br>Fund   | Debt<br>Service<br>Fund | Capital<br>Projects<br>Fund | Total               | Adjustments            | Statement of<br>Activities |
|------------------------------------|-------------------|-------------------------|-----------------------------|---------------------|------------------------|----------------------------|
| <b>Revenues</b>                    |                   |                         |                             |                     |                        |                            |
| Property taxes                     | \$ 219,049        | \$ 934,795              | \$ -                        | \$ 1,153,844        | \$ 8,357               | \$ 1,162,201               |
| Penalties and interest             |                   | 3,162                   |                             | 3,162               | 3,871                  | 7,033                      |
| Miscellaneous                      |                   | 80                      |                             | 80                  |                        | 80                         |
| Investment earnings                | 21,466            | 57,239                  | 9,140                       | 87,845              |                        | 87,845                     |
| <b>Total Revenues</b>              | <b>240,515</b>    | <b>995,276</b>          | <b>9,140</b>                | <b>1,244,931</b>    | <b>12,228</b>          | <b>1,257,159</b>           |
| <b>Expenditures/Expenses</b>       |                   |                         |                             |                     |                        |                            |
| Operating and administrative       |                   |                         |                             |                     |                        |                            |
| Professional fees                  | 119,592           |                         | 1,919                       | 121,511             |                        | 121,511                    |
| Contracted services                | 22,050            | 19,169                  |                             | 41,219              |                        | 41,219                     |
| Repairs and maintenance            | 28,326            |                         |                             | 28,326              |                        | 28,326                     |
| Administrative                     | 27,196            | 4,689                   | 435                         | 32,320              |                        | 32,320                     |
| Other                              | 5,271             |                         |                             | 5,271               |                        | 5,271                      |
| Capital outlay                     |                   |                         | 3,418,702                   | 3,418,702           | (3,418,702)            |                            |
| Debt service                       |                   |                         |                             |                     |                        |                            |
| Principal                          |                   | 265,000                 |                             | 265,000             | (265,000)              |                            |
| Interest and fees                  |                   | 388,483                 |                             | 388,483             | 46,222                 | 434,705                    |
| Developer interest                 |                   |                         | 413,750                     | 413,750             |                        | 413,750                    |
| Debt issuance costs                |                   |                         | 412,726                     | 412,726             |                        | 412,726                    |
| Depreciation                       |                   |                         |                             |                     | 23,425                 | 23,425                     |
| <b>Total Expenditures/Expenses</b> | <b>202,435</b>    | <b>677,341</b>          | <b>4,247,532</b>            | <b>5,127,308</b>    | <b>(3,614,055)</b>     | <b>1,513,253</b>           |
| <b>Revenues Over/(Under)</b>       |                   |                         |                             |                     |                        |                            |
| <b>Expenditures/Expenses</b>       | <b>38,080</b>     | <b>317,935</b>          | <b>(4,238,392)</b>          | <b>(3,882,377)</b>  | <b>3,626,283</b>       | <b>(256,094)</b>           |
| <b>Other Financing Sources</b>     |                   |                         |                             |                     |                        |                            |
| Proceeds from sale of bonds        |                   | 99,609                  | 4,375,391                   | 4,475,000           | (4,475,000)            |                            |
| <b>Other Item</b>                  |                   |                         |                             |                     |                        |                            |
| Transfers to other governments     |                   |                         |                             |                     | (1,491,322)            | (1,491,322)                |
| <b>Net Change in Fund Balances</b> | <b>38,080</b>     | <b>417,544</b>          | <b>136,999</b>              | <b>592,623</b>      | <b>(592,623)</b>       |                            |
| <b>Change in Net Position</b>      |                   |                         |                             |                     | <b>(1,747,416)</b>     | <b>(1,747,416)</b>         |
| Fund Balance/Net Position          |                   |                         |                             |                     |                        |                            |
| Beginning of the year              | 409,223           | 1,094,414               | 52,169                      | 1,555,806           | (20,031,889)           | (18,476,083)               |
| <b>End of the year</b>             | <b>\$ 447,303</b> | <b>\$ 1,511,958</b>     | <b>\$ 189,168</b>           | <b>\$ 2,148,429</b> | <b>\$ (22,371,928)</b> | <b>\$ (20,223,499)</b>     |

See notes to basic financial statements.

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***Galveston County Municipal Utility District No. 68***  
***Notes to Financial Statements***  
***May 31, 2024***

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of Galveston County Municipal Utility District No. 68 (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 Commission on Environmental Quality, dated August 23, 2006, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on August 28, 2006, and the first bonds were issued on November 10, 2009.

The District is responsible for providing water, sewer and drainage facilities within the District. As further discussed in Note 10, the District transfers these facilities to the City of La Marque for operation and maintenance 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 three governmental funds, which are all 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 sources of revenue are 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.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer and drainage facilities.

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.

**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 May 31, 2024, an allowance of \$1,912 was provided for possible uncollectible property taxes.

**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 drainage facilities, are depreciated using the straight-line method over an estimated useful life of 45 years. The District’s detention facilities are considered improvements to land and are non-depreciable.

**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.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Deferred Inflows and Outflows of Financial Resources (continued)**

Deferred outflows of financial resources at the government-wide level are from a refunding bond transaction 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 unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service in the Debt Service Fund.

