

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2020

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TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	8-11
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	13-14
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	15
NOTES TO THE FINANCIAL STATEMENTS	16-28
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	30
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	32-34
GENERAL FUND EXPENDITURES	35
INVESTMENTS	36
TAXES LEVIED AND RECEIVABLE	37-38
LONG-TERM DEBT SERVICE REQUIREMENTS	39-48
CHANGES IN LONG-TERM BOND DEBT	49-51
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	52-55
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	56-57

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Fort Bend County Fresh Water
Supply District No. 1
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Fresh Water Supply District No. 1, (the "District"), as of and for the year ended December 31, 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 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 financial statements are free from 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund 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 supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is 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 supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

April 15, 2021

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Management’s discussion and analysis of Fort Bend County Fresh Water Supply District No. 1’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended December 31, 2020. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District’s annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District’s overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District’s assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District’s net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in the Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$17,911,800 as of December 31, 2020. A portion of the District's net position reflects its net investment in capital assets (water and wastewater facilities less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2020	2019	Change Positive (Negative)
Current and Other Assets	\$ 17,402,343	\$ 18,371,466	\$ (969,123)
Capital Assets (Net of Accumulated Depreciation)	32,246,466	30,389,732	1,856,734
Total Assets	\$ 49,648,809	\$ 48,761,198	\$ 887,611
Deferred Outflows of Resources	\$ 307,683	\$ 175,752	\$ 131,931
Bonds Payable	\$ 26,839,080	\$ 27,685,401	\$ 846,321
Other Liabilities	924,384	1,263,320	338,936
Total Liabilities	\$ 27,763,464	\$ 28,948,721	\$ 1,185,257
Deferred Inflows of Resources	\$ 4,281,228	\$ 3,621,045	\$ (660,183)
Net Position:			
Net Investment in Capital Assets	\$ 9,548,736	\$ 7,183,515	\$ 2,365,221
Restricted	2,222,670	2,161,106	61,564
Unrestricted	6,140,394	7,022,563	(882,169)
Total Net Position	\$ 17,911,800	\$ 16,367,184	\$ 1,544,616

The following table provides a summary of the District's operations for the years ending December 31, 2020, and 2019. The District's net position increased by \$1,544,616.

	Summary of Changes in the Statement of Activities		
	2020	2019	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 3,664,093	\$ 3,573,738	\$ 90,355
Service Revenues	1,872,102	1,729,996	142,106
Other Revenues	166,321	454,867	(288,546)
Total Revenues	\$ 5,702,516	\$ 5,758,601	\$ (56,085)
Expenses for Services	4,157,900	3,879,012	(278,888)
Change in Net Position	\$ 1,544,616	\$ 1,879,589	\$ (334,973)
Net Position, Beginning of Year	16,367,184	14,487,595	1,879,589
Net Position, End of Year	\$ 17,911,800	\$ 16,367,184	\$ 1,544,616

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2020, were \$11,604,891, a decrease of \$1,383,485 from the prior year.

The General Fund fund balance decreased by \$927,577 primarily due to a transfer to the Capital Projects Fund and current year capital and operating expenditures exceeding service revenues and property tax revenues.

The Debt Service Fund fund balance increased by \$13,857, primarily due to the structure of the District's outstanding debt service requirements and the effect of the issuance of the Series 2020 Refunding Bonds.

The Capital Projects Fund fund balance decreased by \$469,765, primarily due to capital outlay which was offset by a transfer from the General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Supervisors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$543,421 more than budgeted revenues, actual expenditures were \$135,028 more than budgeted expenditures and actual transfers out were \$94,733 less than budgeted transfers out. The result was a positive variance of \$503,126. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of December 31, 2020, total \$32,246,466, and include land, construction in progress, and the water and wastewater facilities. The District used bond proceeds received in prior years and other available funds to pay for new construction and rehabilitation of existing District water and wastewater infrastructure.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 7,000	\$ 7,000	\$
Construction in Progress	503,495	1,222,923	(719,428)
Capital Assets, Net of Accumulated Depreciation:			
Water System	18,959,038	19,561,242	(602,204)
Wastewater System	12,776,933	9,598,567	3,178,366
Total Net Capital Assets	\$ 32,246,466	\$ 30,389,732	\$ 1,856,734

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

LONG-TERM DEBT

As of December 31, 2020, the District had total bond debt payable of \$26,495,000. The changes in the debt position of the District during the fiscal year ended December 31, 2020, are summarized as follows:

Bond Debt Payable, January 1, 2020	\$ 27,395,000
Add: Bond Sale - Series 2020 Refunding	4,850,000
Less: Bond Principal Paid/Refunded	<u>5,750,000</u>
Bond Debt Payable, December 31, 2020	<u>\$ 26,495,000</u>

The Series 2016 Bonds and Series 2017 Bonds carry insured ratings of “AA” from Standard and Poor’s by virtue of bond insurance issued by Build America Mutual Assurance Company and Assured Guaranty Municipal Corp., respectively. The Series 2020 Refunding Bonds carry an insured rating of “AA/A2” by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The underlying ratings assigned to the Series 2016 Bonds, Series 2017 Bonds, and Series 2020 Refunding Bonds are “Baa1”. The District’s other bonds were non-rated and uninsured for the current and prior years.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Fort Bend County Fresh Water Supply District No. 1, c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, TX 77056.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2020

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 272,582	\$ 1,049,666
Investments	5,715,320	1,761,855
Cash with Escrow Agent		
Receivables:		
Property Taxes	1,628,307	2,313,289
Penalty and Interest on Delinquent Taxes		
Service Accounts Receivable	260,812	
Accrued Interest	14,235	19,135
Prepaid Costs		
Due from Other Funds	354,076	
Due from Other Governmental Units	155,008	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 8,400,340	\$ 5,143,945
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ - 0 -	\$ - 0 -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 8,400,340	\$ 5,143,945

The accompanying notes to the financial statements are an integral part of this report.

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 100	\$ 1,322,348	\$	\$ 1,322,348
2,165,948	9,643,123		9,643,123
1,670,879	1,670,879		1,670,879
	3,941,596		3,941,596
		294,718	294,718
	260,812		260,812
	33,370		33,370
		80,489	80,489
	354,076	(354,076)	
	155,008		155,008
		7,000	7,000
		503,495	503,495
		<u>31,735,971</u>	<u>31,735,971</u>
<u>\$ 3,836,927</u>	<u>\$ 17,381,212</u>	<u>\$ 32,267,597</u>	<u>\$ 49,648,809</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 307,683</u>	<u>\$ 307,683</u>
<u>\$ 3,836,927</u>	<u>\$ 17,381,212</u>	<u>\$ 32,575,280</u>	<u>\$ 49,956,492</u>

The accompanying notes to the financial statements are an integral part of this report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2020

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 477,767	\$
Accrued Interest Payable		
Due to Other Funds		354,076
Security Deposits	107,364	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 585,131	\$ 354,076
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 1,994,133	\$ 2,839,721
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		1,950,148
Unassigned	5,821,076	
TOTAL FUND BALANCES	\$ 5,821,076	\$ 1,950,148
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,400,340	\$ 5,143,945
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

The accompanying notes to the financial
statements are an integral part of this report.

