

**FORT BEND COUNTY LEVEE  
IMPROVEMENT DISTRICT NO. 10**

**FORT BEND COUNTY, TEXAS**

**FINANCIAL REPORT**

**September 30, 2020**



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# McGRATH & CO., PLLC

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## Independent Auditors' Report

Board of Directors  
Fort Bend County Levee Improvement District No. 10  
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Levee Improvement District No. 10, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinions.

***Board of Directors  
Fort Bend County Levee Improvement District No. 10  
Fort Bend County, Texas***

**Opinion**

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 Fort Bend County Levee Improvement District No. 10, as of September 30, 2020, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*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, 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.

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

*W. G. Math & Co, PLLC*

Houston, Texas  
January 28, 2021

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

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***Fort Bend County Levee Improvement District No. 10  
Management's Discussion and Analysis  
September 30, 2020***

**Using this Annual Report**

Within this section of the financial report of Fort Bend County Levee Improvement District No. 10 (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 September 30, 2020. This analysis should be read in conjunction with the independent auditors' 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.

***Fort Bend County Levee Improvement District No. 10  
Management's Discussion and Analysis  
September 30, 2020***

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 September 30, 2020, was \$5,110,425. A comparative summary of the District's overall financial position, as of September 30, 2020 and 2019, is as follows:

	2020	2019
Current and other assets	\$ 3,948,823	\$ 3,353,497
Capital assets	14,257,683	14,468,823
Total assets	<u>18,206,506</u>	<u>17,822,320</u>
 Total deferred outflows of resources	 <u>111,771</u>	 <u>68,149</u>
 Current liabilities	 909,252	 1,013,990
Long-term liabilities	<u>12,298,600</u>	<u>12,952,119</u>
Total liabilities	<u>13,207,852</u>	<u>13,966,109</u>
 Net position		
Net investment in capital assets	1,265,854	799,853
Restricted	497,552	552,106
Unrestricted	<u>3,347,019</u>	<u>2,572,401</u>
Total net position	<u>\$ 5,110,425</u>	<u>\$ 3,924,360</u>

**Fort Bend County Levee Improvement District No. 10**  
**Management's Discussion and Analysis**  
**September 30, 2020**

The total net position of the District increased during the current fiscal year by \$1,186,065. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2020</u>	<u>2019</u>
Revenues		
Property taxes, penalties and interest	\$ 2,984,651	\$ 2,950,486
Other	55,081	96,983
Total revenues	<u>3,039,732</u>	<u>3,047,469</u>
Expenses		
Operating and administrative	845,825	949,107
Debt interest and fees	388,506	443,082
Debt issuance costs	105,063	52,058
Depreciation	514,273	512,155
Total expenses	<u>1,853,667</u>	<u>1,956,402</u>
Change in net position	1,186,065	1,091,067
Net position, beginning of year	3,924,360	2,833,293
Net position, end of year	<u>\$ 5,110,425</u>	<u>\$ 3,924,360</u>

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

The District's combined fund balances, as of September 30, 2020, were \$3,767,002, which consists of \$3,319,633 in the General Fund, \$471,369 in the Debt Service Fund and negative \$24,000 in the Capital Projects Fund.

*General Fund*

A comparative summary of the General Fund's financial position as of September 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Total assets	<u>\$ 3,449,904</u>	<u>\$ 2,767,063</u>
Total liabilities	\$ 78,885	\$ 194,662
Total deferred inflows	51,386	21,537
Total fund balance	<u>3,319,633</u>	<u>2,550,864</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 3,449,904</u>	<u>\$ 2,767,063</u>

***Fort Bend County Levee Improvement District No. 10  
Management's Discussion and Analysis  
September 30, 2020***

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

	2020	2019
Total revenues	\$ 1,838,214	\$ 1,818,679
Total expenditures	(1,069,445)	(1,266,313)
Revenues over expenditures	<u>\$ 768,769</u>	<u>\$ 552,366</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. Property tax revenues increased from prior year because the District increased the maintenance and operations component of the levy and because assessed values increased from prior year.

*Debt Service Fund*

A comparative summary of the Debt Service Fund's financial position as of September 30, 2020 and 2019 is as follows:

	2020	2019
Total assets	<u>\$ 522,919</u>	<u>\$ 586,434</u>
Total liabilities	\$ 168	\$ 2,458
Total deferred inflows	51,382	26,082
Total fund balance	471,369	557,894
Total liabilities, deferred inflows and fund balance	<u>\$ 522,919</u>	<u>\$ 586,434</u>

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

	2020	2019
Total revenues	\$ 1,146,370	\$ 1,205,602
Total expenditures	(1,347,553)	(1,303,381)
Revenues under expenditures	(201,183)	(97,779)
Other changes in fund balance	114,658	75,000
Net change in fund balance	<u>\$ (86,525)</u>	<u>\$ (22,779)</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 a decrease 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.

**Fort Bend County Levee Improvement District No. 10  
 Management’s Discussion and Analysis  
 September 30, 2020**

During the current year, the District issued its \$2,310,000 Series 2020 Unlimited Tax Park Refunding Bonds to refund \$2,315,000 of outstanding Series 2012 bonds and save \$356,369 in future debt service payments. In the prior year, the District issued refunding bonds in the amount of \$3,480,000 to refund \$3,405,000 of outstanding Series 2011 refunding bonds and save \$199,897 in future debt service payments

*Capital Projects Fund*

A comparative summary of the Capital Projects Fund’s financial position as of September 30, 2020 and 2019 is as follows:

	2020	2019
Total assets	\$ -	\$ -
Total liabilities	\$ 24,000	\$ -
Total fund balance	(24,000)	
Total liabilities and fund balance	\$ -	\$ -

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

	2020	2019
Total revenues	\$ -	\$ 1,714
Total expenditures	(24,000)	(203,283)
Revenues under expenditures	\$ (24,000)	\$ (201,569)

During the current year, the District recognized engineering fees related to bond application and construction costs paid by the General Fund, which created a deficit fund balance in the Capital Projects Fund. The amount will be reimbursed to the General Fund with future bond proceeds. In the prior year, the District used its remaining surplus bond proceeds for the rehabilitation of existing capital assets.

