GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 68

GALVESTON COUNTY, TEXAS

FINANCIAL REPORT

May 31, 2026

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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, 2026, 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, 2026, 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

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 15, 2026

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Management's Discussion and Analysis

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Using this Annual Report

This section of the financial report of Galveston County Municipal Utility District No. 68 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended May 31, 2026. 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.

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, 2026, was negative $27,585,806. The District's net position is negative because the District incurs debt to construct water, sewer, and drainage facilities which it conveys or will convey to the cities of La Marque and Hitchcock. A comparative summary of the District's overall financial position, as of May 31, 2026 and 2025, is as follows:

	2026	2025
Current and other assets	$ 4,005,417	$ 2,662,710
Capital assets	5,243,992	5,194,777
Total assets	9,249,409	7,857,487
Total deferred outflows of resources	27,776	30,862
Current liabilities	1,166,190	558,335
Long-term liabilities	35,696,801	32,853,324
Total liabilities	36,862,991	33,411,659
Net position		
Net investment in capital assets	(924,730)	(662,164)
Restricted	2,743,424	1,904,039
Unrestricted	(29,404,500)	(26,765,185)
Total net position	$ (27,585,806)	$ (25,523,310)

The total net position of the District decreased during the current fiscal year by $2,062,496. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2026	2025
Revenues		
Property taxes, penalties and interest	$ 1,879,670	$ 1,621,004
Other	107,690	96,414
Total revenues	1,987,360	1,717,418
Expenses		
Operating and administrative	302,991	273,926
Debt interest and fees	873,553	584,704
Developer interest	752,887	574,131
Debt issuance costs	694,470	409,281
Depreciation	23,880	23,441
Total expenses	2,647,781	1,865,483
Change in net position before other items	(660,421)	(148,065)
Other items		
Transfers to other governments	(1,402,075)	(5,151,746)
Change in net position	(2,062,496)	(5,299,811)
Net position, beginning of year	(25,523,310)	(20,223,499)
Net position, end of year	$ (27,585,806)	$ (25,523,310)

Financial Analysis of the District's Funds

The District's combined fund balances, as of May 31, 2026, were $3,916,236, which consists of $570,675 in the General Fund, $2,966,682 in the Debt Service Fund, and $378,879 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of May 31, 2026 and 2025, is as follows:

	2026	2025
Total assets	$ 615,421	$ 582,528
Total liabilities	$ 38,497	$ 35,559
Total deferred inflows	6,249	4,863
Total fund balance	570,675	542,106
Total liabilities, deferred inflows, and fund balance	$ 615,421	$ 582,528

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

	2026	2025
Total revenues	$ 264,500	$ 270,902
Total expenditures	(235,931)	(194,014)
Revenues over expenditures	28,569	76,888
Other changes in fund balance		17,915
Net change in fund balance	$ 28,569	$ 94,803

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

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of May 31, 2026 and 2025, is as follows:

	2026	2025
Total assets	$ 3,011,672	$ 2,076,815
Total liabilities	$ 1,926	$ 1,305
Total deferred inflows	43,064	28,688
Total fund balance	2,966,682	2,046,822
Total liabilities, deferred inflows, and fund balance	$ 3,011,672	$ 2,076,815

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

	2026	2025
Total revenues	$ 1,699,000	$ 1,431,813
Total expenditures	(1,167,802)	(896,949)
Revenues over expenditures	531,198	534,864
Other changes in fund balance	388,662	
Net change in fund balance	$ 919,860	$ 534,864

The District's financial resources in the Debt Service Fund in both the current and prior fiscal year are from property tax revenues. During the current fiscal year, financial resources also consisted of capitalized interest from the sale of bonds. 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.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of May 31, 2026 and 2025, is as follows:

	2026	2025
Total assets	$ 403,005	$ 3,367
Total liabilities	$ 24,126	$ -
Total fund balance	378,879	3,367
Total liabilities and fund balance	$ 403,005	$ 3,367

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

	2026	2025
Total revenues	$ 8,098	$ 5,651
Total expenditures	(7,643,924)	(6,423,537)
Revenues under expenditures	(7,635,826)	(6,417,886)
Other changes in fund balance	8,011,338	6,232,085
Net change in fund balance	$ 375,512	$ (185,801)

The District has had considerable capital asset activity in the last two fiscal years, which was financed with proceeds from the issuance of its Series 2025 Unlimited Tax Bonds in the current fiscal year and the sale of its Series 2024 Unlimited Tax Bonds in the prior 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 did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $112,142 less 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.