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.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Fund Balances – Governmental Funds**

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; the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to the City of La Marque; and the value of capital assets for which the developer has not been fully reimbursed. 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. 68**  
**Notes to Financial Statements**  
**May 31, 2024**

**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  |                  | \$ 2,148,429                  |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.  |                  |                               |
| Historical cost   | \$ 4,292,077     |                               |
| Less accumulated depreciation   | <u>(95,015)</u>  |                               |
| Change due to capital assets  |                  | 4,197,062                     |
| 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 <i>Statement of Net Position</i> and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource. |                  |                               |
|   |                  | 33,948                        |
| Amounts due to the District's developers for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i> .   |                  |                               |
|   |                  | (13,855,854)                  |
| 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  | (12,660,006)     |                               |
| Interest payable on bonds   | <u>(111,577)</u> |                               |
| Change due to long-term debt  |                  | (12,771,583)                  |
| Property taxes receivable 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   | 20,628           |                               |
| Penalty and interest receivable   | <u>3,871</u>     |                               |
| Change due to property taxes  |                  | 24,499                        |
| Total net position - governmental activities  |                  | <u><u>\$ (20,223,499)</u></u> |

**Galveston County Municipal Utility District No. 68**  
**Notes to Financial Statements**  
**May 31, 2024**

**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 \$ 592,623

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and penalties and interest. 12,228

Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

|                      |              |           |
|----------------------|--------------|-----------|
| Capital outlays      | \$ 3,418,702 |           |
| Depreciation expense | (23,425)     |           |
|                      |              | 3,395,277 |

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.

|                            |             |             |
|----------------------------|-------------|-------------|
| Issuance of long-term debt | (4,475,000) |             |
| Principal payments         | 265,000     |             |
| Interest expense accrual   | (46,222)    |             |
|                            |             | (4,256,222) |

The District conveys certain infrastructure to City of La Marque upon completion of construction. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts are reported as transfers to other governments. (1,491,322)

Change in net position of governmental activities \$ (1,747,416)

**Galveston County Municipal Utility District No. 68**  
**Notes to Financial Statements**  
**May 31, 2024**

**Note 3 – Deposits and Investments**

**Deposit Custodial Credit Risk**

Custodial credit risk as it applies to deposits (i.e. cash) 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.

**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 May 31, 2024, the District’s investments consist of the following:

| <u>Type</u> | <u>Fund</u>      | <u>Carrying Value</u> | <u>Rating</u> | <u>Weighted Average Maturity</u> |
|-------------|------------------|-----------------------|---------------|----------------------------------|
| TexPool     | General          | \$ 469,144            | AAAm          | 40 days                          |
|             | Debt Service     | 1,475,794             |               |                                  |
|             | Capital Projects | 185,083               |               |                                  |
|             |                  | <u>\$ 2,130,021</u>   |               |                                  |

**Galveston County Municipal Utility District No. 68**  
**Notes to Financial Statements**  
**May 31, 2024**

**Note 3 – Deposits and Investments (continued)**

**TexPool**

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District’s position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

**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 May 31, 2024, consist of the following:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amounts</u> | <u>Purpose</u>  |
|------------------------|---------------------|----------------|---|
| General Fund           | Debt Service Fund   | \$ 440         | 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. 68**  
**Notes to Financial Statements**  
**May 31, 2024**

**Note 5 – Capital Assets**

A summary of changes in capital assets, for the year ended May 31, 2024, is as follows:

|  | Beginning<br>Balances | Adjustments | Ending<br>Balances |
|--|-----------------------|-------------|--------------------|
| Capital assets not being depreciated     |                       |             |                    |
| Land and improvements                    | \$ 3,237,948          | \$ -        | \$ 3,237,948       |
| Capital assets being depreciated         |                       |             |                    |
| Infrastructure                           | 1,054,129             |             | 1,054,129          |
| Less accumulated depreciation            | (71,590)              | (23,425)    | (95,015)           |
| Subtotal depreciable capital assets, net | 982,539               | (23,425)    | 959,114            |
| Capital assets, net                      | \$ 4,220,487          | \$ (23,425) | \$ 4,197,062       |

Depreciation expense for the current fiscal year was \$23,425.

**Note 6 – Due to Developers**

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, and drainage facilities. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

Changes in the estimated amounts due to developers during the year are as follows:

|   |               |
|---|---------------|
| Due to developers, beginning of year          | \$ 15,783,234 |
| Developer reimbursements                      | (3,418,702)   |
| Developer funded construction and adjustments | 1,491,322     |
| Due to developers, end of year                | \$ 13,855,854 |



**Galveston County Municipal Utility District No. 68**  
**Notes to Financial Statements**  
**May 31, 2024**

**Note 6 – Due to Developers (continued)**

In addition, the District will owe the developers approximately \$5,616,566, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

|  | Contract<br>Amount  | Percentage<br>Completed |
|--|---------------------|-------------------------|
| Trails at Woodhaven Lakes Section 2 - detnton, grading, clearing, grubbing | \$ 803,356          | 57%                     |
| Trails at Woodhaven Lakes Section 2 - utilities and paving                 | 1,610,076           | 0%                      |
| Sunset Grove Section 6 - utilities   | 1,805,485           | 54%                     |
| Ambrose Section 3 - utilities  | 1,397,649           | 92%                     |
|  | <u>\$ 5,616,566</u> |                         |

**Note 7 – Long-Term Debt**

Long-term debt is comprised of the following:

|                       |                      |
|-----------------------|----------------------|
| Bonds payable         | \$ 12,610,000        |
| Unamortized discounts | (20,736)             |
| Unamortized premium   | 70,742               |
|                       | <u>\$ 12,660,006</u> |
| Due within one year   | <u>\$ 340,000</u>    |