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 3,260	\$ 481,027	\$	\$ 481,027
	354,076	335,993	335,993
	107,364	(354,076)	107,364
		1,235,000	1,235,000
		<u>25,604,080</u>	<u>25,604,080</u>
<u>\$ 3,260</u>	<u>\$ 942,467</u>	<u>\$ 26,820,997</u>	<u>\$ 27,763,464</u>
<u>\$ - 0 -</u>	<u>\$ 4,833,854</u>	<u>\$ (552,626)</u>	<u>\$ 4,281,228</u>
\$ 3,833,667	\$ 3,833,667	\$ (3,833,667)	\$
	1,950,148	(1,950,148)	
	5,821,076	(5,821,076)	
<u>\$ 3,833,667</u>	<u>\$ 11,604,891</u>	<u>\$ (11,604,891)</u>	<u>\$ - 0 -</u>
<u>\$ 3,836,927</u>	<u>\$ 17,381,212</u>		
		\$ 9,548,736	\$ 9,548,736
		2,222,670	2,222,670
		<u>6,140,394</u>	<u>6,140,394</u>
		<u>\$ 17,911,800</u>	<u>\$ 17,911,800</u>

The accompanying notes to the financial statements are an integral part of this report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2020**

Total Fund Balances - Governmental Funds \$ 11,604,891

Amounts reported for governmental activities in the Statement of Net Position are different because:

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. Also, prepaid bond insurance is amortized over the life of the 388,172

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 32,246,466

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District. 847,344

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

Accrued Interest Payable	\$ (335,993)	
Bonds Payable	<u>(26,839,080)</u>	<u>(27,175,073)</u>

Total Net Position - Governmental Activities \$ 17,911,800

The accompanying notes to the financial statements are an integral part of this report.

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FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,551,624	\$ 2,056,644
Water Revenues	575,046	
Wastewater Revenues	198,675	
Water Authority Fees	421,570	
Shared Facilities Revenues	364,529	
Tap Connection and Inspection Fees	146,515	
Penalty and Interest	111,449	57,619
Investment and Miscellaneous Revenues	115,030	44,337
TOTAL REVENUES	\$ 3,484,438	\$ 2,158,600
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 709,742	\$
Contracted Services	149,938	3,450
Purchased Sewer Service	109,214	
Utilities	37,151	
Repairs and Maintenance	439,470	
Purchased Water and Pumpage Fees	529,810	
Depreciation		
Other	184,419	808
Capital Outlay	2,096,634	
Debt Service:		
Bond Principal		1,160,000
Bond Interest		906,503
Bond Issuance Costs		239,274
Payment to Refunded Bond Escrow Agent		79,000
TOTAL EXPENDITURES/EXPENSES	\$ 4,256,378	\$ 2,389,035
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ (771,940)	\$ (230,435)
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ (155,637)	\$
Proceeds From Issuance of Long-Term Debt		4,850,000
Transfer to Refunded Bond Escrow Agent		(4,611,167)
Bond Discount		(60,794)
Bond Premium		66,253
TOTAL OTHER FINANCING SOURCES (USES)	\$ (155,637)	\$ 244,292
NET CHANGE IN FUND BALANCES	\$ (927,577)	\$ 13,857
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2020	6,748,653	1,936,291
FUND BALANCES/NET POSITION - DECEMBER 31, 2020	\$ 5,821,076	\$ 1,950,148

The accompanying notes to the financial statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 3,608,268	\$ 55,825	\$ 3,664,093
	575,046		575,046
	198,675		198,675
	421,570		421,570
	364,529		364,529
	146,515		146,515
	169,068	(3,301)	165,767
6,954	166,321		166,321
<u>\$ 6,954</u>	<u>\$ 5,649,992</u>	<u>\$ 52,524</u>	<u>\$ 5,702,516</u>
\$	\$ 709,742	\$	\$ 709,742
	153,388		153,388
	109,214		109,214
	37,151		37,151
	439,470		439,470
	529,810		529,810
		872,156	872,156
100	185,327		185,327
632,256	2,728,890	(2,728,890)	
	1,160,000	(1,160,000)	
	906,503	(2,073)	904,430
	239,274	(22,062)	217,212
	79,000	(79,000)	
<u>\$ 632,356</u>	<u>\$ 7,277,769</u>	<u>\$ (3,119,869)</u>	<u>\$ 4,157,900</u>
<u>\$ (625,402)</u>	<u>\$ (1,627,777)</u>	<u>\$ 3,172,393</u>	<u>\$ 1,544,616</u>
\$ 155,637	\$	\$	\$
	4,850,000	(4,850,000)	
	(4,611,167)	4,611,167	
	(60,794)	60,794	
	66,253	(66,253)	
<u>\$ 155,637</u>	<u>\$ 244,292</u>	<u>\$ (244,292)</u>	<u>\$ -0-</u>
<u>\$ (469,765)</u>	<u>\$ (1,383,485)</u>	<u>\$ 1,383,485</u>	<u>\$</u>
		1,544,616	1,544,616
4,303,432	12,988,376	3,378,808	16,367,184
<u>\$ 3,833,667</u>	<u>\$ 11,604,891</u>	<u>\$ 6,306,909</u>	<u>\$ 17,911,800</u>

The accompanying notes to the financial
statements are an integral part of this report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balances - Governmental Funds	\$ (1,383,485)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	55,825
Governmental funds report penalty and interest revenues on property taxes when collected. However, in the Statement of Activities, revenues are recorded when penalty and interest are assessed.	(3,301)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(872,156)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	2,728,890
Bond premiums, bond discounts and bond insurance premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	16,603
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	1,160,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	2,073
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(4,850,000)
Governmental funds report payments to the refunded bond escrow agent as an other financing use or as an expenditure if paid from District resources. The refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position.	<u>4,690,167</u>
Change in Net Position - Governmental Activities	<u>\$ 1,544,616</u>

The accompanying notes to the financial statements are an integral part of this report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1. CREATION OF DISTRICT

Fort Bend County Fresh Water Supply District No. 1 of Fort Bend County, Texas (the “District”) was created as a political subdivision of the State of Texas pursuant to an order of the Fort Bend County Commissioner’s Court dated January 18, 1997, and operates in accordance with Article XVI, Section 59 of the Texas Constitution and the Texas Water Code, Chapters 49 and 53. The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water and the collection, transportation and treatment of wastewater. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts. The Board of Supervisors held its first meeting on February 11, 1997 and sold its first bonds on October 2, 2006. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local 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 statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”). The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities.