Capital assets held by the District at May 31, 2026 and 2025, are summarized as follows:

	2026	2025
Capital assets not being depreciated		
Land and improvements	$ 4,311,734	$ 4,258,396
Capital assets being depreciated		
Infrastructure	1,074,594	1,054,837
Less accumulated depreciation	(142,336)	(118,456)
Depreciable capital assets, net	932,258	936,381
Capital assets, net	$ 5,243,992	$ 5,194,777

The District and the cities of La Marque and Hitchcock (the "Cities") have entered into separate utility agreements which obligate 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 Cities. Detention facilities and certain other capital assets are retained by the District. For the year ended May 31, 2026, capital assets in the amount of $1,402,075 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

Long-Term Debt and Related Liabilities

As of May 31, 2026, the District owes approximately $9,947,065 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. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers is trued up when the developers are reimbursed.

At May 31, 2026 and 2025, the District had total bonded debt outstanding as shown below:

Series	2026	2025
2016	$ 1,080,000	$ 1,080,000
2019	3,405,000	3,480,000
2021 Refunding	1,485,000	1,625,000
2022	1,620,000	1,680,000
2023	4,330,000	4,405,000
2024	6,250,000	6,250,000
2025	8,400,000	
	$ 26,570,000	$ 18,520,000

During the current fiscal year, the District issued $8,400,000 in unlimited tax bonds. At May 31, 2026, the District had $21,475,000 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.

Property Taxes

The District's property tax base increased approximately $12,059,000 for the 2026 tax year from $216,001,086 to $228,059,786, based on certified values. This increase was primarily due to new construction in the District and increased property values. For the 2026 tax year, the District has levied a maintenance tax rate of $0.094 per $100 of assessed value and a debt service tax rate of $0.77 per $100 of assessed value, for a total combined tax rate of $0.864 per $100 of assessed value. Tax rates for the 2025 tax year were $0.114 per $100 for maintenance and operations and $0.75 per $100 for debt service for a combined total of $0.864 per $100 of assessed value.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and the projected cost of operating the District. A comparison of next fiscal year's budget to current fiscal year actual amounts for the General Fund is as follows:

	2026 Actual	2027 Budget
Total revenues	$ 264,500	$ 292,000
Total expenditures	(235,931)	(218,320)
Revenues over expenditures	28,569	73,680
Beginning fund balance	542,106	570,675
Ending fund balance	$ 570,675	$ 644,355

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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, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 10,601	$ 42,626	$ 11,084	$ 64,311	$ -	$ 64,311
Investments	572,753	2,925,982	391,921	3,890,656		3,890,656
Taxes receivable, net	6,249	43,064		49,313		49,313
Interfund receivables	24,681			24,681	(24,681)	
Prepaid items	1,000			1,000		1,000
Other receivables	137			137		137
Capital assets not being depreciated					4,311,734	4,311,734
Capital assets, net					932,258	932,258
Total Assets	$ 615,421	$ 3,011,672	$ 403,005	$ 4,030,098	5,219,311	9,249,409
Deferred Outflows of Resources						
Deferred difference on refunding					27,776	27,776
Liabilities						
Accounts payable	$ 38,497	$ -	$ -	$ 38,497		38,497
Other payables		1,371		1,371		1,371
Interfund payables		555	24,126	24,681	(24,681)	
Accrued interest payable					266,322	266,322
Due to developers					9,947,065	9,947,065
Long-term debt						
Due within one year					860,000	860,000
Due after one year					25,749,736	25,749,736
Total Liabilities	38,497	1,926	24,126	64,549	36,798,442	36,862,991
Deferred Inflows of Resources						
Deferred property taxes	6,249	43,064		49,313	(49,313)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	1,000			1,000	(1,000)	
Restricted		2,966,682	378,879	3,345,561	(3,345,561)	
Unassigned	569,675			569,675	(569,675)	
Total Fund Balances	570,675	2,966,682	378,879	3,916,236	(3,916,236)	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 615,421	$ 3,011,672	$ 403,005	$ 4,030,098		
Net Position						
Net investment in capital assets					(924,730)	(924,730)
Restricted for debt service					2,743,424	2,743,424
Unrestricted					(29,404,500)	(29,404,500)
Total Net Position					$ (27,585,806)	$ (27,585,806)