**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 \$563,549 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

**Fort Bend County Levee Improvement District No. 10**  
**Management's Discussion and Analysis**  
**September 30, 2020**

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 September 30, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Capital assets not being depreciated		
Land and improvements	\$ 3,550,528	\$ 3,550,528
Construction in progress	260,756	
	<u>3,811,284</u>	<u>3,550,528</u>
Capital assets being depreciated		
Infrastructure	11,099,829	11,083,495
Parks and recreational facilities	4,657,911	4,631,868
	<u>15,757,740</u>	<u>15,715,363</u>
Less accumulated depreciation		
Infrastructure	(3,695,599)	(3,448,493)
Parks and recreational facilities	(1,615,742)	(1,348,575)
	<u>(5,311,341)</u>	<u>(4,797,068)</u>
Depreciable capital assets, net	<u>10,446,399</u>	<u>10,918,295</u>
Capital assets, net	<u>\$ 14,257,683</u>	<u>\$ 14,468,823</u>

The District's construction in progress is for the construction of storm water pump station site access improvements.

**Long-Term Debt and Related Liabilities**

As of September 30, 2020, the District owes approximately \$1,536,826 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 developer is trued up when the developer is reimbursed.

At September 30, 2020 and 2019, the District had total bonded debt outstanding as shown below:

<u>Series</u>	<u>2020</u>	<u>2019</u>
2011 Refunding	\$ -	\$ 495,000
2012 Park	55,000	2,425,000
2016 Refunding	3,180,000	3,295,000
2017	2,200,000	2,300,000
2019 Refunding	3,460,000	3,480,000
2020 Park Refunding	2,310,000	
	<u>\$ 11,205,000</u>	<u>\$ 11,995,000</u>

**Fort Bend County Levee Improvement District No. 10  
 Management’s Discussion and Analysis  
 September 30, 2020**

During the current year, the District issued \$2,310,000 in unlimited tax park refunding bonds. At September 30, 2020, the District had \$4,850,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving flood protection and drainage systems within the District; \$6,400,000 for parks and recreational facilities; and \$8,959,580 for refunding purposes.

**Next Year’s Budget**

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

	<u>2020 Actual</u>	<u>2021 Budget</u>
Total revenues	\$ 1,838,214	\$ 1,695,548
Total expenditures	<u>(1,069,445)</u>	<u>(1,979,265)</u>
Revenues over/(under) expenditures	768,769	(283,717)
Other changes in fund balance		<u>16,000</u>
Net change in fund balance	768,769	(267,717)
Beginning fund balance	<u>2,550,864</u>	<u>3,319,633</u>
Ending fund balance	<u>\$ 3,319,633</u>	<u>\$ 3,051,916</u>

**Property Taxes**

The District’s property tax base increased approximately \$16,895,000 for the 2020 tax year from \$430,399,999 to \$447,295,427. This increase was primarily due to new construction in the District. For the 2020 tax year, the District has levied a maintenance tax rate of \$0.4224 per \$100 of assessed value and a debt service tax rate of \$0.26 per \$100 of assessed value, for a total combined tax rate of \$0.6824 per \$100. Tax rates for the 2019 tax year were \$0.425 per \$100 for maintenance and operations and \$0.265 per \$100 for debt service for a combined total of \$0.69 per \$100 of assessed value.

**Infectious Disease Outlook (COVID-19)**

As further discussed in Note 11, the World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory virus currently affecting many parts of the world, including the United States and Texas. The pandemic has negatively affected the economic growth and financial markets worldwide and within Texas. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak could have an adverse effect on the District’s operations and financial condition by negatively affecting property taxes and ad valorem tax revenues within the District.

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## **Basic Financial Statements**

**Fort Bend County Levee Improvement District No. 10**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**September 30, 2020**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 11,374	\$ 43,580	\$ -	\$ 54,954	\$ -	\$ 54,954
Investments	3,361,751	412,592		3,774,343		3,774,343
Taxes receivable, net	51,386	51,382		102,768		102,768
Internal balances	9,483	14,517	(24,000)			
Other receivables	15,910	848		16,758		16,758
Capital assets not being depreciated					3,811,284	3,811,284
Capital assets, net					10,446,399	10,446,399
Total Assets	<u>\$ 3,449,904</u>	<u>\$ 522,919</u>	<u>\$ (24,000)</u>	<u>\$ 3,948,823</u>	<u>14,257,683</u>	<u>18,206,506</u>
<b>Deferred Outflows of Resources</b>						
Deferred difference on refunding					111,771	111,771
<b>Liabilities</b>						
Accounts payable	\$ 64,187	\$ -	\$ -	\$ 64,187		64,187
Other payables		44		44		44
Retainage payable	14,698			14,698		14,698
Accrued interest payable		124		124	25,199	25,323
Due to developers					1,536,826	1,536,826
Long-term debt						
Due within one year					805,000	805,000
Due after one year					10,761,774	10,761,774
Total Liabilities	<u>78,885</u>	<u>168</u>		<u>79,053</u>	<u>13,128,799</u>	<u>13,207,852</u>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	<u>51,386</u>	<u>51,382</u>		<u>102,768</u>	<u>(102,768)</u>	
<b>Fund Balances/Net Position</b>						
<b>Fund Balances</b>						
Restricted		471,369		471,369	(471,369)	
Unassigned	<u>3,319,633</u>		<u>(24,000)</u>	<u>3,295,633</u>	<u>(3,295,633)</u>	
Total Fund Balances	<u>3,319,633</u>	<u>471,369</u>	<u>(24,000)</u>	<u>3,767,002</u>	<u>(3,767,002)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,449,904</u>	<u>\$ 522,919</u>	<u>\$ (24,000)</u>	<u>\$ 3,948,823</u>		
<b>Net Position</b>						
Net investment in capital assets					1,265,854	1,265,854
Restricted for debt service					497,552	497,552
Unrestricted					3,347,019	3,347,019
Total Net Position					<u>\$ 5,110,425</u>	<u>\$ 5,110,425</u>

See notes to basic financial statements.