The District’s bonds payable at May 31, 2024, consists of unlimited tax bonds as follows:

| Series            | Amounts<br>Outstanding | Original<br>Issue | Interest<br>Rates | Maturity Date,<br>Serially,<br>Beginning/<br>Ending | Interest<br>Payment<br>Dates | Call<br>Dates        |
|-------------------|------------------------|-------------------|-------------------|---|------------------------------|----------------------|
| 2016              | \$ 1,080,000           | \$ 1,080,000      | 3.60% - 3.70%     | September 1,<br>2035/2039                           | September 1,<br>March 1      | September 1,<br>2023 |
| 2019              | 3,550,000              | 3,845,000         | 2.00% - 3.375%    | September 1,<br>2022/2044                           | September 1,<br>March 1      | September 1,<br>2024 |
| 2021<br>Refunding | 1,765,000              | 2,020,000         | 2.00% - 3.00%     | September 1,<br>2022/2034                           | September 1,<br>March 1      | September 1,<br>2026 |
| 2022              | 1,740,000              | 1,800,000         | 2.00% - 4.50%     | September 1,<br>2023/2045                           | September 1,<br>March 1      | September 1,<br>2027 |
| 2023              | 4,475,000              | 4,475,000         | 4.00% - 6.50%     | September 1,<br>2024/2048                           | September 1,<br>March 1      | September 1,<br>2029 |
|                   | <u>\$ 12,610,000</u>   |                   |                   |   |                              |                      |

**Galveston County Municipal Utility District No. 68**  
**Notes to Financial Statements**  
**May 31, 2024**

**Note 7 – Long-Term Debt (continued)**

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 May 31, 2024, the District had authorized but unissued bonds in the amount of \$36,125,000 for water, sewer and drainage facilities and \$32,420,000 for refunding purposes.

On June 21, 2023, the District issued its \$4,475,000 Series 2023 Unlimited Tax Bonds at a net effective interest rate of 4.349005%. Proceeds of the bonds were used to reimburse developers for the following: (1) the construction of capital assets within the District; engineering, clearing and grubbing, and other costs associated with the construction of capital assets; the acquisition of land for certain District facilities; operating advances; and creation costs, (2) to pay developer interest at the net effective interest rate of the bonds and (3) to pay capitalized interest into the Debt Service Fund.

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

|                                  |                      |
|----------------------------------|----------------------|
| Bonds payable, beginning of year | \$ 8,400,000         |
| Bonds issued                     | 4,475,000            |
| Bonds retired                    | <u>(265,000)</u>     |
| Bonds payable, end of year       | <u>\$ 12,610,000</u> |

**Galveston County Municipal Utility District No. 68**  
**Notes to Financial Statements**  
**May 31, 2024**

**Note 7 – Long-Term Debt (continued)**

As of May 31, 2024, annual debt service requirements on bonds outstanding are as follows:

| Year | Principal            | Interest            | Totals               |
|------|----------------------|---------------------|----------------------|
| 2025 | \$ 340,000           | \$ 434,875          | \$ 774,875           |
| 2026 | 350,000              | 421,632             | 771,632              |
| 2027 | 360,000              | 408,019             | 768,019              |
| 2028 | 375,000              | 393,849             | 768,849              |
| 2029 | 390,000              | 379,598             | 769,598              |
| 2030 | 400,000              | 366,253             | 766,253              |
| 2031 | 410,000              | 353,338             | 763,338              |
| 2032 | 420,000              | 340,025             | 760,025              |
| 2033 | 430,000              | 327,088             | 757,088              |
| 2034 | 445,000              | 314,956             | 759,956              |
| 2035 | 455,000              | 302,816             | 757,816              |
| 2036 | 465,000              | 288,496             | 753,496              |
| 2037 | 480,000              | 271,989             | 751,989              |
| 2038 | 500,000              | 254,773             | 754,773              |
| 2039 | 515,000              | 236,814             | 751,814              |
| 2040 | 535,000              | 218,259             | 753,259              |
| 2041 | 555,000              | 199,303             | 754,303              |
| 2042 | 575,000              | 179,919             | 754,919              |
| 2043 | 590,000              | 159,912             | 749,912              |
| 2044 | 615,000              | 139,150             | 754,150              |
| 2045 | 635,000              | 117,547             | 752,547              |
| 2046 | 655,000              | 96,907              | 751,907              |
| 2047 | 675,000              | 73,321              | 748,321              |
| 2048 | 705,000              | 44,858              | 749,858              |
| 2049 | 735,000              | 15,158              | 750,158              |
|      | <u>\$ 12,610,000</u> | <u>\$ 6,338,855</u> | <u>\$ 18,948,855</u> |

**Note 8 – Property Taxes**

On November 7, 2006, 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.

**Galveston County Municipal Utility District No. 68**  
**Notes to Financial Statements**  
**May 31, 2024**

**Note 8 – Property Taxes (continued)**

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of \$0.864 per \$100 of assessed value, of which \$0.164 was allocated to maintenance and operations and \$0.70 was allocated to debt service. The resulting tax levy was \$1,164,966 on the adjusted taxable value of \$134,834,070.

Net property taxes receivable, at May 31, 2024, consisted of the following:

|   |                         |
|---|-------------------------|
| Current year taxes receivable             | \$ 13,922               |
| Prior years taxes receivable              | 8,618                   |
| Less allowance for uncollectible accounts | <u>(1,912)</u>          |
|   | 20,628                  |
| Penalty and interest receivable           | <u>3,871</u>            |
| Net property taxes receivable             | <u><u>\$ 24,499</u></u> |

**Note 9 – Transfers to Other Governments**

In accordance with an agreement between the District and the City of La Marque (“La Marque”), the District transfers all of its water, sewer, and drainage facilities for the portion of the District located in La Marque (see Note 10). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended May 31, 2024, the District reported transfers to other governments in the amount of \$1,491,322 for projects completed and transferred to La Marque.

The first section of lots located within the city limits of the City of Hitchcock (“Hitchcock”) is under construction. Under the Hitchcock Code of Ordinances, upon completion of development, all utility lines and associated facilities shall become property of Hitchcock.

**Note 10 – Utility Agreements**

In July 2007, the District approved a Utility Service Contract (the “La Marque Contract”) with La Marque, originally entered into between La Marque and the District’s developer in 2005. In exchange for La Marque’s provision of water and sewer services, the District will construct water distribution and wastewater collection facilities to serve the portion of the District within La Marque and, as construction is completed, will convey these facilities to La Marque. The term of the La Marque Contract is for 40 years, with automatic annual renewals thereafter, unless terminated.