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, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 245,386	$ 1,612,479	$ -	$ 1,857,865	$ 11,804	$ 1,869,669
Penalties and interest		6,043		6,043	3,958	10,001
Investment earnings	19,114	80,478	8,098	107,690		107,690
Total Revenues	264,500	1,699,000	8,098	1,971,598	15,762	1,987,360
Expenditures/Expenses						
Operating and administrative						
Professional fees	117,490		30,009	147,499		147,499
Contracted services	31,843	32,128		63,971		63,971
Repairs and maintenance	47,757			47,757		47,757
Administrative	30,274	4,923		35,197		35,197
Other	8,567			8,567		8,567
Capital outlay			6,166,558	6,166,558	(6,166,558)	
Debt service						
Principal		350,000		350,000	(350,000)	
Interest and fees		780,751		780,751	92,802	873,553
Developer interest			752,887	752,887		752,887
Debt issuance costs			694,470	694,470		694,470
Depreciation					23,880	23,880
Total Expenditures/Expenses	235,931	1,167,802	7,643,924	9,047,657	(6,399,876)	2,647,781
Revenues Over (Under) Expenditures/Expenses	28,569	531,198	(7,635,826)	(7,076,059)	6,415,638	(660,421)
Other Financing Sources						
Proceeds from sale of bonds		388,662	8,011,338	8,400,000	(8,400,000)	
Other Items						
Transfers to other governments					(1,402,075)	(1,402,075)
Net Change in Fund Balances	28,569	919,860	375,512	1,323,941	(1,323,941)	
Change in Net Position					(2,062,496)	(2,062,496)
Fund Balance/Net Position						
Beginning of the year	542,106	2,046,822	3,367	2,592,295	(28,115,605)	(25,523,310)
End of the year	$ 570,675	$ 2,966,682	$ 378,879	$ 3,916,236	$ (31,502,042)	$ (27,585,806)

See notes to basic financial statements.

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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 cities of La Marque and Hitchcock 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*.

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 source of revenue is property taxes. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. During the current fiscal year, financial resources also included capitalized interest from the sale of bonds. 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.

Use of Restricted Resources

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

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At May 31, 2026, 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 eliminated in the government-wide 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 that exceeds the capitalization threshold for the asset class and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets that do not exceed the threshold are not capitalized. The District's capitalization threshold for infrastructure assets is $50,000. The threshold for subscription-based information technology arrangements (SBITAs) is $100,000.

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.

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's nonspendable fund balance consists of prepaid items.

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 and capitalized interest from the sale of bonds 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.

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 developers; the value of capital assets transferred to the cities of La Marque and Hitchcock; and the value of capital assets for which the developers have 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.

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		$ 3,916,236
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 5,386,328	
Less accumulated depreciation	(142,336)	
		5,243,992
The difference between the face amount of bonds refunded and the amount paid to refund the bonds does not provide financial resources at the fund level and is recorded as a deferred outflow in the *Statement of Net Position* and amortized to interest expense.		27,776
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:		
Accrued interest payable	(266,322)	
Due to developers	(9,947,065)	
Bonds payable, net	(26,609,736)	
		(36,823,123)
Deferred inflows in the fund statements consist of property taxes receivable and related penalties and interest that have been levied and are due, but are not available to pay current period expenditures. These amounts are included in revenues in the government-wide statements.		49,313
Total net position - governmental activities		$ (27,585,806)

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		$ 1,323,941
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 related penalties and interest.		15,762
Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities. Differences during the current fiscal year are for the following:		
Capital outlays	$ 6,166,558	
Depreciation expense	(23,880)	
Transfers to other governments	(1,402,075)	
		4,740,603
Financial reporting for long-term obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as liabilities are acquired and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:		
Principal payments - bonds	350,000	
Interest expense accrual	(92,802)	
Issuance of long-term debt	(8,400,000)	
		(8,142,802)
Change in net position of governmental activities		$ (2,062,496)

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, 2026, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	$ 572,753		
	Debt Service	2,925,982		
	Capital Projects	391,921		
Total		$ 3,890,656	AAAm	49 days

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, 2026, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 555	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	24,126	Bond application fees paid by the General Fund

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

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended May 31, 2026, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 4,258,396	$ 53,338	$ 4,311,734
Capital assets being depreciated			
Infrastructure	1,054,837	19,757	1,074,594
Less accumulated depreciation	(118,456)	(23,880)	(142,336)
Subtotal depreciable capital assets, net	936,381	(4,123)	932,258
Capital assets, net	$ 5,194,777	$ 49,215	$ 5,243,992

Depreciation expense for the current fiscal year was $23,880.