**Fort Bend County Levee Improvement District No. 10**  
**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended September 30, 2020**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 1,795,082	\$ 1,120,868	\$ -	\$ 2,915,950	\$ 46,683	\$ 2,962,633
Penalties and interest		13,553		13,553	8,465	22,018
Miscellaneous	324			324		324
Investment earnings	42,808	11,949		54,757		54,757
<b>Total Revenues</b>	<b>1,838,214</b>	<b>1,146,370</b>		<b>2,984,584</b>	<b>55,148</b>	<b>3,039,732</b>
<b>Expenditures/Expenses</b>						
Operating and administrative						
Professional fees	98,089		24,000	122,089		122,089
Contracted services	98,301	50,031		148,332		148,332
Repairs and maintenance	214,787			214,787		214,787
Utilities	13,586			13,586		13,586
Administrative	65,922	5,480		71,402		71,402
Other	14,444			14,444		14,444
Parks	261,185			261,185		261,185
Capital outlay	303,131			303,131	(303,131)	
Debt service						
Principal		785,000		785,000	(785,000)	
Interest and fees		401,979		401,979	(13,473)	388,506
Debt issuance costs		105,063		105,063		105,063
Depreciation					514,273	514,273
<b>Total Expenditures/Expenses</b>	<b>1,069,445</b>	<b>1,347,553</b>	<b>24,000</b>	<b>2,440,998</b>	<b>(587,331)</b>	<b>1,853,667</b>
<b>Revenues Over/(Under)</b>						
<b>Expenditures</b>	768,769	(201,183)	(24,000)	543,586	(543,586)	
<b>Other Financing Sources/(Uses)</b>						
Proceeds from sale of refunding bonds		2,310,000		2,310,000	(2,310,000)	
Bond premium		119,658		119,658	(119,658)	
Debt service - principal		(2,315,000)		(2,315,000)	2,315,000	
<b>Net Change in Fund Balances</b>	768,769	(86,525)	(24,000)	658,244	(658,244)	
<b>Change in Net Position</b>					1,186,065	1,186,065
Fund Balance/Net Position						
Beginning of the year	2,550,864	557,894		3,108,758	815,602	3,924,360
<b>End of the year</b>	<b>\$ 3,319,633</b>	<b>\$ 471,369</b>	<b>\$ (24,000)</b>	<b>\$ 3,767,002</b>	<b>\$ 1,343,423</b>	<b>\$ 5,110,425</b>

See notes to basic financial statements.

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***Fort Bend County Levee Improvement District No. 10***  
***Notes to Basic Financial Statements***  
***September 30, 2020***

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

The accounting policies of Fort Bend County Levee Improvement District No. 10 (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 Commissioner’s Court of Fort Bend County, Texas dated December 12, 1988, and operates in accordance with the Texas Water Code, Chapters 49 and 57. The Board of Directors held its first meeting on May 16, 1996, and the first bonds were issued on March 18, 2002.

The District’s primary activities include construction, maintenance and operation of a levee system to protect the land within its boundaries from flooding from the Brazos River. Additionally, the District has the responsibility to maintain and operate park and recreational facilities. 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 a three-member Board of Directors appointed by the Fort Bend County Commissioners Court. 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 governments. Since the District does not have an elected governing body, it is not a primary government. A component unit is a legally separate government for which the elected officials of a primary government are financially accountable. The criteria used to determine financial accountability is whether the primary government appoints a voting majority of the component unit’s governing body and (1) is able to impose its will on the component unit or (2) the component unit creates a financial benefit/burden for the primary government. While the County appoints the Directors of the District, it has no further financial accountability for the District. Under these criteria, the District is not a component unit of the County or any other governmental entity. An other stand-alone government is an entity that does not have a separately elected governing body and is not a component unit of another government. For financial reporting purposes, the District is a stand-alone 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*.

*Fort Bend County Levee Improvement District No. 10*  
*Notes to Basic Financial Statements*  
*September 30, 2020*

**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 levee system 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.

*Fort Bend County Levee Improvement District No. 10*  
*Notes to Basic Financial Statements*  
*September 30, 2020*

**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 September 30, 2020, allowance of \$1,079 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 \$5,000 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 are depreciated using the straight-line method as follows:

Assets	Useful Life
Infrastructure	10-50 years
Parks and recreational facilities	10-20 years

The District’s levee system is 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.

*Fort Bend County Levee Improvement District No. 10*  
*Notes to Basic Financial Statements*  
*September 30, 2020*

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

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

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 does not have any nonspendable fund balances.

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

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.



*Fort Bend County Levee Improvement District No. 10*  
*Notes to Basic Financial Statements*  
*September 30, 2020*

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

**Fund Balances – Governmental Funds (continued)**

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 and deficit balances in other funds.

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; 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.

**Fort Bend County Levee Improvement District No. 10**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**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		\$ 3,767,002
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost		\$ 19,569,024
Less accumulated depreciation		<u>(5,311,341)</u>
Change due to capital assets		14,257,683

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

111,771

Amounts due to the District's developers for prefunded construction are recorded as a liability in the *Statement of Net Position*.