It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position– This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District’s policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District’s Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District’s fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

Debt Service Fund – To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund – To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectible within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Deferred inflows of resources related to property tax revenues are those taxes which the District does not expect to be collected soon enough in the subsequent period to finance current expenditures. Property taxes considered available by the District and included in revenue include the 2019 tax levy collections during the period of October 1, 2019 to December 31, 2020, and taxes collected from January 1, 2020 to December 31, 2020, for the 2018 and prior tax levies. The 2020 tax levy has been fully deferred to meet the operating expenditures for the 2021 fiscal year.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of December 31, 2020, the District’s Debt Service Fund owed the General Fund \$354,076 for tax collections. During the current year, the General Fund recorded a transfer of \$156,987 to the Capital Projects Fund to cover construction costs previously paid by Capital Projects Fund.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are 10 to 45 years for water and wastewater infrastructure.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Supervisors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and amended budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that supervisors are considered to be “employees” for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

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 imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Supervisors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. 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 expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3. LONG-TERM DEBT

	<u>Series 2006A</u>	<u>Series 2008</u>	<u>Series 2010</u>
Amount Outstanding – December 31, 2020	\$ 2,830,000	\$ 230,000	\$ 295,000
Interest Rates	2.60% - 2.85%	4.51%	3.65% - 3.75%
Maturity Dates - Serially Beginning/Ending	August 15, 2021/2027	August 15, 2021	August 15, 2021/2022
Interest Payment Dates	February 15/ August 15	February 15/ August 15	February 15/ August 15
Callable Dates	August 15, 2016*	August 15, 2018*	August 15, 2020*
	<u>Series 2010A</u>	<u>Series 2015</u>	<u>Series 2016 Refunding</u>
Amount Outstanding – December 31, 2020	\$ 300,000	\$ 7,100,000	\$ 3,860,000
Interest Rates	N/A	1.74% - 4.30%	2.00% - 3.50%
Maturity Dates - Serially Beginning/Ending	August 15, 2021/2030	August 15, 2021/2045	August 15, 2021/2037
Interest Payment Dates	N/A	February 15/ August 15	February 15/ August 15
Callable Dates	N/A	August 15, 2025*	August 15, 2025*
	<u>Series 2017 Refunding</u>	<u>Series 2019</u>	<u>Series 2020 Refunding</u>
Amount Outstanding – December 31, 2020	\$ 5,315,000	\$ 1,715,000	\$ 4,850,000
Interest Rates	3.00% - 4.00%	1.90% - 4.34%	2.00% - 3.125%
Maturity Dates - Serially Beginning/Ending	August 15, 2021/2038	August 15, 2021/2049	August 15, 2021/2039
Interest Payment Dates	February 15/ August 15	February 15/ August 15	February 15/ August 15
Callable Dates	August 15, 2027*	February 15, 2030*	August 15, 2025*

* Or any interest payment date thereafter, at the option of the District, in whole or in part, at par plus accrued interest to the date fixed for redemption. Series 2016 term bonds due August 15, 2030, August 15, 2033, and August 15, 2037 are subject to mandatory redemption on August 15, 2028, August 15, 2031, and August 15, 2034, respectively. Series 2020 Refunding term bonds due August 15, 2031 are subject to mandatory redemption on August 15, 2029.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2020:

	January 1, 2020	Additions	Retirements	December 31, 2020
Bonds Payable	\$ 27,395,000	\$ 4,850,000	\$ 5,750,000	\$ 26,495,000
Unamortized Discounts	(142,902)	(60,794)	(73,509)	(130,187)
Unamortized Premiums	433,303	66,253	25,289	474,267
Bonds Payable, Net	<u>\$ 27,685,401</u>	<u>\$ 4,855,459</u>	<u>\$ 5,701,780</u>	<u>\$ 26,839,080</u>
			Amount Due Within One Year	\$ 1,235,000
			Amount Due After One Year	25,604,080
			Bonds Payable, Net	<u>\$ 26,839,080</u>

As of December 31, 2020, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 1,235,000	\$ 895,981	\$ 2,130,981
2022	1,270,000	861,528	2,131,528
2023	1,310,000	828,706	2,138,706
2024	1,335,000	793,341	2,128,341
2025	1,375,000	756,676	2,131,676
2026-2030	6,145,000	3,182,684	9,327,684
2031-2035	6,075,000	2,205,899	8,280,899
2036-2040	5,005,000	1,062,704	6,067,704
2041-2045	2,385,000	392,188	2,777,188
2046-2049	360,000	39,712	399,712
	<u>\$ 26,495,000</u>	<u>\$ 11,019,419</u>	<u>\$ 37,514,419</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. The District has remaining new money bond authorization of \$82,210,000 and refunding bond authorization of \$173,345,000.

The Series 2006A, Series 2008, Series 2010, Series 2010A, Series 2015, and Series 2019 Bonds are private placement bonds with the Texas Water Development Board. See the Supplementary Information in this document for the future debt service payments due on the private placement bonds.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended December 31, 2020, the District levied an ad valorem debt service tax rate of \$0.59 per \$100 of assessed valuation, which resulted in a tax levy of \$2,525,925 on the adjusted taxable valuation of \$427,858,037 for the 2019 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

All property values and exempt status, if any, are determined by the 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.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$6,362,348 and the bank balance was \$6,276,461. The District was not exposed to custodial credit risk as of year-end.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2020, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 272,582	\$ 3,360,000	\$ 3,632,582
DEBT SERVICE FUND	1,049,666	1,680,000	2,729,666
CAPITAL PROJECTS FUND	100		100
TOTAL DEPOSITS	\$ 1,322,348	\$ 5,040,000	\$ 6,362,348

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Supervisors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District also invests in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Certificates of deposit are recorded at acquisition cost. The value of the money market mutual fund is its target price of \$1.00 per share which is priced on a daily basis. As of December 31, 2020, the District had the following investments and maturities:

<u>Fund and Investment Type</u>	<u>Fair Value</u>	<u>Maturities of Less Than 1 Year</u>
<u>GENERAL FUND</u>		
Texas CLASS	\$ 2,355,320	\$ 2,355,320
Certificates of Deposit	3,360,000	3,360,000
<u>DEBT SERVICE FUND</u>		
Texas CLASS	81,855	81,855
Certificates of Deposit	1,680,000	1,680,000
<u>CAPITAL PROJECTS FUND</u>		
Money Market Mutual Fund	2,085,409	2,085,409
Texas CLASS	80,539	80,539
TOTAL INVESTMENTS	<u>\$ 9,643,123</u>	<u>\$ 9,643,123</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2020, the District's investments in both Texas CLASS and the money market mutual fund were rated AAAM by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit with balances below FDIC coverage.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in Texas CLASS and the money market mutual fund to have maturities of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there have been significant changes in values. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 is as follows:

	January 1, 2020	Increases	Decreases	December 31, 2020
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 7,000	\$	\$	\$ 7,000
Construction in Progress	1,222,923	2,728,890	3,448,318	503,495
Total Capital Assets Not Being Depreciated	<u>\$ 1,229,923</u>	<u>\$ 2,728,890</u>	<u>\$ 3,448,318</u>	<u>\$ 510,495</u>
Capital Assets Subject to Depreciation				
Water System	\$ 23,493,517	\$	\$	\$ 23,493,517
Wastewater System	10,298,341	3,448,318		13,746,659
Total Capital Assets Subject to Depreciation	<u>\$ 33,791,858</u>	<u>\$ 3,448,318</u>	<u>\$ - 0 -</u>	<u>\$ 37,240,176</u>
Less Accumulated Depreciation				
Water System	\$ 3,932,275	\$ 602,204	\$	\$ 4,534,479
Wastewater System	699,774	269,952		969,726
Total Accumulated Depreciation	<u>\$ 4,632,049</u>	<u>\$ 872,156</u>	<u>\$ - 0 -</u>	<u>\$ 5,504,205</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 29,159,809</u>	<u>\$ 2,576,162</u>	<u>\$ - 0 -</u>	<u>\$ 31,735,971</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 30,389,732</u>	<u>\$ 5,305,052</u>	<u>\$ 3,448,318</u>	<u>\$ 32,246,466</u>

NOTE 7. MAINTENANCE TAX

At an election held on November 4, 2014, the voters of the District authorized the levy and collection of an annual maintenance tax for the operation and maintenance of the District's improvements in an amount not to exceed \$0.50 per \$100 of assessed valuation. The maintenance tax is to be used by the General Fund to pay the expenditures of operating the District's facilities as well as to pay for general and administrative costs. During the year ended December 31, 2020, the District levied an ad valorem maintenance tax rate of \$0.41 per \$100 of assessed valuation, which resulted in a tax levy of \$1,755,303 on the adjusted taxable valuation of \$427,858,037 for the 2020 tax year. The 2020 tax levy has been fully deferred to meet fiscal year 2021 expenditures.

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters. The District participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide various types of property and liability insurance coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9. REGIONAL FACILITIES CONTRACT

On August 18, 2005, the District entered into a Regional Facilities Contract (Contract) with the City of Arcola (the City) for the provision of water and wastewater service. This contract was most recently amended on January 21, 2021. The Regional Sewer System (RSS), including the initial expansion, is owned and operated by the City. The District pays a portion of those RSS expenses directly attributable to the RSS, plus an administrative overhead fee not to exceed 20% of the District's portion of total RSS expenses. These RSS expenses are prorated based on relative capacity in the RSS. The District also pays a portion of variable RSS expenses based on the ratio of metered flow to the District versus total discharge.

The Contract also provided for the design and construction of the Regional Water System (Water System) to provide water service to both the District and the City. The portion of the Water System upstream of the water point of delivery plus the measuring equipment will be owned and maintained by the District and those portions downstream will be owned and maintained by the City. The contract is in force through September 30, 2053.

NOTE 10. ESCROW REQUIREMENT

In compliance with an order of the Texas Water Development Board (the "TWDB"), the District escrowed Series 2019 bonds proceeds for the acquisition and construction of water system improvements. The funds are released from escrow once written approval is received from the TWDB. The released funds may be used by the District as provided in the order authorizing issuance of the Bonds or as ordered by the TWDB.

NOTE 11. EMERGENCY WATER SUPPLY AGREEMENT

On May 23, 2006, the District entered into an Emergency Water Supply Agreement with Fort Bend County Municipal Utility District No. 23 (District No. 23). The District was responsible for all costs associated with construction of such water interconnect facilities to be connected to the District's system. The rates for emergency water service are \$1.00 per 1,000 gallons plus any per 1,000-gallon pumpage fee that may be imposed on the supplying district by a governmental entity, including but not limited to the City of Missouri City or a regional water authority. The term of this agreement is 40 years.

NOTE 12. NORTH FORT BEND WATER AUTHORITY

The District has entered into a Groundwater Reduction Plan Participation Agreement with the North Fort Bend Water Authority (the "Authority"). The District pays the Authority a water well pumpage fee based on the amount of water pumped from all well(s) owned and operated by the District. This fee enables the Authority to fulfill its purpose and regulatory functions. The fee charged as of year-end was \$3.95 per 1,000-gallons of water pumped from each well. The District incurred costs of \$422,251 during the current fiscal year in relation to this agreement. The term of this agreement is for 40 years from the effective date of the agreement.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT

The District has entered into a Strategic Partnership Agreement (the “SPA”) with the City of Houston (the “City”), effective December 31, 2018. The SPA provides for a “limited purpose annexation” of that portion of the District developed for retail and commercial purposes in order to apply certain City health, safety, planning, and zoning ordinances within the District. Pursuant to the terms of the SPA, certain commercial tracts within the District have been annexed into the City for limited purposes and the City has imposed a one percent sales and use tax (but no property tax) within the areas of limited-purpose annexation and agreed to remit one-half of such sales and use tax to the District to be used for any lawful District purpose. The SPA also provides that the City will not annex the District for “full purposes” for at least 30 years.

NOTE 14. REFUNDING BOND SALE

On May 28, 2020, the District closed on the sale of its \$4,850,000 Series 2020 Unlimited Tax Refunding Bonds. Proceeds of the bonds were used to refund \$760,000 of the Series 2008 Bonds with interest rates of 4.51%-4.61%, maturity dates of 2022-2024, and a redemption date of August 15, 2020, and to refund \$3,830,000 of the Series 2010 Bonds with interest rates of 3.85%-4.60%, maturity dates of 2023-2039, and a redemption date of August 15, 2020. The refunding resulted in gross savings of \$470,980 and net present value savings of \$339,767.

NOTE 15. ECONOMIC UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, economic uncertainties have arisen which could have an impact on the operations of the District. The District is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.

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FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Property Taxes	\$ 1,525,767	\$ 1,525,767	\$ 1,551,624	\$ 25,857
Water Revenues	500,000	500,000	575,046	75,046
Wastewater Revenues	150,000	150,000	198,675	48,675
Water Authority Fees	340,000	340,000	421,570	81,570
Shared Facilities Revenues	210,000	210,000	364,529	154,529
Tap Connection and Inspection Fees	62,000	62,000	146,515	84,515
Penalty and Interest	61,000	61,000	111,449	50,449
Investment and Miscellaneous Revenues	<u>92,250</u>	<u>92,250</u>	<u>115,030</u>	<u>22,780</u>
TOTAL REVENUES	<u>\$ 2,941,017</u>	<u>\$ 2,941,017</u>	<u>\$ 3,484,438</u>	<u>\$ 543,421</u>
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 545,000	\$ 545,000	\$ 709,742	\$ (164,742)
Contracted Services	164,000	164,000	149,938	14,062
Purchased Sewer Services	250,000	250,000	109,214	140,786
Utilities	50,000	50,000	37,151	12,849
Repairs and Maintenance	250,000	250,000	439,470	(189,470)
Purchased Water and Pumpage Fees	540,000	540,000	529,810	10,190
Other	184,350	192,350	184,419	7,931
Capital Outlay	<u>250,000</u>	<u>2,130,000</u>	<u>2,096,634</u>	<u>33,366</u>
TOTAL EXPENDITURES	<u>\$ 2,233,350</u>	<u>\$ 4,121,350</u>	<u>\$ 4,256,378</u>	<u>\$ (135,028)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 707,667</u>	<u>\$ (1,180,333)</u>	<u>\$ (771,940)</u>	<u>\$ 408,393</u>
OTHER FINANCING SOURCES(USES)				
Transfers In (Out)	<u>\$ -0-</u>	<u>\$ (250,370)</u>	<u>\$ (155,637)</u>	<u>\$ 94,733</u>
NET CHANGE IN FUND BALANCE	\$ 707,667	\$ (1,430,703)	\$ (927,577)	\$ 503,126
FUND BALANCE - JANUARY 1, 2020	<u>6,748,653</u>	<u>6,748,653</u>	<u>6,748,653</u>	<u>_____</u>
FUND BALANCE - DECEMBER 31, 2020	<u>\$ 7,456,320</u>	<u>\$ 5,317,950</u>	<u>\$ 5,821,076</u>	<u>\$ 503,126</u>