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 construct facilities on behalf of 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 developers are reimbursed.

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

Due to developers, beginning of year	$ 14,638,453
Developer reimbursements	(6,166,558)
Developer funded construction and adjustments	1,475,170
Due to developers, end of year	$ 9,947,065

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 26,570,000
Unamortized discounts	(18,144)
Unamortized premium	57,880
	$ 26,609,736
Due within one year	$ 860,000

The District's bonds payable at May 31, 2026, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2016	$ 1,080,000	$ 1,080,000	3.60% - 3.70%	September 1, 2035/2039	September 1, March 1	September 1, 2023
2019	3,405,000	3,845,000	2.00% - 3.375%	September 1, 2022/2044	September 1, March 1	September 1, 2024
2021 Refunding	1,485,000	2,020,000	2.00% - 3.00%	September 1, 2022/2034	September 1, March 1	September 1, 2026
2022	1,620,000	1,800,000	2.00% - 4.50%	September 1, 2023/2045	September 1, March 1	September 1, 2027
2023	4,330,000	4,475,000	4.00% - 6.50%	September 1, 2024/2048	September 1, March 1	September 1, 2029
2024	6,250,000	6,250,000	4.00%	September 1, 2026/2049	September 1, March 1	September 1, 2030
2025	8,400,000	8,400,000	4.00% - 6.50%	September 1, 2027/2050	September 1, March 1	September 1, 2031
	$ 26,570,000					

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, 2026, the District had authorized but unissued bonds in the amount of $21,475,000 for water, sewer, and drainage facilities and $32,420,000 for refunding purposes.

On November 25, 2025, the District issued its $8,400,000 Series 2025 Unlimited Tax Bonds at a net effective interest rate of 4.582076%. Proceeds of the bonds were used (1) to reimburse developers for the construction of capital assets within the District; (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 fiscal year is as follows:

Bonds payable, beginning of year	$ 18,520,000
Bonds issued	8,400,000
Bonds retired	(350,000)
Bonds payable, end of year	$ 26,570,000

As of May 31, 2026, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2027	$ 860,000	$ 1,036,682	$ 1,896,682
2028	785,000	1,002,312	1,787,312
2029	810,000	967,336	1,777,336
2030	830,000	932,615	1,762,615
2031	850,000	897,675	1,747,675
2032	865,000	861,850	1,726,850
2033	890,000	825,751	1,715,751
2034	915,000	789,781	1,704,781
2035	935,000	754,878	1,689,878
2036	960,000	719,908	1,679,908
2037	985,000	683,401	1,668,401
2038	1,020,000	645,685	1,665,685
2039	1,050,000	606,626	1,656,626
2040	1,085,000	566,371	1,651,371
2041	1,120,000	524,918	1,644,918
2042	1,155,000	482,025	1,637,025
2043	1,185,000	437,675	1,622,675
2044	1,230,000	391,825	1,621,825
2045	1,270,000	344,284	1,614,284
2046	1,310,000	296,857	1,606,857
2047	1,350,000	245,368	1,595,368
2048	1,405,000	187,767	1,592,767
2049	1,455,000	127,939	1,582,939
2050	1,250,000	70,625	1,320,625
2051	1,000,000	21,875	1,021,875
	$ 26,570,000	$ 14,422,029	$ 40,992,029

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.

Property taxes are collected based on rates adopted in the year of the levy. The District's 2026 fiscal year was financed through the 2025 tax levy, pursuant to which the District levied property taxes of $0.864 per $100 of assessed value, of which $0.114 was allocated to maintenance and operations and

$0.75 was allocated to debt service. The resulting tax levy was $1,866,249 on the adjusted taxable value of $216,001,086.