(1,536,826)

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		(11,566,774)
Interest payable on bonds		<u>(25,199)</u>
Change due to long-term debt		(11,591,973)

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

Property taxes receivable		83,822
Penalty and interest receivable		<u>18,946</u>
Change due to property taxes		102,768

Total net position - governmental activities		<u><u>\$ 5,110,425</u></u>
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*Fort Bend County Levee Improvement District No. 10*  
*Notes to Basic Financial Statements*  
*September 30, 2020*

**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	\$	658,244
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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.

	55,148
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Governmental funds report capital outlays for 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	\$ 303,131	
Depreciation expense	<u>(514,273)</u>	(211,142)

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 position. Other elements of debt financing are reported differently between the fund and government wide statements.

Proceeds from sale of refunding bonds	(2,310,000)	
Bond premium	(119,658)	
Debt service - principal	2,315,000	
Principal payments	785,000	
Interest expense accrual	<u>13,473</u>	683,815

Change in net position of governmental activities	<u>\$ 1,186,065</u>
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### **Note 3 – Deposits and Investments**

#### **Deposit Custodial Credit Risk**

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

#### **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.

**Fort Bend County Levee Improvement District No. 10**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

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

**Investments (continued)**

As of September 30, 2020, the District’s investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	\$ 1,680,000			
	Debt Service	370,000			
		<u>2,050,000</u>	54%	N/A	N/A
TexPool	General	1,681,751			
	Debt Service	42,592			
		<u>1,724,343</u>	46%	AAAm	38 days
Total		<u>\$ 3,774,343</u>	<u>100%</u>		

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

**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.

**Fort Bend County Levee Improvement District No. 10**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**Note 4 – Interfund Balances and Transactions**

Amounts due to/from other funds at September 30, 2020, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 7,474	Maintenance tax collections not remitted as of year end
Debt Service Fund	General Fund	21,991	Proceeds from the sale of refunding bonds in excess of bond application fees paid by the General Fund
General Fund	Capital Projects Fund	24,000	Bond application fees and construction costs 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 September 30, 2020, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 3,550,528	\$ -	\$ 3,550,528
Construction in progress		260,756	260,756
	<u>3,550,528</u>	<u>260,756</u>	<u>3,811,284</u>
Capital assets being depreciated			
Infrastructure	11,083,495	16,334	11,099,829
Parks and recreational facilities	4,631,868	26,043	4,657,911
	<u>15,715,363</u>	<u>42,377</u>	<u>15,757,740</u>
Less accumulated depreciation			
Infrastructure	(3,448,493)	(247,106)	(3,695,599)
Parks and recreational facilities	(1,348,575)	(267,167)	(1,615,742)
	<u>(4,797,068)</u>	<u>(514,273)</u>	<u>(5,311,341)</u>
Subtotal depreciable capital assets, net	<u>10,918,295</u>	<u>(471,896)</u>	<u>10,446,399</u>
Capital assets, net	<u>\$ 14,468,823</u>	<u>\$ (211,140)</u>	<u>\$ 14,257,683</u>

Depreciation expense for the current year was \$514,273.

**Fort Bend County Levee Improvement District No. 10**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**Note 5 – Capital Assets (continued)**

The District has contractual commitments for construction projects as follows:

	Contract Amount	Amounts Paid	Remaining Commitment
Storm water pump station access improvements	\$ 757,343	\$ 132,282	\$ 625,061

**Note 6 – Due to Developers**

The District has entered into financing agreements with its developers for the financing of the construction of flood protection, drainage facilities and landscaping improvements. 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.

The amount due to developers at September 30, 2020 is approximately \$1,536,826. There was no change in this liability from the prior year.

**Note 7 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 11,205,000
Unamortized discounts	(22,408)
Unamortized premium	316,363
Premium on CABs	67,819
	<u>\$ 11,566,774</u>
Due within one year	<u>\$ 805,000</u>

**Fort Bend County Levee Improvement District No. 10**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

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

The District’s bonds payable at September 30, 2020, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2012 Park	\$ 55,000	\$ 2,700,000	2.00% - 3.75%	September 1, 2013/2038	March 1, September 1	September 1, 2019
2016 Refunding	3,180,000	3,595,000	2.00% - 4.00%	September 1, 2017/2032	March 1, September 1	September 1, 2024
2017	2,200,000	2,500,000	2.00% - 3.50%	September 1, 2018/2038	March 1, September 1	September 1, 2024
2019 Refunding	3,460,000	3,480,000	2.00% - 3.00%	March 1, 2020/2027	March 1, September 1	March 1, 2024
2020 Park Refunding	2,310,000	2,310,000	0.02	March 1, 2022/2038	March 1, September 1	March 1, 2027
	<u>\$ 11,205,000</u>					

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

At September 30, 2020, the District had authorized but unissued bonds in the amount of \$4,850,000 for flood protection and drainage facilities; \$6,400,000 for park and recreational facilities and \$8,959,580 for refunding purposes.

On September 16, 2020, the District issued its \$2,310,000 Unlimited Tax Park Refunding Bonds at a net effective interest rate of 1.912199% to refund \$2,315,000 of outstanding Series 2012 Unlimited Tax Park Bonds. The District refunded the bonds to reduce total debt service payments over future years by approximately \$356,369 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$269,713. Proceeds of the bonds were placed in an escrow account with an escrow agent and irrevocably pledged to the payment of future debt service payments through September 18, 2020, the redemption date of the bonds. As of September 30, 2020, the bonds have all been redeemed and are no longer outstanding.