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FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
DECEMBER 31, 2020

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

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

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order approved October 15, 2020.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$21.00	3,000	N	\$2.50 \$4.50 \$5.50 \$6.50	3,001 to 5,000 5,001 to 20,000 20,001 to 35,000 35,001 and up
WASTEWATER:	\$30.00	3,000	N	\$1.75	3,001 and up

SURCHARGE:

Water Authority Fees \$4.19 per 1,000 gallons

District employs winter averaging for wastewater usage?

_____ X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$48.50 Wastewater: \$42.25 Surcharge: \$41.90

Note: Sewer service is provided to some District customers by the City of Arcola.

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2020**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ ³ / ₄ "	<u>1,640</u>	<u>1,567</u>	x 1.0	<u>1,567</u>
1"	<u>16</u>	<u>16</u>	x 2.5	<u>40</u>
1½"	<u>5</u>	<u>5</u>	x 5.0	<u>25</u>
2"	<u>7</u>	<u>7</u>	x 8.0	<u>56</u>
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"	<u>1</u>	<u>1</u>	x 80.0	<u>80</u>
10"			x 115.0	
Total Water Connections	<u><u>1,669</u></u>	<u><u>1,596</u></u>		<u><u>1,768</u></u>
Total Wastewater Connections	<u><u>1,539</u></u>	<u><u>1,528</u></u>	x 1.0	<u><u>1,528</u></u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons pumped into system:	107,254,000	Water Accountability Ratio: 92.1% (Gallons billed and sold /Gallons pumped and purchased)
Gallons billed to customers:	100,311,000	
Gallons sold:	30,883,000	To: <u>City of Arcola, Texas</u>
Gallons purchased:	35,150,000	From: <u>Fort Bend County MUD No. 23</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2020**

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Fort Bend County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ's in which District is located:

City of Houston, Texas; City of Pearland, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2020

PROFESSIONAL FEES:	
Auditing	\$ 21,000
Engineering	494,688
Legal	154,017
Delinquent Tax Attorney	40,037
TOTAL PROFESSIONAL FEES	<u>\$ 709,742</u>
PURCHASED WATER AND PUMPAGE FEES	<u>\$ 529,810</u>
PURCHASED WASTEWATER SERVICE	<u>\$ 109,214</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 40,255
Operations and Billing	84,851
Tax Collector/Appraisal District	24,832
TOTAL CONTRACTED SERVICES	<u>\$ 149,938</u>
UTILITIES:	
Electricity	\$ 34,543
Telephone	2,608
TOTAL UTILITIES	<u>\$ 37,151</u>
REPAIRS AND MAINTENANCE	<u>\$ 439,470</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 13,102
Election Costs	9,856
Insurance	11,492
Office Supplies and Postage	20,402
Arbitrage Compliance, Meetings and Other	25,649
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 80,501</u>
CAPITAL OUTLAY	<u>\$ 2,096,634</u>
TAP CONNECTIONS	<u>\$ 83,678</u>
OTHER EXPENDITURES:	
Chemicals	\$ 2,095
Laboratory Fees	5,287
Permit Fees	1,450
Inspection Fees	7,637
Regulatory Assessment	3,771
TOTAL OTHER EXPENDITURES	<u>\$ 20,240</u>
TOTAL EXPENDITURES	<u><u>\$ 4,256,378</u></u>

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
INVESTMENTS
DECEMBER 31, 2020**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
Texas CLASS	XXXX0002	Varies	Daily	\$ 2,355,320	\$
Certificate of Deposit	XXXX0783	0.85%	04/29/21	240,000	1,375
Certificate of Deposit	XXXX5280	0.70%	10/30/21	240,000	285
Certificate of Deposit	XXXX2246	1.90%	01/22/21	240,000	4,273
Certificate of Deposit	XXXX1575	0.35%	12/30/21	240,000	5
Certificate of Deposit	XXXX2413	1.98%	02/24/21	240,000	4,036
Certificate of Deposit	XXXX2548	0.99%	05/28/21	240,000	1,412
Certificate of Deposit	XXXX1329	0.35%	11/24/21	240,000	85
Certificate of Deposit	XXXX0172	0.50%	06/30/21	240,000	602
Certificate of Deposit	XXXX6670	0.55%	09/29/21	240,000	336
Certificate of Deposit	XXXX7767	0.35%	12/22/21	240,000	21
Certificate of Deposit	XXXX0879	0.55%	07/31/21	240,000	553
Certificate of Deposit	XXXX6605	0.75%	05/30/21	240,000	1,060
Certificate of Deposit	XXXX0266	0.40%	11/25/21	240,000	95
Certificate of Deposit	XXXX0319	0.40%	11/24/21	240,000	97
TOTAL GENERAL FUND				<u>\$ 5,715,320</u>	<u>\$ 14,235</u>
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0004	Varies	Daily	\$ 81,855	\$
Certificate of Deposit	XXXX9297	0.70%	08/05/21	240,000	681
Certificate of Deposit	XXXX1000	1.60%	02/27/21	240,000	3,230
Certificate of Deposit	XXXX3362	1.75%	02/26/21	240,000	3,544
Certificate of Deposit	XXXX2126	0.75%	08/04/21	240,000	735
Certificate of Deposit	XXXX0365	1.65%	02/26/21	240,000	3,341
Certificate of Deposit	XXXX0134	1.75%	02/27/21	240,000	3,544
Certificate of Deposit	XXXX6589	1.80%	01/21/21	240,000	4,060
TOTAL DEBT SERVICE FUND				<u>\$ 1,761,855</u>	<u>\$ 19,135</u>
<u>CAPITAL PROJECTS FUND</u>					
Money Market Mutual Fund	XXXX0011	Varies	Monthly	\$ 2,085,409	\$
Texas CLASS	XXXX0001	Varies	Daily	80,539	_____
TOTAL CAPITAL PROJECTS FUND				<u>\$ 2,165,948</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 9,643,123</u>	<u>\$ 33,370</u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2020