Net property taxes receivable, at May 31, 2026, consisted of the following:

Current year taxes receivable	$	19,222
Prior years taxes receivable		22,115
Less allowance for uncollectible accounts		(1,912)
		39,425
Penalty and interest receivable		9,888
Total net property taxes receivable	$	49,313

Note 9 – Transfers to Other Governments

In accordance with utility agreements between the District and the cities of La Marque ("La Marque") and Hitchcock ("Hitchcock"), the District transfers all of its water, sewer, and drainage facilities for the portion of the District located in La Marque and Hitchcock (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 developers are subsequently reimbursed. For the year ended May 31, 2026 the District reported transfers to other governments in the amount of $1,402,075 for projects completed and transferred to La Marque and Hitchcock.

Note 10 – Utility Agreements

On July 17, 2007, the District approved an Assignment of 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 constructs water distribution and wastewater collection facilities to serve the portion of the District within La Marque and, as construction is completed, conveys these facilities to La Marque. The term of the La Marque Contract is for 40 years, with automatic annual renewals thereafter, unless terminated.

On August 18, 2025, the District approved a Utility Service Contract (the "Hitchcock Contract") with the City of Hitchcock. In exchange for Hitchcock's provision of water and sewer services, the District constructs water distribution and wastewater collection facilities to serve the portion of the District within Hitchcock and, as construction is completed, conveys these facilities to Hitchcock. The term of the Hitchcock Contract is for 40 years, with automatic annual renewals thereafter, unless terminated.

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.

Note 12 – Subsequent Event

On September 15, 2026, the District approved the sale of its Series 2026 Unlimited Tax Bonds in the amount of $4,750,000 at a net effective interest rate of 5.238509%. Closing is expected on or about October 22, 2026. Proceeds of the bonds will primarily be used to reimburse developers for amounts currently reported in "Due to developer."

Required Supplementary Information

Galveston County Municipal Utility District No. 68
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended May 31, 2026

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	$ 300,066	$ 245,386	$ (54,680)
Investment earnings	20,400	19,114	(1,286)
Total Revenues	320,466	264,500	(55,966)
Expenditures			
Operating and administrative			
Professional fees	84,260	117,490	(33,230)
Contracted services	28,045	31,843	(3,798)
Repairs and maintenance	29,470	47,757	(18,287)
Administrative	32,380	30,274	2,106
Other	5,600	8,567	(2,967)
Total Expenditures	179,755	235,931	(56,176)
Revenues Over Expenditures	140,711	28,569	(112,142)
Fund Balance			
Beginning of the year	542,106	542,106	
End of the year	$ 682,817	$ 570,675	$ (112,142)

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the fiscal year.

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Texas Supplementary Information

Galveston County Municipal Utility District No. 68
TSI-1. Services and Rates
May 31, 2026

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

☐ Retail Water	☐ Wholesale Water	☐ Solid Waste / Garbage	☒ Drainage
☐ Retail Wastewater	☐ Wholesale Wastewater	☐ Flood Control	☐ Irrigation
☐ Parks / Recreation	☐ Fire Protection	☐ Roads	☐ Security

☐ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

☒ Other (Specify): Water and sewer services are provided by the City of La Marque/City of Hitchcock

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.

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

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

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

The District does not have Debt Service standby fees.

The District does not have Operation and Maintenance standby fees.

5. Location of District:

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

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

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

City(ies) in which the District is located: City of Hitchcock and City of La Marque

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

Entirely [ ] Partly [ ] Not at all [X]

ETJs in which the District is located:

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

If Yes, by whom?

See accompanying auditor's report.

Galveston County Municipal Utility District No. 68
TSI-2. General Fund Expenditures
For the Year Ended May 31, 2026

Professional fees		
Legal	$	88,962
Audit		15,000
Engineering		13,528
		117,490
Contracted services		
Bookkeeping		31,843
Repairs and maintenance		47,757
Administrative		
Directors fees		10,608
Printing and office supplies		4,196
Insurance		4,950
Other		10,520
		30,274
Other		8,567
Total expenditures	$	235,931

See accompanying auditor's report.

Galveston County Municipal Utility District No. 68
TSI-3. Investments
May 31, 2026

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexPool	Variable	N/A	$ 572,753
Debt Service			
TexPool	Variable	N/A	2,925,982
Capital Projects			
TexPool	Variable	N/A	391,921
Total - All Funds			$ 3,890,656

See accompanying auditor's report.