**Fort Bend County Levee Improvement District No. 10**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

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

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

Bonds payable, beginning of year	\$ 11,995,000
Bonds issued	2,310,000
Bonds retired	(785,000)
Bonds refunded	(2,315,000)
Bonds payable, end of year	<u>\$ 11,205,000</u>

A portion of the Series 2020 park refunding bond issue consists of capital appreciation bonds. These obligations have a par value of \$75,000 and a maturity value of \$145,000. The interest on these obligations will be paid upon maturity in the fiscal years ending September 30, 2022 to September 30, 2023. There is no accreted value or accrued interest on the bonds as of September 30, 2020.

As of September 30, 2020, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2021	\$ 805,000	\$ 326,300	\$ 1,131,300
2022	795,000	304,288	1,099,288
2023	800,000	281,488	1,081,488
2024	855,000	256,488	1,111,488
2025	870,000	230,338	1,100,338
2026	885,000	206,713	1,091,713
2027	650,000	190,663	840,663
2028	660,000	170,663	830,663
2029	675,000	147,363	822,363
2030	675,000	123,663	798,663
2031	685,000	100,013	785,013
2032	685,000	76,213	761,213
2033	255,000	52,563	307,563
2034	265,000	45,844	310,844
2035	270,000	38,975	308,975
2036	275,000	31,838	306,838
2037	285,000	24,550	309,550
2038	815,000	11,525	826,525
	<u>\$ 11,205,000</u>	<u>\$ 2,619,488</u>	<u>\$ 13,824,488</u>

**Fort Bend County Levee Improvement District No. 10**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**Note 8 – Property Taxes**

On January 17, 1998, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.00 per \$100 of assessed value. On May 14, 2011, the voters authorized an additional \$1.00 operational and maintenance tax for parks and recreational services. 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 Fort Bend 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 2020 fiscal year was financed through the 2019 tax levy, pursuant to which the District levied property taxes of \$0.69 per \$100 of assessed value, of which \$0.425 was allocated to maintenance and operations and \$0.265 was allocated to debt service. The resulting tax levy was \$2,969,761 on the adjusted taxable value of \$430,399,999.

Net property taxes receivable, at September 30, 2020, consisted of the following:

Current year taxes receivable	\$ 68,430
Prior years taxes receivable	16,471
Less allowance for uncollectible accounts	<u>(1,079)</u>
	83,822
Penalty and interest receivable	<u>18,946</u>
Net property taxes receivable	<u><u>\$ 102,768</u></u>

**Note 9 – Landscape Maintenance Agreement**

On March 1, 2017, the District entered into a landscape maintenance agreement with Riverpark on the Brazos Property Owners Association, Inc (the “POA”) to finance the maintenance of certain open spaces and greenbelts within the District. The District agrees to pay, on a monthly basis, the actual costs billed to the POA for maintenance, excluding extraordinary, and/ or capital expenses, not to exceed \$175,000 per year. During the current fiscal year, the District paid \$175,000 to the POA for monthly maintenance costs.

**Note 10 – Risk Management**

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and 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.

*Fort Bend County Levee Improvement District No. 10*  
*Notes to Basic Financial Statements*  
*September 30, 2020*

**Note 11 – Infectious Disease Outlook (COVID-19)**

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. Federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. On March 31, 2020, the Governor issued an executive order closing all non-essential businesses in the State. This order expired on April 30, 2020. Additionally, all the counties in the greater Houston area adopted various “Work Safe – Stay Home” orders. Such actions are focused on limiting instances where the public can congregate or interact with each other. These precautions resulted in the temporary closure of all non-essential businesses in the State.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting the economic growth and financial markets worldwide and within Texas. These negative impacts may reduce or negatively affect property taxes and ad valorem tax revenues within the District.

While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of the Pandemic could have an adverse effect on the District’s operations and financial condition.

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## **Required Supplementary Information**

*Fort Bend County Levee Improvement District No. 10  
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund  
 For the Year Ended September 30, 2020*

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Property taxes	\$ 1,623,088	\$ 1,795,082	\$ 171,994
Miscellaneous		324	324
Investment earnings	45,085	42,808	(2,277)
Total Revenues	<u>1,668,173</u>	<u>1,838,214</u>	<u>170,041</u>
<b>Expenditures</b>			
Operating and administrative			
Professional fees	165,740	98,089	67,651
Contracted services	96,500	98,301	(1,801)
Repairs and maintenance	229,020	214,787	14,233
Utilities	27,000	13,586	13,414
Administrative	78,320	65,922	12,398
Other	16,325	14,444	1,881
Parks	294,280	261,185	33,095
Capital outlay	555,768	303,131	252,637
Total Expenditures	<u>1,462,953</u>	<u>1,069,445</u>	<u>393,508</u>
<b>Revenues Over Expenditures</b>	205,220	768,769	563,549
<b>Fund Balance</b>			
Beginning of the year	2,550,864	2,550,864	
<b>End of the year</b>	<u>\$ 2,756,084</u>	<u>\$ 3,319,633</u>	<u>\$ 563,549</u>

*Fort Bend County Levee Improvement District No. 10*  
*Notes to Required Supplementary Information*  
*September 30, 2020*

**Budgets and Budgetary Accounting**

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

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## **Texas Supplementary Information**

**Fort Bend County Levee Improvement District No. 10**  
**TSI-1. Services and Rates**  
**September 30, 2020**

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): \_\_\_\_\_

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 ESFCS
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.

**Fort Bend County Levee Improvement District No. 10**

**TSI-1. Services and Rates**

**September 30, 2020**

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):  
(You may omit this information if your district does not provide water)

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

4. Standby Fees (authorized only under TWC Section 49.231):  
(You may omit this information if your district does not levy standby fees)

Does the District have Debt Service standby fees? Yes  No

If yes, Date of the most recent commission Order: \_\_\_\_\_

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

If yes, Date of the most recent commission Order: \_\_\_\_\_

5. Location of District (required for first audit year or when information changes,  
otherwise this information may be omitted):

Is the District located entirely within one county? Yes  No

County(ies) in which the District is located: Fort Bend County

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

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

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

ETJs in which the District is located: \_\_\_\_\_

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

If Yes, by whom? Fort Bend County Commissioners Court

See accompanying auditors' report.