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JANUARY 1, 2020	\$ 1,463,213		\$ 1,945,034	
Adjustments to Beginning				
Balance	<u>22,112</u>	\$ 1,485,325	<u>20,935</u>	\$ 1,965,969
Original 2020 Tax Levy	\$ 1,693,019		\$ 2,436,296	
Adjustment to 2020 Tax Levy	<u>62,284</u>	<u>1,755,303</u>	<u>89,629</u>	<u>2,525,925</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 3,240,628		\$ 4,491,894
TAX COLLECTIONS:				
Prior Years	\$ 1,246,496		\$ 1,652,172	
Current Year	<u>365,825</u>	<u>1,612,321</u>	<u>526,433</u>	<u>2,178,605</u>
TAXES RECEIVABLE -				
DECEMBER 31, 2020		<u>\$ 1,628,307</u>		<u>\$ 2,313,289</u>
TAXES RECEIVABLE BY				
YEAR:				
2020		\$ 1,389,478		\$ 1,999,492
2019		91,824		121,720
2018		59,532		59,532
2017		23,752		23,752
2016		15,191		15,191
2015		11,229		11,229
2014		9,350		9,350
2013		4,441		13,322
2012		4,224		12,672
2011		4,089		12,268
2010		2,996		8,987
2009 and prior		<u>12,201</u>		<u>25,774</u>
TOTAL		<u>\$ 1,628,307</u>		<u>\$ 2,313,289</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
PROPERTY VALUATIONS:				
Land	\$ 196,658,583	\$ 140,376,197	\$ 142,614,607	\$ 127,492,383
Improvements	217,232,684	183,471,630	164,383,956	154,049,146
Personal Property	94,787,040	99,339,981	83,563,570	77,741,460
Exemptions	<u>(80,820,270)</u>	<u>(61,266,359)</u>	<u>(38,194,754)</u>	<u>(36,125,525)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 427,858,037</u>	<u>\$ 361,921,449</u>	<u>\$ 352,367,379</u>	<u>\$ 323,157,464</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.59	\$ 0.57	\$ 0.50	\$ 0.50
Maintenance	<u>0.41</u>	<u>0.43</u>	<u>0.50</u>	<u>0.50</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>
ADJUSTED TAX LEVY*	<u>\$ 4,281,228</u>	<u>\$ 3,621,045</u>	<u>\$ 3,524,708</u>	<u>\$ 3,234,592</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>20.84 %</u>	<u>94.10 %</u>	<u>96.62 %</u>	<u>98.53 %</u>

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax – Maximum tax rate of \$0.50 per \$100 of assessed valuation approved by voters on November 4, 2014.

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

S E R I E S - 2 0 0 6 A

Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
2021	\$ 370,000	\$ 77,347	\$ 447,347
2022	380,000	67,725	447,725
2023	395,000	57,655	452,655
2024	405,000	46,990	451,990
2025	415,000	35,852	450,852
2026	425,000	24,440	449,440
2027	440,000	12,540	452,540
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2049			
	<u>\$ 2,830,000</u>	<u>\$ 322,549</u>	<u>\$ 3,152,549</u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

S E R I E S - 2 0 0 8

Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
2021	\$ 230,000	\$ 10,373	\$ 240,373
2022			
2023			
2024			
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2049			
	<u>\$ 230,000</u>	<u>\$ 10,373</u>	<u>\$ 240,373</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020**

SERIES - 2010

Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
2021	\$ 145,000	\$ 10,917	\$ 155,917
2022	150,000	5,625	155,625
2023			
2024			
2025			
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2049			
	<u>\$ 295,000</u>	<u>\$ 16,542</u>	<u>\$ 311,542</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020**

S E R I E S - 2 0 1 0 A

Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due	Total
2021	\$ 30,000	\$	\$ 30,000
2022	30,000		30,000
2023	30,000		30,000
2024	30,000		30,000
2025	30,000		30,000
2026	30,000		30,000
2027	30,000		30,000
2028	30,000		30,000
2029	30,000		30,000
2030	30,000		30,000
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	<u>\$ 300,000</u>	<u>\$ - 0 -</u>	<u>\$ 300,000</u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

S E R I E S - 2 0 1 5

Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
2021	\$ 190,000	\$ 264,127	\$ 454,127
2022	195,000	260,821	455,821
2023	195,000	256,882	451,882
2024	200,000	252,494	452,494
2025	205,000	247,615	452,615
2026	210,000	242,366	452,366
2027	220,000	236,424	456,424
2028	225,000	229,670	454,670
2029	230,000	222,334	452,334
2030	240,000	214,446	454,446
2031	250,000	205,853	455,853
2032	260,000	196,629	456,629
2033	265,000	186,800	451,800
2034	280,000	176,545	456,545
2035	290,000	165,485	455,485
2036	300,000	153,827	453,827
2037	315,000	141,617	456,617
2038	325,000	128,639	453,639
2039	340,000	115,119	455,119
2040	355,000	100,873	455,873
2041	370,000	85,892	455,892
2042	385,000	70,204	455,204
2043	400,000	53,803	453,803
2044	420,000	36,723	456,723
2045	435,000	18,705	453,705
2046			
2047			
2048			
2049			
	\$ 7,100,000	\$ 4,263,893	\$ 11,363,893

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

S E R I E S - 2 0 1 6 R E F U N D I N G

Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
2021	\$ 180,000	\$ 120,300	\$ 300,300
2022	185,000	116,700	301,700
2023	190,000	113,000	303,000
2024	190,000	107,300	297,300
2025	200,000	101,600	301,600
2026	205,000	95,600	300,600
2027	210,000	89,450	299,450
2028	215,000	83,150	298,150
2029	225,000	76,432	301,432
2030	230,000	69,400	299,400
2031	240,000	62,212	302,212
2032	245,000	54,412	299,412
2033	250,000	46,450	296,450
2034	260,000	38,325	298,325
2035	270,000	29,225	299,225
2036	280,000	19,775	299,775
2037	285,000	9,975	294,975
2038			
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2049			
	<u>\$ 3,860,000</u>	<u>\$ 1,233,306</u>	<u>\$ 5,093,306</u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

S E R I E S - 2 0 1 7 R E F U N D I N G

Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
2021	\$ 10,000	\$ 212,200	\$ 222,200
2022	10,000	211,900	221,900
2023	10,000	211,600	221,600
2024	10,000	211,300	221,300
2025	285,000	211,000	496,000
2026	300,000	199,600	499,600
2027	315,000	187,600	502,600
2028	325,000	175,000	500,000
2029	340,000	162,000	502,000
2030	350,000	148,400	498,400
2031	365,000	134,400	499,400
2032	380,000	119,800	499,800
2033	395,000	104,600	499,600
2034	410,000	88,800	498,800
2035	425,000	72,400	497,400
2036	445,000	55,400	500,400
2037	460,000	37,600	497,600
2038	480,000	19,200	499,200
2039			
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2049			
	<u>\$ 5,315,000</u>	<u>\$ 2,562,800</u>	<u>\$ 7,877,800</u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