Galveston County Municipal Utility District No. 68
TSI-4. Taxes Levied and Receivable
May 31, 2026

	Maintenance Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 4,864	$ 22,758	$ 27,622
Adjustments to Prior Year Tax Levy	530	2,889	3,419
Adjusted Receivable	5,394	25,647	31,041
2025 Original Tax Levy	238,192	1,567,055	1,805,247
Adjustments	8,049	52,953	61,002
Adjusted Tax Levy	246,241	1,620,008	1,866,249
Total to be accounted for	251,635	1,645,655	1,897,290
Tax collections:			
Current year	243,705	1,603,322	1,847,027
Prior years	1,681	9,157	10,838
Total Collections	245,386	1,612,479	1,857,865
Taxes Receivable, End of Year	$ 6,249	$ 33,176	$ 39,425
Taxes Receivable, By Years			
2025	$ 2,536	$ 16,686	$ 19,222
2024	1,552	8,454	10,006
2023	781	3,333	4,114
2022 and prior	1,380	4,703	6,083
Taxes Receivable, End of Year	$ 6,249	$ 33,176	$ 39,425

	2025	2024	2023	2022
Property Valuations:				
Land	$ 63,429,137	$ 52,573,524	$ 22,095,270	$ 18,016,800
Improvements	161,743,520	142,447,468	117,656,039	87,481,870
Personal Property	1,705,280	1,367,700	1,206,590	908,860
Exemptions	(10,876,851)	(9,668,024)	(6,174,682)	(3,614,365)
Total Property Valuations	$ 216,001,086	$ 186,720,668	$ 134,783,217	$ 102,793,165
Tax Rates per $100 Valuation:				
Maintenance tax rates	$ 0.114	$ 0.134	$ 0.164	$ 0.174
Debt service tax rates	0.750	0.730	0.700	0.690
Total Tax Rates per $100 Valuation	$ 0.864	$ 0.864	$ 0.864	$ 0.864
Adjusted Tax Levy:	$ 1,866,249	$ 1,613,267	$ 1,164,527	$ 888,133
Percentage of Taxes Collected to Taxes Levied **	98.97%	99.38%	99.65%	99.58%

* 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, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
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
	$ 1,080,000	$ 454,823	$ 1,534,823

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, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
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
	$ 3,405,000	$ 1,470,564	$ 4,875,564

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, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
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
	$ 1,485,000	$ 145,725	$ 1,630,725

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, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
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
	$ 1,620,000	$ 497,720	$ 2,117,720

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, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
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
	$ 4,330,000	$ 2,913,516	$ 7,243,516

See accompanying auditor's report.

Galveston County Municipal Utility District No. 68
TSI-5. Long-Term Debt Service Requirements
Series 2024--by Years
May 31, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 500,000	$ 240,000	$ 740,000
2028	250,000	225,000	475,000
2029	250,000	215,000	465,000
2030	250,000	205,000	455,000
2031	250,000	195,000	445,000
2032	250,000	185,000	435,000
2033	250,000	175,000	425,000
2034	250,000	165,000	415,000
2035	250,000	155,000	405,000
2036	250,000	145,000	395,000
2037	250,000	135,000	385,000
2038	250,000	125,000	375,000
2039	250,000	115,000	365,000
2040	250,000	105,000	355,000
2041	250,000	95,000	345,000
2042	250,000	85,000	335,000
2043	250,000	75,000	325,000
2044	250,000	65,000	315,000
2045	250,000	55,000	305,000
2046	250,000	45,000	295,000
2047	250,000	35,000	285,000
2048	250,000	25,000	275,000
2049	250,000	15,000	265,000
2050	250,000	5,000	255,000
	$ 6,250,000	$ 2,885,000	$ 9,135,000

See accompanying auditor's report.