The District will have a Utility Services Contract with Hitchcock, and Hitchcock will provide water supply and wastewater treatment services to the District for the property located in Hitchcock.

*Galveston County Municipal Utility District No. 68*  
*Notes to Financial Statements*  
*May 31, 2024*

**Note 11 – 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. 68**  
**Required Supplementary Information - Budgetary Comparison Schedule - General Fund**  
**For the Year Ended May 31, 2024**

|                                   | Original<br>Budget | Final<br>Budget   | Actual            | Variance<br>Positive<br>(Negative) |
|-----------------------------------|--------------------|-------------------|-------------------|------------------------------------|
| <b>Revenues</b>                   |                    |                   |                   |                                    |
| Property taxes                    | \$ 175,916         | \$ 165,806        | \$ 219,049        | \$ 53,243                          |
| Investment earnings               | 19,923             | 19,923            | 21,466            | 1,543                              |
| <b>Total Revenues</b>             | <u>195,839</u>     | <u>185,729</u>    | <u>240,515</u>    | <u>54,786</u>                      |
| <b>Expenditures</b>               |                    |                   |                   |                                    |
| Operating and administrative      |                    |                   |                   |                                    |
| Professional fees                 | 81,460             | 81,460            | 119,592           | (38,132)                           |
| Contracted services               | 20,400             | 20,400            | 22,050            | (1,650)                            |
| Repairs and maintenance           | 28,912             | 28,912            | 28,326            | 586                                |
| Administrative                    | 37,857             | 37,857            | 27,196            | 10,661                             |
| Other                             | 5,600              | 5,600             | 5,271             | 329                                |
| <b>Total Expenditures</b>         | <u>174,229</u>     | <u>174,229</u>    | <u>202,435</u>    | <u>(28,206)</u>                    |
| <b>Revenues Over Expenditures</b> | 21,610             | 11,500            | 38,080            | 26,580                             |
| <b>Fund Balance</b>               |                    |                   |                   |                                    |
| Beginning of the year             | 409,223            | 409,223           | 409,223           |                                    |
| <b>End of the year</b>            | <u>\$ 430,833</u>  | <u>\$ 420,723</u> | <u>\$ 447,303</u> | <u>\$ 26,580</u>                   |



*Galveston County Municipal Utility District No. 68*  
*Notes to Required Supplementary Information*  
*May 31, 2024*

**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 to reflect changes in anticipated revenues.

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## **Texas Supplementary Information**

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**Galveston County Municipal Utility District No. 68**  
**TSI-1. Services and Rates**  
**May 31, 2024**

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 checked="" type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater   | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control       | <input type="checkbox"/> Irrigation          |
| <input 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 are provided by the City of La Marque/City of Hitchcock</u> |   |  |  |

2. Retail Service Providers N/A

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. 68*  
*TSI-2. General Fund Expenditures*  
*For the Year Ended May 31, 2024*

|                              |                   |
|------------------------------|-------------------|
| Professional fees            |                   |
| Legal                        | \$ 65,334         |
| Audit                        | 13,000            |
| Engineering                  | 41,258            |
|                              | <u>119,592</u>    |
| Contracted services          |                   |
| Bookkeeping                  | <u>22,050</u>     |
| Repairs and maintenance      | <u>28,326</u>     |
| Administrative               |                   |
| Directors fees               | 13,039            |
| Printing and office supplies | 2,430             |
| Insurance                    | 3,365             |
| Other                        | 8,362             |
|                              | <u>27,196</u>     |
| Other                        | <u>5,271</u>      |
| Total expenditures           | <u>\$ 202,435</u> |

See accompanying auditor's report.

*Galveston County Municipal Utility District No. 68*  
*TSI-3. Investments*  
*May 31, 2024*

| Fund              | Interest<br>Rate | Maturity<br>Date | Balance at End<br>of Year |
|-------------------|------------------|------------------|---------------------------|
| General           |                  |                  |                           |
| TexPool           | Variable         | N/A              | \$ 469,144                |
| Debt Service      |                  |                  |                           |
| TexPool           | Variable         | N/A              | 1,475,794                 |
| Capital Projects  |                  |                  |                           |
| TexPool           | Variable         | N/A              | 38,206                    |
| TexPool           | Variable         | N/A              | 146,877                   |
|                   |                  |                  | <u>185,083</u>            |
| Total - All Funds |                  |                  | <u>\$ 2,130,021</u>       |

See accompanying auditor's report.