S E R I E S - 2 0 1 9

Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
2021	\$ 40,000	\$ 62,405	\$ 102,405
2022	40,000	61,645	101,645
2023	40,000	60,857	100,857
2024	40,000	60,045	100,045
2025	40,000	59,197	99,197
2026	40,000	58,317	98,317
2027	40,000	57,397	97,397
2028	45,000	56,441	101,441
2029	45,000	55,208	100,208
2030	45,000	53,858	98,858
2031	50,000	52,409	102,409
2032	50,000	50,709	100,709
2033	50,000	49,009	99,009
2034	55,000	47,309	102,309
2035	55,000	45,362	100,362
2036	55,000	43,349	98,349
2037	60,000	41,286	101,286
2038	60,000	38,988	98,988
2039	65,000	36,642	101,642
2040	65,000	34,062	99,062
2041	70,000	31,449	101,449
2042	70,000	28,495	98,495
2043	75,000	25,541	100,541
2044	80,000	22,376	102,376
2045	80,000	19,000	99,000
2046	85,000	15,624	100,624
2047	90,000	11,935	101,935
2048	90,000	8,029	98,029
2049	95,000	4,124	99,124
	<u>\$ 1,715,000</u>	<u>\$ 1,191,068</u>	<u>\$ 2,906,068</u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

S E R I E S - 2 0 2 0 R E F U N D I N G

Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
2021	\$ 40,000	\$ 138,312	\$ 178,312
2022	280,000	137,112	417,112
2023	450,000	128,712	578,712
2024	460,000	115,212	575,212
2025	200,000	101,412	301,412
2026	210,000	95,412	305,412
2027	210,000	91,212	301,212
2028	215,000	87,012	302,012
2029	215,000	82,712	297,712
2030	225,000	76,263	301,263
2031	235,000	69,513	304,513
2032	240,000	62,463	302,463
2033	245,000	56,463	301,463
2034	250,000	49,113	299,113
2035	260,000	41,613	301,613
2036	265,000	33,813	298,813
2037	275,000	25,863	300,863
2038	285,000	17,613	302,613
2039	290,000	9,063	299,063
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
	<u>\$ 4,850,000</u>	<u>\$ 1,418,888</u>	<u>\$ 6,268,888</u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 1,235,000	\$ 895,981	\$ 2,130,981
2022	1,270,000	861,528	2,131,528
2023	1,310,000	828,706	2,138,706
2024	1,335,000	793,341	2,128,341
2025	1,375,000	756,676	2,131,676
2026	1,420,000	715,735	2,135,735
2027	1,465,000	674,623	2,139,623
2028	1,055,000	631,273	1,686,273
2029	1,085,000	598,686	1,683,686
2030	1,120,000	562,367	1,682,367
2031	1,140,000	524,387	1,664,387
2032	1,175,000	484,013	1,659,013
2033	1,205,000	443,322	1,648,322
2034	1,255,000	400,092	1,655,092
2035	1,300,000	354,085	1,654,085
2036	1,345,000	306,164	1,651,164
2037	1,395,000	256,341	1,651,341
2038	1,150,000	204,440	1,354,440
2039	695,000	160,824	855,824
2040	420,000	134,935	554,935
2041	440,000	117,341	557,341
2042	455,000	98,699	553,699
2043	475,000	79,344	554,344
2044	500,000	59,099	559,099
2045	515,000	37,705	552,705
2046	85,000	15,624	100,624
2047	90,000	11,935	101,935
2048	90,000	8,029	98,029
2049	95,000	4,124	99,124
	<u>\$ 26,495,000</u>	<u>\$ 11,019,419</u>	<u>\$ 37,514,419</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2020**

Description	Original Bonds Issued	Bonds Outstanding January 1, 2020
Fort Bend County Fresh Water Supply District No. 1 Sanitary Sewer System Unlimited Tax Bonds - Series 2006A	\$ 6,935,000	\$ 3,195,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Bonds - Series 2008	8,500,000	1,210,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Bonds - Series 2010	5,285,000	4,265,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Bonds - Series 2010A	600,000	330,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Bonds - Series 2015	8,000,000	7,290,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Refunding Bonds - Series 2016	4,430,000	4,035,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Refunding Bonds - Series 2017	5,365,000	5,325,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Bonds - Series 2019	1,745,000	1,745,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Refunding Bonds - Series 2020	<u>4,850,000</u>	
TOTAL	<u>\$ 45,710,000</u>	<u>\$ 27,395,000</u>

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding December 31, 2020</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 365,000	\$ 86,835	\$ 2,830,000	Wells Fargo Bank N.A. Houston, TX
	980,000	37,519	230,000	Wells Fargo Bank N.A. Houston, TX
	3,970,000	99,494	295,000	Wells Fargo Bank N.A. Houston, TX
	30,000		300,000	Wells Fargo Bank N.A. Houston, TX
	190,000	266,882	7,100,000	Amegy Bank N.A. Houston, TX
	175,000	123,800	3,860,000	Amegy Bank N.A. Houston, TX
	10,000	212,400	5,315,000	Amegy Bank N.A. Houston, TX
	30,000	49,990	1,715,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>4,850,000</u>		<u>29,583</u>	<u>4,850,000</u>	The Bank of New York Amegy Bank N.A. Houston, TX
<u>\$ 4,850,000</u>	<u>\$ 5,750,000</u>	<u>\$ 906,503</u>	<u>\$ 26,495,000</u>	

See accompanying independent auditor's report.

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**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2020**

Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 118,310,000	\$ 173,965,000
Amount Issued	<u>36,100,000</u>	<u>620,000</u>
Remaining to be Issued	<u>\$ 82,210,000</u>	<u>\$ 173,345,000</u>

Debt Service Fund cash and investment balances as of December 31, 2020: \$ 2,811,521

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,293,601

See Note 3 for interest rates, interest payment dates and maturity dates.

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 1,551,624	\$ 1,716,514	\$ 1,596,026
Water Revenues	575,046	520,736	517,697
Wastewater Revenues	198,675	163,918	141,496
Water Authority Fees	421,570	366,021	310,134
Shared Facilities Revenues	364,529	190,657	189,522
Tap Connection and Inspection Fees	146,515	216,935	193,297
Penalty and Interest	111,449	122,920	112,900
Capital Contributions		169,963	120,496
Investment and Miscellaneous Revenues	115,030	181,317	69,074
TOTAL REVENUES	\$ 3,484,438	\$ 3,648,981	\$ 3,250,642
EXPENDITURES			
Professional Fees	\$ 709,742	\$ 508,934	\$ 471,834
Contracted Services	149,938	156,506	150,199
Purchased Sewer Service	109,214	114,597	99,362
Utilities	37,151	44,010	49,519
Repairs and Maintenance	439,470	184,115	222,356
Purchased Water and Pumpage Fees	529,810	522,428	435,101
Other	184,419	260,203	295,062
Capital Outlay	2,096,634	528,207	224,278
TOTAL EXPENDITURES	\$ 4,256,378	\$ 2,319,000	\$ 1,947,711
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (771,940)	\$ 1,329,981	\$ 1,302,931
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ (155,637)	\$ 50,680	\$ (68,870)
NET CHANGE IN FUND BALANCE	\$ (927,577)	\$ 1,380,661	\$ 1,234,061
BEGINNING FUND BALANCE	6,748,653	5,367,992	4,133,931
ENDING FUND BALANCE	\$ 5,821,076	\$ 6,748,653	\$ 5,367,992