Galveston County Municipal Utility District No. 68
TSI-5. Long-Term Debt Service Requirements
Series 2025--by Years
May 31, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ -	$ 388,663	$ 388,663
2028	160,000	383,463	543,463
2029	170,000	372,738	542,738
2030	180,000	361,362	541,362
2031	190,000	349,337	539,337
2032	195,000	336,825	531,825
2033	210,000	323,663	533,663
2034	220,000	309,825	529,825
2035	230,000	297,062	527,062
2036	245,000	286,412	531,412
2037	255,000	276,412	531,412
2038	270,000	265,912	535,912
2039	285,000	254,812	539,812
2040	300,000	243,112	543,112
2041	315,000	230,615	545,615
2042	330,000	217,106	547,106
2043	345,000	202,763	547,763
2044	365,000	187,675	552,675
2045	385,000	171,737	556,737
2046	405,000	154,950	559,950
2047	425,000	137,047	562,047
2048	450,000	117,909	567,909
2049	470,000	97,781	567,781
2050	1,000,000	65,625	1,065,625
2051	1,000,000	21,875	1,021,875
	$ 8,400,000	$ 6,054,681	$ 14,454,681

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, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2027	$ 860,000	$ 1,036,682	$ 1,896,682
2028	785,000	1,002,312	1,787,312
2029	810,000	967,336	1,777,336
2030	830,000	932,615	1,762,615
2031	850,000	897,675	1,747,675
2032	865,000	861,850	1,726,850
2033	890,000	825,751	1,715,751
2034	915,000	789,781	1,704,781
2035	935,000	754,878	1,689,878
2036	960,000	719,908	1,679,908
2037	985,000	683,401	1,668,401
2038	1,020,000	645,685	1,665,685
2039	1,050,000	606,626	1,656,626
2040	1,085,000	566,371	1,651,371
2041	1,120,000	524,918	1,644,918
2042	1,155,000	482,025	1,637,025
2043	1,185,000	437,675	1,622,675
2044	1,230,000	391,825	1,621,825
2045	1,270,000	344,284	1,614,284
2046	1,310,000	296,857	1,606,857
2047	1,350,000	245,368	1,595,368
2048	1,405,000	187,767	1,592,767
2049	1,455,000	127,939	1,582,939
2050	1,250,000	70,625	1,320,625
2051	1,000,000	21,875	1,021,875
	$ 26,570,000	$ 14,422,029	$ 40,992,029

See accompanying auditor's report.

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Galveston County Municipal Utility District No. 68
TSI-6. Change in Long-Term Bonded Debt
May 31, 2026

	Bond Issue			
	Series 2016	Series 2019	Series 2021 Refunding	Series 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	$ 3,480,000	$ 1,625,000	$ 1,680,000
Bonds issued				
Bonds retired		(75,000)	(140,000)	(60,000)
Ending bonds outstanding	$ 1,080,000	$ 3,405,000	$ 1,485,000	$ 1,620,000
Interest paid during fiscal year	$ 39,525	$ 111,289	$ 36,350	$ 42,237
Paying agent's name and city				
Series 2024 and 2025	The Bank of New York Mellon Trust Company, N.A., Houston, TX			
All other Series	The Bank of New York Mellon Trust Company, N.A., Dallas, TX			

Bond Authority:	Water, Sewer and Drainage Bonds	Refunding Bonds
Amount Authorized by Voters	$ 50,000,000	$ 32,500,000
Amount Issued	(28,525,000)	(80,000)
Remaining To Be Issued	$ 21,475,000	$ 32,420,000

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

Debt Service Fund cash and investments balance as of May 31, 2026:	$ 2,968,608
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,639,681

See accompanying auditor's report.

Bond Issue			
Series 2023	Series 2024	Series 2025	Totals
4.00% - 6.50% 9/1; 3/1 9/1/24 - 9/1/48	4.00% 9/1; 3/1 9/1/26 - 9/1/49	4.00% - 6.50% 9/1; 3/1 9/1/27 - 9/1/50	
$ 4,405,000	$ 6,250,000	$ -	$ 18,520,000
		8,400,000	8,400,000
(75,000)			(350,000)
$ 4,330,000	$ 6,250,000	$ 8,400,000	$ 26,570,000
$ 192,231	$ 250,000	$ 103,643	$ 775,275