**Galveston County Municipal Utility District No. 68**  
**TSI-4. Taxes Levied and Receivable**  
**May 31, 2024**

|   | Maintenance<br>Taxes | Debt Service<br>Taxes | Totals        |               |
|---|----------------------|-----------------------|---------------|---------------|
| Taxes Receivable, Beginning of Year                 | \$ 2,626             | \$ 9,644              | \$ 12,270     |               |
| Adjustments to Prior Year Tax Levy                  | (557)                | (2,208)               | (2,765)       |               |
| Adjusted Receivable                                 | 2,069                | 7,436                 | 9,505         |               |
| 2023 Original Tax Levy                              | 206,396              | 880,957               | 1,087,353     |               |
| Adjustments   | 14,732               | 62,881                | 77,613        |               |
| Adjusted Tax Levy                                   | 221,128              | 943,838               | 1,164,966     |               |
| Total to be accounted for                           | 223,197              | 951,274               | 1,174,471     |               |
| Tax collections:                                    |                      |                       |               |               |
| Current year  | 218,485              | 932,559               | 1,151,044     |               |
| Prior years   | 564                  | 2,235                 | 2,799         |               |
| Total Collections                                   | 219,049              | 934,794               | 1,153,843     |               |
| Taxes Receivable, End of Year                       | \$ 4,148             | \$ 16,480             | \$ 20,628     |               |
| Taxes Receivable, By Year                           |                      |                       |               |               |
| 2023  | \$ 2,643             | \$ 11,279             | \$ 13,922     |               |
| 2022  | 882                  | 3,498                 | 4,380         |               |
| 2021  | 374                  | 1,068                 | 1,442         |               |
| 2020 and prior                                      | 249                  | 635                   | 884           |               |
| Taxes Receivable, End of Year                       | \$ 4,148             | \$ 16,480             | \$ 20,628     |               |
|   | 2023                 | 2022                  | 2021          | 2020          |
| Property Valuations:                                |                      |                       |               |               |
| Land  | \$ 22,095,270        | \$ 18,016,800         | \$ 17,076,600 | \$ 14,458,440 |
| Improvements  | 117,656,039          | 87,481,870            | 66,408,136    | 61,345,800    |
| Personal Property                                   | 1,206,590            | 908,860               | 718,240       | 662,430       |
| Exemptions  | (6,123,829)          | (3,614,365)           | (1,726,167)   | (1,893,657)   |
| Total Property Valuations                           | \$ 134,834,070       | \$ 102,793,165        | \$ 82,476,809 | \$ 74,573,013 |
| Tax Rates per \$100 Valuation:                      |                      |                       |               |               |
| Maintenance tax rates                               | \$ 0.164             | \$ 0.174              | \$ 0.224      | \$ 0.244      |
| Debt service tax rates                              | 0.700                | 0.690                 | 0.640         | 0.620         |
|   | \$ 0.864             | \$ 0.864              | \$ 0.864      | \$ 0.864      |
| Adjusted Tax Levy:                                  | \$ 1,164,966         | \$ 888,133            | \$ 712,600    | \$ 644,609    |
| Percentage of Taxes Collected<br>to Taxes Levied ** | 98.80%               | 99.51%                | 99.80%        | 99.86%        |

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on November 7, 2006

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

See accompanying auditor's report.

*Galveston County Municipal Utility District No. 68*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2016--by Years*  
*May 31, 2024*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>September 1</u> | <u>Interest Due<br/>September 1,<br/>March 1</u> | <u>Total</u>        |
|---|--------------------------------------|--|---------------------|
| 2025                                      | \$ -                                 | \$ 39,525  | \$ 39,525           |
| 2026                                      |                                      | 39,525   | 39,525              |
| 2027                                      |                                      | 39,525   | 39,525              |
| 2028                                      |                                      | 39,525   | 39,525              |
| 2029                                      |                                      | 39,525   | 39,525              |
| 2030                                      |                                      | 39,525   | 39,525              |
| 2031                                      |                                      | 39,525   | 39,525              |
| 2032                                      |                                      | 39,525   | 39,525              |
| 2033                                      |                                      | 39,525   | 39,525              |
| 2034                                      |                                      | 39,525   | 39,525              |
| 2035                                      |                                      | 39,525   | 39,525              |
| 2036                                      | 220,000                              | 35,565   | 255,565             |
| 2037                                      | 215,000                              | 27,735   | 242,735             |
| 2038                                      | 215,000                              | 19,888   | 234,888             |
| 2039                                      | 215,000                              | 11,933   | 226,933             |
| 2040                                      | 215,000                              | 3,977  | 218,977             |
|   | <u>\$ 1,080,000</u>                  | <u>\$ 533,873</u>                                | <u>\$ 1,613,873</u> |

See accompanying auditor's report.

*Galveston County Municipal Utility District No. 68*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2019--by Years*  
*May 31, 2024*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>September 1</u> | <u>Interest Due<br/>September 1,<br/>March 1</u> | <u>Total</u>        |
|---|--------------------------------------|--|---------------------|
| 2025                                      | \$ 70,000                            | \$ 112,994                                       | \$ 182,994          |
| 2026                                      | 75,000                               | 111,289  | 186,289             |
| 2027                                      | 75,000                               | 109,451  | 184,451             |
| 2028                                      | 80,000                               | 107,474  | 187,474             |
| 2029                                      | 80,000                               | 105,354  | 185,354             |
| 2030                                      | 85,000                               | 103,084  | 188,084             |
| 2031                                      | 85,000                               | 100,619  | 185,619             |
| 2032                                      | 85,000                               | 98,069   | 183,069             |
| 2033                                      | 90,000                               | 95,444   | 185,444             |
| 2034                                      | 90,000                               | 92,687   | 182,687             |
| 2035                                      | 95,000                               | 89,797   | 184,797             |
| 2036                                      | 100,000                              | 86,687   | 186,687             |
| 2037                                      | 115,000                              | 83,194   | 198,194             |
| 2038                                      | 125,000                              | 79,294   | 204,294             |
| 2039                                      | 140,000                              | 74,987   | 214,987             |
| 2040                                      | 150,000                              | 70,275   | 220,275             |
| 2041                                      | 375,000                              | 61,509   | 436,509             |
| 2042                                      | 390,000                              | 48,600   | 438,600             |
| 2043                                      | 400,000                              | 35,268   | 435,268             |
| 2044                                      | 415,000                              | 21,515   | 436,515             |
| 2045                                      | 430,000                              | 7,256  | 437,256             |
|   | <u>\$ 3,550,000</u>                  | <u>\$ 1,694,847</u>                              | <u>\$ 5,244,847</u> |

See accompanying auditor's report.