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 1,376,887	\$ 1,379,822	44.5 %	47.0 %	49.2 %	55.9 %	69.5 %
341,731	196,237	16.5	14.3	15.9	13.9	9.9
65,543		5.7	4.5	4.4	2.7	
197,590	104,762	12.1	10.0	9.5	8.0	5.3
174,221	154,536	10.5	5.2	5.8	7.1	7.8
156,164	24,410	4.2	5.9	5.9	6.3	1.2
89,390	100,646	3.2	3.4	3.5	3.6	5.1
			4.7	3.7		
60,739	24,264	3.3	5.0	2.1	2.5	1.2
<u>\$ 2,462,265</u>	<u>\$ 1,984,677</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 651,876	\$ 461,297	20.4 %	13.9 %	14.5 %	26.5 %	23.2 %
82,486	65,680	4.3	4.3	4.6	3.4	3.3
49,421	53,000	3.1	3.1	3.1	2.0	2.7
38,794	33,389	1.1	1.2	1.5	1.6	1.7
154,017	72,563	12.6	5.0	6.8	6.3	3.7
312,695	215,325	15.2	14.3	13.4	12.7	10.8
263,419	58,412	5.3	7.1	9.1	10.7	2.9
419,098	629,163	60.2	14.5	6.9	17.0	31.7
<u>\$ 1,971,806</u>	<u>\$ 1,588,829</u>	<u>122.2 %</u>	<u>63.4 %</u>	<u>59.9 %</u>	<u>80.2 %</u>	<u>80.0 %</u>
\$ 490,459	\$ 395,848	(22.2) %	36.6 %	40.1 %	19.8 %	20.0 %
\$ (1,161,427)	\$ 13,918					
\$ (670,968)	\$ 409,766					
4,804,899	4,395,133					
<u>\$ 4,133,931</u>	<u>\$ 4,804,899</u>					

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 2,056,644	\$ 1,718,508	\$ 1,603,046
Penalty and Interest	57,619	50,237	51,471
Investment and Miscellaneous Revenues	<u>44,337</u>	<u>63,811</u>	<u>70,834</u>
TOTAL REVENUES	<u>\$ 2,158,600</u>	<u>\$ 1,832,556</u>	<u>\$ 1,725,351</u>
EXPENDITURES			
Debt Service Interest, Fees and Tax Collection Costs	\$ 910,761	\$ 961,266	\$ 967,200
Debt Service Principal	1,160,000	1,110,000	1,100,000
Bond Issuance Costs	239,274		
Payment to Refunded Bond Escrow Agent	<u>79,000</u>		
TOTAL EXPENDITURES	<u>\$ 2,389,035</u>	<u>\$ 2,071,266</u>	<u>\$ 2,067,200</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (230,435)</u>	<u>\$ (238,710)</u>	<u>\$ (341,849)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$	\$	\$
Proceeds From Issuance of Long-Term Debt	4,850,000		
Transfer to Refunded Bond Escrow Agent	(4,611,167)		
Bond Discount	(60,794)		
Bond Premium	<u>66,253</u>		
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 244,292</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 13,857	\$ (238,710)	\$ (341,849)
BEGINNING FUND BALANCE	<u>1,936,291</u>	<u>2,175,001</u>	<u>2,516,850</u>
ENDING FUND BALANCE	<u>\$ 1,950,148</u>	<u>\$ 1,936,291</u>	<u>\$ 2,175,001</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,596</u>	<u>1,527</u>	<u>1,436</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,528</u>	<u>1,497</u>	<u>1,410</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 1,388,236	\$ 1,403,229	95.2 %	93.8 %	92.9 %	95.1 %	95.4 %
46,152	57,202	2.7	2.7	3.0	3.2	3.9
24,376	10,214	2.1	3.5	4.1	1.7	0.7
<u>\$ 1,458,764</u>	<u>\$ 1,470,645</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 1,088,703	\$ 1,100,110	42.2 %	52.4 %	56.1 %	74.6 %	74.8 %
1,040,000	940,000	53.7	60.6	63.8	71.3	63.9
295,455	247,112	11.1			20.3	16.8
		3.7				
<u>\$ 2,424,158</u>	<u>\$ 2,287,222</u>	<u>110.7 %</u>	<u>113.0 %</u>	<u>119.9 %</u>	<u>166.2 %</u>	<u>155.5 %</u>
\$ (965,394)	\$ (816,577)	<u>(10.7) %</u>	<u>(13.0) %</u>	<u>(19.9) %</u>	<u>(66.2) %</u>	<u>(55.5) %</u>
\$ (19,198)	\$ (13,918)					
5,365,000	4,430,000					
(5,542,210)	(4,196,454)					
	(39,946)					
486,205						
<u>\$ 289,797</u>	<u>\$ 179,682</u>					
\$ (675,597)	\$ (636,895)					
3,192,447	3,829,342					
<u>\$ 2,516,850</u>	<u>\$ 3,192,447</u>					
<u>1,286</u>	<u>565</u>					
<u>304</u>	<u>559</u>					

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2020**

District Mailing Address - Fort Bend County Fresh Water Supply District No. 1
c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP
1980 Post Oak, Suite 1380
Houston, TX 77056

District Telephone Number - (713) 850-9000

Supervisors	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>December 31, 2020</u>	Expense Reimbursements for the year ended <u>December 31, 2020</u>	<u>Title</u>
Paul Hamilton	05/18 05/22 (Elected)	\$ 4,500	\$ 684	President
Rosa Linda Medina	11/24 05/24 (Elected)	\$ 2,400	\$ 24	Vice President
Calvin Casher	11/20 05/24 (Elected)	\$ 2,700	\$ 24	Secretary
Rodrigo Carreon	05/18 05/22 (Elected)	\$ -0-	\$ -0-	Assistant Secretary
Erasto Vallejo	11/20 05/24 (Elected)	\$ 150	\$ -0-	Assistant Secretary
Greg Fleck	05/16 11/20 (Elected)	\$ 2,400	\$ -0-	Former Supervisor

Notes: No Supervisor has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form: November 15, 2020

The limit on Fees of Office that a Supervisor may receive during a fiscal year is \$7,200 as set by Board Resolution on May 12, 2016. Fees of Office are the amounts actually paid to a Supervisor during the District's current fiscal year.

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2020**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2020</u>	<u>Title</u>
Sanford Kuhl Hagan Kugle Parker Kahn LLP	01/21/10	\$ 161,251 \$ 98,874	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	11/01/01	\$ 21,000 \$ 1,500	Auditor Other Services
Municipal Accounts and Consulting	06/15/18	\$ 44,571	Bookkeeper
Jacobs Engineering Group, Inc.	01/15/09	\$ 535,774	Engineer
Robert W. Baird & Co. Inc.	02/19/15	\$ 50,187	Financial Advisor
Environmental Development Partners	07/01/12	\$ 548,751	Operator

See accompanying independent auditor's report.