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

	Amounts				
	2026	2025	2024	2023	2022
Revenues					
Property taxes	$ 245,386	$ 248,877	$ 219,049	$ 178,566	$ 184,582
Investment earnings	19,114	22,025	21,466	12,568	421
Total Revenues	264,500	270,902	240,515	191,134	185,003
Expenditures					
Operating and administrative					
Professional fees	117,490	97,709	119,592	88,997	109,976
Contracted services	31,843	24,160	22,050	20,650	19,445
Repairs and maintenance	47,757	43,401	28,326	19,450	
Administrative	30,274	26,244	27,196	24,568	14,809
Other	8,567	2,500	5,271	159	3,581
Total Expenditures	235,931	194,014	202,435	153,824	147,811
Revenues Over Expenditures	28,569	76,888	38,080	37,310	37,192
Other Financing Sources					
Internal transfers		17,915			
Net Change in Fund Balance	28,569	94,803	38,080	37,310	37,192
Fund Balance, Beginning of the year	542,106	447,303	409,223	371,913	334,721
End of the year	$ 570,675	$ 542,106	$ 447,303	$ 409,223	$ 371,913

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2026	2025	2024	2023	2022
93%	92%	91%	93%	100%
7%	8%	9%	7%	*
100%	100%	100%	100%	100%
44%	36%	50%	47%	59%
12%	9%	9%	11%	11%
18%	16%	12%	10%	
11%	10%	11%	13%	8%
3%	1%	2%	*	2%
88%	72%	84%	81%	80%
12%	28%	16%	19%	20%

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				
	2026	2025	2024	2023	2022
Revenues					
Property taxes	$ 1,612,479	$ 1,353,537	$ 934,795	$ 706,816	$ 526,961
Penalties and interest	6,043	9,538	3,162	2,298	807
Miscellaneous		80	80	577	1,876
Investment earnings	80,478	68,658	57,239	27,562	861
Total Revenues	1,699,000	1,431,813	995,276	737,253	530,505
Expenditures					
Tax collection services	37,051	30,091	23,858	21,244	20,647
Debt service					
Principal	350,000	340,000	265,000	195,000	165,000
Interest and fees	780,751	526,858	388,483	258,698	229,786
Debt issuance costs					134,484
Total Expenditures	1,167,802	896,949	677,341	474,942	549,917
Revenues Over (Under) Expenditures	531,198	534,864	317,935	262,311	(19,412)
Other Financing Sources (Uses)					
Proceeds from sale of bonds	388,662		99,609		24,456
Proceeds from sale of refunding bonds					2,020,000
Debt service - principal					(1,940,000)
Bond premium					90,035
Net Change in Fund Balance	919,860	534,864	417,544	262,311	175,079
Fund Balance, Beginning of the year	2,046,822	1,511,958	1,094,414	832,103	657,024
End of the year	$ 2,966,682	$ 2,046,822	$ 1,511,958	$ 1,094,414	$ 832,103

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2026	2025	2024	2023	2022
95%	94%	94%	96%	100%
*	1%	*	*	*
	*	*	*	*
5%	5%	6%	4%	*
100%	100%	100%	100%	100%
2%	2%	2%	3%	4%
21%	24%	27%	26%	31%
46%	37%	39%	35%	43%
				25%
69%	63%	68%	64%	103%
31%	37%	32%	36%	(3%)

Galveston County Municipal Utility District No. 68
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended May 31, 2026

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 19, 2026
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.060)	$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members				
Suzanne Ross	05/26 - 05/30	$ 1,989	$ 232	President
Randall H. Trncak	05/24 - 05/28	2,431	1,203	Vice President
Cory Burton	05/24 - 05/28	3,757	186	Secretary
Robby McGinnis	05/26 - 05/30			Assistant Vice President
Joanne Lannin	05/26 - 05/30	2,431	654	Assistant Secretary
Consultants		Amounts Paid		
Allen Boone Humphries Robinson LLP	08/06			Attorney
General legal fees		$ 89,162		
Bond counsel		216,519		
McLennan & Associates, L.P.	09/06	42,078		Bookkeeper
Bob Leared Interests, Inc.	09/06	16,932		Tax Collector
Galveston Central Appraisal District	Legislation	13,626		Property Valuation
Perdue Brandon Fielder Collins and Mott, LLP	05/07	1,570		Delinquent Tax Attorney
Pape-Dawson Engineers, LLP	09/06	27,855		Engineer
McGrath & Co., PLLC	03/11	15,000		Auditor
Masterson Advisors, LLC	06/18	152,846		Financial Advisor

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

See accompanying auditor's report.