*Galveston County Municipal Utility District No. 68*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2021 Refunding--by Years*  
*May 31, 2024*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>September 1</u> | <u>Interest Due<br/>September 1,<br/>March 1</u> | <u>Total</u>        |
|---|--------------------------------------|--|---------------------|
| 2025                                      | \$ 140,000                           | \$ 40,550  | \$ 180,550          |
| 2026                                      | 140,000                              | 36,350   | 176,350             |
| 2027                                      | 150,000                              | 32,000   | 182,000             |
| 2028                                      | 150,000                              | 27,500   | 177,500             |
| 2029                                      | 155,000                              | 22,925   | 177,925             |
| 2030                                      | 160,000                              | 19,000   | 179,000             |
| 2031                                      | 165,000                              | 15,750   | 180,750             |
| 2032                                      | 170,000                              | 12,400   | 182,400             |
| 2033                                      | 175,000                              | 8,950  | 183,950             |
| 2034                                      | 180,000                              | 5,400  | 185,400             |
| 2035                                      | 180,000                              | 1,800  | 181,800             |
|   | <u>\$ 1,765,000</u>                  | <u>\$ 222,625</u>                                | <u>\$ 1,987,625</u> |

See accompanying auditor's report.

*Galveston County Municipal Utility District No. 68*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2022--by Years*  
*May 31, 2024*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>September 1</u> | <u>Interest Due<br/>September 1,<br/>March 1</u> | <u>Total</u>        |
|---|--------------------------------------|--|---------------------|
| 2025                                      | \$ 60,000                            | \$ 44,862  | \$ 104,862          |
| 2026                                      | 60,000                               | 42,237   | 102,237             |
| 2027                                      | 60,000                               | 39,687   | 99,687              |
| 2028                                      | 65,000                               | 37,031   | 102,031             |
| 2029                                      | 65,000                               | 35,000   | 100,000             |
| 2030                                      | 65,000                               | 33,700   | 98,700              |
| 2031                                      | 70,000                               | 32,350   | 102,350             |
| 2032                                      | 70,000                               | 30,950   | 100,950             |
| 2033                                      | 70,000                               | 29,550   | 99,550              |
| 2034                                      | 75,000                               | 28,100   | 103,100             |
| 2035                                      | 80,000                               | 26,450   | 106,450             |
| 2036                                      | 40,000                               | 25,100   | 65,100              |
| 2037                                      | 45,000                               | 24,116   | 69,116              |
| 2038                                      | 45,000                               | 23,047   | 68,047              |
| 2039                                      | 45,000                               | 21,950   | 66,950              |
| 2040                                      | 50,000                               | 20,763   | 70,763              |
| 2041                                      | 55,000                               | 19,450   | 74,450              |
| 2042                                      | 55,000                               | 18,075   | 73,075              |
| 2043                                      | 55,000                               | 16,700   | 71,700              |
| 2044                                      | 55,000                               | 15,291   | 70,291              |
| 2045                                      | 55,000                               | 13,847   | 68,847              |
| 2046                                      | 500,000                              | 6,563  | 506,563             |
|   | <u>\$ 1,740,000</u>                  | <u>\$ 584,819</u>                                | <u>\$ 2,324,819</u> |

See accompanying auditor's report.

*Galveston County Municipal Utility District No. 68*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2023--by Years*  
*May 31, 2024*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>September 1</u> | <u>Interest Due<br/>September 1,<br/>March 1</u> | <u>Total</u>        |
|---|--------------------------------------|--|---------------------|
| 2025                                      | \$ 70,000                            | \$ 196,944                                       | \$ 266,944          |
| 2026                                      | 75,000                               | 192,231  | 267,231             |
| 2027                                      | 75,000                               | 187,356  | 262,356             |
| 2028                                      | 80,000                               | 182,319  | 262,319             |
| 2029                                      | 90,000                               | 176,794  | 266,794             |
| 2030                                      | 90,000                               | 170,944  | 260,944             |
| 2031                                      | 90,000                               | 165,094  | 255,094             |
| 2032                                      | 95,000                               | 159,081  | 254,081             |
| 2033                                      | 95,000                               | 153,619  | 248,619             |
| 2034                                      | 100,000                              | 149,244  | 249,244             |
| 2035                                      | 100,000                              | 145,244  | 245,244             |
| 2036                                      | 105,000                              | 141,144  | 246,144             |
| 2037                                      | 105,000                              | 136,944  | 241,944             |
| 2038                                      | 115,000                              | 132,544  | 247,544             |
| 2039                                      | 115,000                              | 127,944  | 242,944             |
| 2040                                      | 120,000                              | 123,244  | 243,244             |
| 2041                                      | 125,000                              | 118,344  | 243,344             |
| 2042                                      | 130,000                              | 113,244  | 243,244             |
| 2043                                      | 135,000                              | 107,944  | 242,944             |
| 2044                                      | 145,000                              | 102,344  | 247,344             |
| 2045                                      | 150,000                              | 96,444   | 246,444             |
| 2046                                      | 155,000                              | 90,344   | 245,344             |
| 2047                                      | 675,000                              | 73,321   | 748,321             |
| 2048                                      | 705,000                              | 44,858   | 749,858             |
| 2049                                      | 735,000                              | 15,158   | 750,158             |
|   | <u>\$ 4,475,000</u>                  | <u>\$ 3,302,691</u>                              | <u>\$ 7,777,691</u> |

See accompanying auditor's report.