*Fort Bend County Levee Improvement District No. 10  
 TSI-2 General Fund Expenditures  
 For the Year Ended September 30, 2020*

Professional fees		
Legal	\$	68,433
Audit		13,000
Engineering		16,656
		<u>98,089</u>
Contracted services		
Bookkeeping		24,521
Operator		73,780
		<u>98,301</u>
Repairs and maintenance		<u>214,787</u>
Utilities		<u>13,586</u>
Administrative		
Directors fees		21,000
Printing and office supplies		1,186
Insurance		11,637
Other		32,099
		<u>65,922</u>
Other		<u>14,444</u>
Parks		<u>261,185</u>
Capital outlay		<u>303,131</u>
Total expenditures	\$	<u><u>1,069,445</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical *	26,344 kWh	\$ 13,586
Water	N/A	N/A
Natural Gas	N/A	N/A

\*Monthly charges are for pass through fees only

See accompanying auditors' report.

*Fort Bend County Levee Improvement District No. 10*

*TSI-3. Investments*

*September 30, 2020*

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General				
TexPool	Variable	N/A	\$ 806,316	\$ -
TexPool	Variable	N/A	603,924	
TexPool	Variable	N/A	271,511	
Certificate of deposit	0.80%	03/30/21	240,000	836
Certificate of deposit	1.25%	04/24/21	240,000	1,307
Certificate of deposit	2.00%	11/15/20	240,000	4,195
Certificate of deposit	1.70%	01/18/21	240,000	2,862
Certificate of deposit	0.50%	06/22/21	240,000	329
Certificate of deposit	2.45%	10/15/20	240,000	5,622
Certificate of deposit	0.75%	02/23/21	240,000	760
			<u>3,361,751</u>	<u>15,910</u>
Debt Service				
TexPool	Variable	N/A	42,592	
Certificate of deposit	0.65%	02/23/21	185,000	408
Certificate of deposit	0.70%	02/23/21	185,000	440
			<u>412,592</u>	<u>848</u>
Total - All Funds			<u>\$ 3,774,343</u>	<u>\$ 16,758</u>

See accompanying auditors' report.

**Fort Bend County Levee Improvement District No. 10**  
**TSI-4. Taxes Levied and Receivable**  
**September 30, 2020**

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 21,537	\$ 15,601	\$ 37,138	
Adjustments	(4,269)	(2,857)	(7,126)	
Adjusted Receivable	17,268	12,744	30,012	
2019 Original Tax Levy	1,832,634	1,142,701	2,975,335	
Adjustments	(3,434)	(2,140)	(5,574)	
Adjusted Tax Levy	1,829,200	1,140,561	2,969,761	
Total to be accounted for	1,846,468	1,153,305	2,999,773	
Tax collections:				
Current year	1,787,052	1,114,279	2,901,331	
Prior years	8,030	6,590	14,620	
Total Collections	1,795,082	1,120,869	2,915,951	
Taxes Receivable, End of Year	<u>\$ 51,386</u>	<u>\$ 32,436</u>	<u>\$ 83,822</u>	
Taxes Receivable, By Years				
2019	\$ 42,148	\$ 26,282	\$ 68,430	
2018	7,583	5,025	12,608	
2017	1,652	1,128	2,780	
2016	3	1	4	
Taxes Receivable, End of Year	<u>\$ 51,386</u>	<u>\$ 32,436</u>	<u>\$ 83,822</u>	
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Property Valuations:				
Land	\$ 102,739,750	\$ 102,290,360	\$ 101,503,880	\$ 97,824,760
Improvements	514,981,769	510,042,640	477,199,231	449,955,646
Personal Property	31,247,810	20,766,145	26,589,115	24,397,495
Exemptions	(218,569,330)	(208,862,782)	(204,731,256)	(188,815,876)
Total Property Valuations	<u>\$ 430,399,999</u>	<u>\$ 424,236,363</u>	<u>\$ 400,560,970</u>	<u>\$ 383,362,025</u>
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.425	\$ 0.415	\$ 0.410	\$ 0.323
Debt service tax rates	0.265	0.275	0.280	0.320
Total Tax Rates per \$100 Valuation	<u>\$ 0.690</u>	<u>\$ 0.690</u>	<u>\$ 0.690</u>	<u>\$ 0.643</u>
Adjusted Tax Levy:	<u>\$ 2,969,761</u>	<u>\$ 2,927,231</u>	<u>\$ 2,763,871</u>	<u>\$ 2,465,018</u>
Percentage of Taxes Collected to Taxes Levied **	<u>97.70%</u>	<u>99.57%</u>	<u>99.90%</u>	<u>100.00%</u>

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.00 on January 17, 1998

\* Additional Maintenance Tax Rate Approved by Voters: \$1.00 on May 14, 2011

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

See accompanying auditors' report.

*Fort Bend County Levee Improvement District No. 10*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2012 Park--by Years*  
*September 30, 2020*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
<u>2021</u>	<u>\$ 55,000</u>	<u>\$ 1,100</u>	<u>\$ 56,100</u>

See accompanying auditors' report.

*Fort Bend County Levee Improvement District No. 10*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2016 Refunding--by Years*  
*September 30, 2020*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2021	\$ 115,000	\$ 124,950	\$ 239,950
2022	110,000	121,500	231,500
2023	110,000	118,200	228,200
2024	110,000	113,800	223,800
2025	110,000	109,400	219,400
2026	110,000	105,000	215,000
2027	335,000	100,600	435,600
2028	440,000	87,200	527,200
2029	440,000	69,600	509,600
2030	435,000	52,000	487,000
2031	435,000	34,600	469,600
2032	430,000	17,200	447,200
	<u>\$ 3,180,000</u>	<u>\$ 1,054,050</u>	<u>\$ 4,234,050</u>

See accompanying auditors' report.