*Galveston County Municipal Utility District No. 68*  
*TSI-5. Long-Term Debt Service Requirements*  
*All Bonded Debt Series--by Years*  
*May 31, 2024*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>September 1</u> | <u>Interest Due<br/>September 1,<br/>March 1</u> | <u>Total</u>         |
|---|--------------------------------------|--|----------------------|
| 2025                                      | \$ 340,000                           | \$ 434,875                                       | \$ 774,875           |
| 2026                                      | 350,000                              | 421,632  | 771,632              |
| 2027                                      | 360,000                              | 408,019  | 768,019              |
| 2028                                      | 375,000                              | 393,849  | 768,849              |
| 2029                                      | 390,000                              | 379,598  | 769,598              |
| 2030                                      | 400,000                              | 366,253  | 766,253              |
| 2031                                      | 410,000                              | 353,338  | 763,338              |
| 2032                                      | 420,000                              | 340,025  | 760,025              |
| 2033                                      | 430,000                              | 327,088  | 757,088              |
| 2034                                      | 445,000                              | 314,956  | 759,956              |
| 2035                                      | 455,000                              | 302,816  | 757,816              |
| 2036                                      | 465,000                              | 288,496  | 753,496              |
| 2037                                      | 480,000                              | 271,989  | 751,989              |
| 2038                                      | 500,000                              | 254,773  | 754,773              |
| 2039                                      | 515,000                              | 236,814  | 751,814              |
| 2040                                      | 535,000                              | 218,259  | 753,259              |
| 2041                                      | 555,000                              | 199,303  | 754,303              |
| 2042                                      | 575,000                              | 179,919  | 754,919              |
| 2043                                      | 590,000                              | 159,912  | 749,912              |
| 2044                                      | 615,000                              | 139,150  | 754,150              |
| 2045                                      | 635,000                              | 117,547  | 752,547              |
| 2046                                      | 655,000                              | 96,907   | 751,907              |
| 2047                                      | 675,000                              | 73,321   | 748,321              |
| 2048                                      | 705,000                              | 44,858   | 749,858              |
| 2049                                      | 735,000                              | 15,158   | 750,158              |
|   | <u>\$ 12,610,000</u>                 | <u>\$ 6,338,855</u>                              | <u>\$ 18,948,855</u> |

See accompanying auditor's report.

**Galveston County Municipal Utility District No. 68**  
**TSI-6. Change in Long-Term Bonded Debt**  
**May 31, 2024**

|                                  | Bond Issue  |                      |                          |                     |
|----------------------------------|---|----------------------|--------------------------|---------------------|
|                                  | Series 2016   | Series 2019          | Series 2021<br>Refunding | Serie 2022          |
| Interest rate                    | 3.60% - 3.70%   | 2.00% - 3.375%       | 2.00% - 3.00%            | 2.00% - 4.50%       |
| Dates interest payable           | 9/1; 3/1  | 9/1; 3/1             | 9/1;3/1                  | 9/1;3/1             |
| Maturity dates                   | 9/1/35 - 9/1/39   | 9/1/20 - 9/1/44      | 9/1/22 - 9/1/34          | 9/1/23 - 9/1/45     |
| Beginning bonds outstanding      | \$ 1,080,000  | \$ 3,625,000         | \$ 1,895,000             | \$ 1,800,000        |
| Bonds issued                     |   |                      |                          |                     |
| Bonds retired                    |   | (75,000)             | (130,000)                | (60,000)            |
| Ending bonds outstanding         | <u>\$ 1,080,000</u>                                       | <u>\$ 3,550,000</u>  | <u>\$ 1,765,000</u>      | <u>\$ 1,740,000</u> |
| Interest paid during fiscal year | <u>\$ 39,525</u>  | <u>\$ 114,624</u>    | <u>\$ 44,600</u>         | <u>\$ 47,562</u>    |
| Paying agent's name and city     | Wells Fargo, N.A., Austin, TX                             |                      |                          |                     |
| Series 2009                      | The Bank of New York Mellon Trust Company, Na., Dallas TX |                      |                          |                     |
| All other Series                 | The Bank of New York Mellon Trust Company, Na., Dallas TX |                      |                          |                     |
| Bond Authority:                  | Water, Sewer and<br>Drainage Bonds                        | Refunding<br>Bonds   |                          |                     |
| Amount Authorized by Voters      | \$ 50,000,000   | \$ 32,500,000        |                          |                     |
| Amount Issued                    | (13,875,000)  | (80,000)             |                          |                     |
| Remaining To Be Issued           | <u>\$ 36,125,000</u>                                      | <u>\$ 32,420,000</u> |                          |                     |

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 May 31, 2024: \$ 1,513,641

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 757,954

See accompanying auditor's report.



| <u>Bond Issue</u>   |                      |
|---------------------|----------------------|
| <u>Serie 2023</u>   | <u>Total</u>         |
| 4.00% - 6.50%       |                      |
| 9/1;3/1             |                      |
| 9/1/24 - 9/1/48     |                      |
| \$ -                | \$ 8,400,000         |
| 4,475,000           | 4,475,000            |
|                     | <u>(265,000)</u>     |
| <u>\$ 4,475,000</u> | <u>\$ 12,610,000</u> |
| <u>\$ 138,346</u>   | <u>\$ 384,657</u>    |

**Galveston County Municipal Utility District No. 68**  
**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund**  
**For the Last Five Fiscal Years**

|                              | Amounts    |            |            |            |            |
|------------------------------|------------|------------|------------|------------|------------|
|                              | 2024       | 2023       | 2022       | 2021       | 2020       |
| Revenues                     |            |            |            |            |            |
| Property taxes               | \$ 219,049 | \$ 178,566 | \$ 184,582 | \$ 181,505 | \$ 153,003 |
| Investment earnings          | 21,466     | 12,568     | 421        | 288        | 3,008      |
| Total Revenues               | 240,515    | 191,134    | 185,003    | 181,793    | 156,011    |
| Expenditures                 |            |            |            |            |            |
| Operating and administrative |            |            |            |            |            |
| Professional fees            | 119,592    | 88,997     | 109,976    | 85,867     | 76,969     |
| Contracted services          | 22,050     | 20,650     | 19,445     | 16,159     | 18,085     |
| Repairs and maintenance      | 28,326     | 19,450     |            | 15,173     |            |
| Administrative               | 27,196     | 24,568     | 14,809     | 12,516     | 14,451     |
| Other                        | 5,271      | 159        | 3,581      | 3,343      | 1,490      |
| Total Expenditures           | 202,435    | 153,824    | 147,811    | 133,058    | 110,995    |
| Revenues Over Expenditures   | \$ 38,080  | \$ 37,310  | \$ 37,192  | \$ 48,735  | \$ 45,016  |

\*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

| 2024 | 2023 | 2022 | 2021 | 2020 |
|------|------|------|------|------|
| 91%  | 93%  | 100% | 100% | 98%  |
| 9%   | 7%   | *    | *    | 2%   |
| 100% | 100% | 100% | 100% | 100% |
| 50%  | 47%  | 59%  | 47%  | 49%  |
| 9%   | 11%  | 11%  | 9%   | 12%  |
| 12%  | 10%  |      | 8%   |      |
| 11%  | 13%  | 8%   | 7%   | 9%   |
| 2%   | *    | 2%   | 2%   | 1%   |
| 84%  | 81%  | 80%  | 73%  | 71%  |
| 16%  | 19%  | 20%  | 27%  | 29%  |

**Galveston County Municipal Utility District No. 68**  
**TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund**  
**For the Last Five Fiscal Years**

|   | Amounts           |                   |                    |                    |                   |
|---|-------------------|-------------------|--------------------|--------------------|-------------------|
|   | 2024              | 2023              | 2022               | 2021               | 2020              |
| Revenues                                  |                   |                   |                    |                    |                   |
| Property taxes                            | \$ 934,795        | \$ 706,816        | \$ 526,961         | \$ 461,679         | \$ 450,249        |
| Penalties and interest                    | 3,162             | 2,298             | 807                | 1,785              | 1,810             |
| Miscellaneous                             | 80                | 577               | 1,876              | 126                |                   |
| Investment earnings                       | 57,239            | 27,562            | 861                | 540                | 6,786             |
| <b>Total Revenues</b>                     | <b>995,276</b>    | <b>737,253</b>    | <b>530,505</b>     | <b>464,130</b>     | <b>458,845</b>    |
| Expenditures                              |                   |                   |                    |                    |                   |
| Tax collection services                   | 23,858            | 21,244            | 20,647             | 14,782             | 11,927            |
| Debt service                              |                   |                   |                    |                    |                   |
| Principal                                 | 265,000           | 195,000           | 165,000            | 170,000            | 85,000            |
| Interest and fees                         | 388,483           | 258,698           | 229,786            | 281,994            | 211,450           |
| Debt issuance costs                       |                   |                   | 134,484            | 11,000             |                   |
| <b>Total Expenditures</b>                 | <b>677,341</b>    | <b>474,942</b>    | <b>549,917</b>     | <b>477,776</b>     | <b>308,377</b>    |
| <b>Revenues Over/(Under) Expenditures</b> | <b>\$ 317,935</b> | <b>\$ 262,311</b> | <b>\$ (19,412)</b> | <b>\$ (13,646)</b> | <b>\$ 150,468</b> |

\*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

| 2024 | 2023 | 2022 | 2021 | 2020 |
|------|------|------|------|------|
| 94%  | 96%  | 100% | 100% | 99%  |
| *    | *    | *    | *    | *    |
| *    | *    | *    | *    |      |
| 6%   | 4%   | *    | *    | 1%   |
| 100% | 100% | 100% | 100% | 100% |
| 2%   | 3%   | 4%   | 3%   | 3%   |
| 27%  | 26%  | 31%  | 37%  | 19%  |
| 39%  | 35%  | 43%  | 61%  | 46%  |
|      |      | 25%  | 2%   |      |
| 68%  | 64%  | 103% | 103% | 68%  |
| 32%  | 36%  | (3%) | (3%) | 32%  |

**Galveston County Municipal Utility District No. 68**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**For the Year Ended May 31, 2024**

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): May 21, 2024  
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
(Set by Board Resolution -- TWC Section 49.0600)

| <u>Names:</u>                                   | <u>Term of Office<br/>(Elected or<br/>Appointed) or<br/>Date Hired</u> | <u>Fees of<br/>Office Paid<br/>*</u> | <u>Expense<br/>Reimburse-<br/>ments</u> | <u>Title at Year End</u>    |
|---|--|--------------------------------------|---|-----------------------------|
| <b>Board Members</b>                            |  |                                      |   |                             |
| Suzanne Ross                                    | 05/22 - 5/26   | \$ 1,989                             | \$ 167                                  | President                   |
| Randall H. Trncak                               | 5/24 - 5/28  | 2,431                                | 1,127                                   | Vice President              |
| Joanne Lannin                                   | 6/22 - 5/26  | 2,431                                | 608                                     | Assistant Secretary         |
| Cory Burton                                     | 5/24 - 5/28  | 2,210                                | 159                                     | Secretary                   |
| Bobby E. Rich                                   | 05/22 - 5/26   | 3,978                                | 291                                     | Assistant Vice<br>President |
| <b>Consultants</b>                              |  |                                      |   |                             |
|   |  | <u>Amounts<br/>Paid</u>              |   |                             |
| Allen Boone Humphries Robinson LLP              | 08/06  | \$ 80,096                            |   | Attorney/<br>Bond Council   |
| <i>General legal fees</i>                       |  | 131,350                              |   |                             |
| <i>Bond counsel</i>                             |  |                                      |   |                             |
| McLennan & Associates, L.P.                     | 09/06  | 24,577                               |   | Bookkeeper                  |
| Bob Leared Interests, Inc.                      | 09/06  | 10,713                               |   | Tax Collector               |
| Galveston Central Appraisal District            | Legislative  | 6,178                                |   | Property Valuation          |
| Perdue Brandon Fielder Collins<br>and Mott, LLP | 05/07  | 829                                  |   | Delinquent Tax<br>Attorney  |
| Pape-Dawson Engineers, LLP **                   | 09/06  | 21,530                               |   | Engineer                    |
| McGrath & Co., PLLC                             | 03/11  | 13,000                               |   | Auditor                     |
| Masterson Advisors, LLC                         | 06/18  | 92,474                               |   | Financial Advisor           |

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

\*\* Formerly known as Costello, Inc.

See accompanying auditor's report.