*Fort Bend County Levee Improvement District No. 10*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2017--by Years*  
*September 30, 2020*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2021	\$ 100,000	\$ 68,363	\$ 168,363
2022	100,000	65,363	165,363
2023	100,000	62,363	162,363
2024	100,000	59,363	159,363
2025	100,000	56,363	156,363
2026	100,000	53,363	153,363
2027	125,000	50,363	175,363
2028	125,000	46,613	171,613
2029	135,000	42,863	177,863
2030	135,000	38,813	173,813
2031	135,000	34,763	169,763
2032	135,000	30,713	165,713
2033	135,000	26,663	161,663
2034	135,000	22,444	157,444
2035	135,000	18,225	153,225
2036	135,000	13,838	148,838
2037	135,000	9,450	144,450
2038	135,000	4,725	139,725
	<u>\$ 2,200,000</u>	<u>\$ 704,651</u>	<u>\$ 2,904,651</u>

See accompanying auditors' report.

*Fort Bend County Levee Improvement District No. 10*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2019 Refunding--by Years*  
*September 30, 2020*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2021	\$ 535,000	\$ 88,925	\$ 623,925
2022	545,000	72,725	617,725
2023	555,000	56,225	611,225
2024	565,000	39,425	604,425
2025	575,000	22,325	597,325
2026	585,000	7,850	592,850
2027	100,000	1,000	101,000
	<u>\$ 3,460,000</u>	<u>\$ 288,475</u>	<u>\$ 3,748,475</u>

See accompanying auditors' report.

*Fort Bend County Levee Improvement District No. 10*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2020 Park Refunding--by Years*  
*September 30, 2020*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2021	\$ -	\$ 42,962	\$ 42,962
2022	40,000	44,700	84,700
2023	35,000	44,700	79,700
2024	80,000	43,900	123,900
2025	85,000	42,250	127,250
2026	90,000	40,500	130,500
2027	90,000	38,700	128,700
2028	95,000	36,850	131,850
2029	100,000	34,900	134,900
2030	105,000	32,850	137,850
2031	115,000	30,650	145,650
2032	120,000	28,300	148,300
2033	120,000	25,900	145,900
2034	130,000	23,400	153,400
2035	135,000	20,750	155,750
2036	140,000	18,000	158,000
2037	150,000	15,100	165,100
2038	680,000	6,800	686,800
	<u>\$ 2,310,000</u>	<u>\$ 571,212</u>	<u>\$ 2,881,212</u>

See accompanying auditors' report.

*Fort Bend County Levee Improvement District No. 10*  
*TSI-5. Long-Term Debt Service Requirements*  
*All Bonded Debt Series--by Years*  
*September 30, 2020*

Due During Fiscal Years Ending	Principal Due March 1, September 1	Interest Due March 1, September 1	Total
2021	\$ 805,000	\$ 326,300	\$ 1,131,300
2022	795,000	304,288	1,099,288
2023	800,000	281,488	1,081,488
2024	855,000	256,488	1,111,488
2025	870,000	230,338	1,100,338
2026	885,000	206,713	1,091,713
2027	650,000	190,663	840,663
2028	660,000	170,663	830,663
2029	675,000	147,363	822,363
2030	675,000	123,663	798,663
2031	685,000	100,013	785,013
2032	685,000	76,213	761,213
2033	255,000	52,563	307,563
2034	265,000	45,844	310,844
2035	270,000	38,975	308,975
2036	275,000	31,838	306,838
2037	285,000	24,550	309,550
2038	815,000	11,525	826,525
	<u>\$ 11,205,000</u>	<u>\$ 2,619,488</u>	<u>\$ 13,824,488</u>

See accompanying auditors' report.

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**Fort Bend County Levee Improvement District No. 10**  
**TSI-6. Change in Long-Term Bonded Debt**  
**September 30, 2020**

	Bond Issue			
	Series 2011 Refunding	Series 2012 Park	Series 2016 Refunding	Series 2017
Interest rate	2.00% - 4.00%	2.00% - 3.75%	2.00% - 4.00%	2.00% - 3.50%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/13 - 9/1/27	9/1/13 - 9/1/38	9/1/17 - 9/1/32	9/1/18 - 9/1/38
Beginning bonds outstanding	\$ 495,000	\$ 2,425,000	\$ 3,295,000	\$ 2,300,000
Bonds issued				
Bonds refunded		(2,315,000)		
Bonds retired	(495,000)	(55,000)	(115,000)	(100,000)
Ending bonds outstanding	<u>\$ -</u>	<u>\$ 55,000</u>	<u>\$ 3,180,000</u>	<u>\$ 2,200,000</u>
Interest paid during fiscal year	<u>\$ 19,800</u>	<u>\$ 82,116</u>	<u>\$ 128,400</u>	<u>\$ 71,363</u>
Paying agent's name and city	Bank of New York Mellon Trust Company, N.A., Dallas, Texas			
	All Series			
	Flood Protection and Drainage			
Bond Authority:	Parks	Refunding		
Amount Authorized by Voters	\$ 22,550,000	\$ 9,100,000	\$ 9,120,000	
Amount Issued	(17,700,000)	(2,700,000)	(160,420)	
Remaining To Be Issued	<u>\$ 4,850,000</u>	<u>\$ 6,400,000</u>	<u>\$ 8,959,580</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 temporary investment balances as of September 30, 2020: \$ 456,172

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 768,027

See accompanying auditors' report.

Bond Issue		
Series 2019 Refunding	Series 2020 Park Refunding	Totals
2.00% - 3.00%	2.00%	
3/1; 9/1	3/1; 9/1	
3/1/20 - 3/1/27	3/1/22 - 3/1/38	
\$ 3,480,000	\$ -	\$ 11,995,000
	2,310,000	2,310,000
		(2,315,000)
(20,000)		(785,000)
<u>\$ 3,460,000</u>	<u>\$ 2,310,000</u>	<u>\$ 11,205,000</u>
<u>\$ 97,250</u>	<u>\$ -</u>	<u>\$ 398,929</u>

*Fort Bend County Levee Improvement District No. 10*

*TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund*

*For the Last Five Fiscal Years*

	Amounts				
	2020	2019	2018	2017	2016
Revenues					
Property taxes	\$ 1,795,082	\$ 1,749,475	\$ 1,632,955	\$ 1,243,574	\$ 1,086,176
FEMA grants			55,751		
Miscellaneous	324	6,460	5,369		
Investment earnings	42,808	62,744	28,904	7,410	2,389
Total Revenues	1,838,214	1,818,679	1,722,979	1,250,984	1,088,565
Expenditures					
Operating and administrative					
Professional fees	98,089	132,747	182,542	146,056	188,079
Contracted services	98,301	93,022	93,802	87,488	86,738
Repairs and maintenance	214,787	223,725	173,881	154,294	216,364
Utilities	13,586	23,346	18,164	14,840	23,473
Administrative	65,922	69,813	67,247	66,389	84,741
Other	14,444	6,478	15,815	14,421	2,996
Parks	261,185	281,521	274,613	221,843	204,826
Capital outlay	303,131	435,661	37,500		208,341
Total Expenditures	1,069,445	1,266,313	863,564	705,331	1,015,558
Revenues Over Expenditures	\$ 768,769	\$ 552,366	\$ 859,415	\$ 545,653	\$ 73,007

\*Percentage is negligible

See accompanying auditors' report.



Percent of Fund Total Revenues

2020	2019	2018	2017	2016
98%	97%	95%	99%	100%
*	*	3%		
2%	3%	2%	1%	*
100%	100%	100%	100%	100%
5%	7%	11%	12%	17%
5%	5%	5%	7%	8%
12%	12%	10%	12%	20%
1%	1%	1%	1%	2%
4%	4%	4%	5%	8%
1%	*	1%	1%	*
14%	15%	16%	18%	19%
16%	24%	2%		19%
58%	68%	50%	56%	93%
42%	32%	50%	44%	7%

*Fort Bend County Levee Improvement District No. 10*

*TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund*

*For the Last Five Fiscal Years*

	Amounts				
	2020	2019	2018	2017	2016
Revenues					
Property taxes	\$ 1,120,868	\$ 1,159,307	\$ 1,113,041	\$ 1,232,983	\$ 1,077,044
Penalties and interest	13,553	20,230	18,356	26,938	14,746
Investment earnings	11,949	26,065	21,878	7,955	6,680
Total Revenues	1,146,370	1,205,602	1,153,275	1,267,876	1,098,470
Expenditures					
Tax collection services	55,511	46,277	50,724	52,573	41,694
Debt service					
Principal	785,000	750,000	735,000	615,000	600,000
Interest and fees	401,979	455,046	487,898	458,172	456,457
Debt issuance costs	105,063	52,058			115,847
Total Expenditures	1,347,553	1,303,381	1,273,622	1,125,745	1,213,998
Revenues Over/(Under) Expenditures	\$ (201,183)	\$ (97,779)	\$ (120,347)	\$ 142,131	\$ (115,528)

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2020	2019	2018	2017	2016
98%	96%	96%	97%	98%
1%	2%	2%	2%	1%
1%	2%	2%	1%	1%
100%	100%	100%	100%	100%
5%	4%	4%	4%	4%
68%	62%	64%	49%	55%
35%	38%	42%	36%	42%
9%	4%			11%
117%	108%	110%	89%	112%
(17%)	(8%)	(10%)	11%	(12%)

**Fort Bend County Levee Improvement District No. 10**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**For the Year Ended September 30, 2020**

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): January 28, 2019  
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) *	Fees of Office Paid **	Expense Reimburse- ments	Title at Year End
<b>Board Members</b>				
Don Burns	1/2017 - 1/2021	\$ 7,200	\$ 194	President
John Cantu	1/2019 - 1/2023	6,600	186	Vice President/ Assistant Secretary
Rodney Vannerson	1/2019 - 1/2023	7,200	167	Secretary

\* Directors are appointed by Fort Bend County Commissioners Court

Note: Except as noted, no Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants.

Consultants		Amounts Paid	
Allen Boone Humphries Robinson LLP	2003		Attorney
<i>General legal fees</i>		\$ 80,980	
<i>Bond counsel</i>		25,410	
Levee Management Systems, LLC	2012	189,235	Operator
Municipal Accounts & Consulting, LP	2018	32,134	Bookkeeper
Tax Tech, Inc.	1998	25,528	Tax Collector
Fort Bend Central Appraisal District	Legislation	24,468	Property Valuation
Linebarger, Goggan, Blair & Sampson, LLP	2015	7,706	Delinquent Tax Attorney
IJA Engineering	2018	111,664	Engineer
McGrath & Co., PLLC	2013	14,000	Auditor
Masterson Advisors LLP	2018	25,567	Financial Advisor
Park Rangers, LLC	2017	19,653	Park Maintenance
Lake Management Services	2017	63,144	Park Maintenance
Classic Messaging LLC***	2013		Messaging Service

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

\*\*\* Director Vannerson has a relationship with Classic Messaging LLC. This was disclosed to the District and he abstained from discussing or voting on the contract.

See accompanying auditors' report.