

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2021

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McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

PO Box 29584
Austin, TX 78755-5126
(512) 610-2209
www.mgsbpllc.com
E-Mail: mgsb@mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2021, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 an 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
Certified Public Accountants
Houston, Texas

April 21, 2022

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Management’s discussion and analysis of the financial performance of Fort Bend County Fresh Water Supply District No. 1 (the “District”) provides an overview of the District’s financial activities for the fiscal year ended December 31, 2021. 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, 2021**

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") and other supplementary information. 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 \$20,322,204 as of December 31, 2021. 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, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2021	2020	Change Positive (Negative)
Current and Other Assets	\$ 17,203,237	\$ 17,402,343	\$ (199,106)
Capital Assets (Net of Accumulated Depreciation)	33,828,183	32,246,466	1,581,717
Total Assets	\$ 51,031,420	\$ 49,648,809	\$ 1,382,611
Deferred Outflows of Resources	\$ 290,613	\$ 307,683	\$ (17,070)
Bonds Payable	\$ 25,588,540	\$ 26,839,080	\$ 1,250,540
Other Liabilities	1,060,154	924,384	(135,770)
Total Liabilities	\$ 26,648,694	\$ 27,763,464	\$ 1,114,770
Deferred Inflows of Resources	\$ 4,351,135	\$ 4,281,228	\$ (69,907)
Net Position:			
Net Investment in Capital Assets	\$ 10,279,173	\$ 9,548,736	\$ 730,437
Restricted	2,668,288	2,222,670	445,618
Unrestricted	7,374,743	6,140,394	1,234,349
Total Net Position	\$ 20,322,204	\$ 17,911,800	\$ 2,410,404

The following table provides a summary of the District's operations for the years ending December 31, 2021, and 2020. The District's net position increased by \$2,410,404.

	Summary of Changes in the Statement of Activities		
	2021	2020	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 4,258,507	\$ 3,664,093	\$ 594,414
Service Revenues	1,846,676	1,872,102	(25,426)
Other Revenues	99,027	166,321	(67,294)
Total Revenues	\$ 6,204,210	\$ 5,702,516	\$ 501,694
Expenses for Services	3,793,806	4,157,900	364,094
Change in Net Position	\$ 2,410,404	\$ 1,544,616	\$ 865,788
Net Position, Beginning of Year	17,911,800	16,367,184	1,544,616
Net Position, End of Year	\$ 20,322,204	\$ 17,911,800	\$ 2,410,404

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2021, were \$11,174,147, a decrease of \$430,744 from the prior year.

The General Fund fund balance increased by \$1,225,222 primarily due to maintenance tax revenues and service revenues exceeding operating costs and capital outlay.

The Debt Service Fund fund balance increased by \$428,784, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$2,084,750, primarily due to capital costs paid from the proceeds of bonds issued in a prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Supervisors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$242,151 more than budgeted revenues and actual expenditures were \$172,474 more than budgeted expenditures which resulted in a positive variance of \$69,677. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of December 31, 2021, total \$33,828,183, 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			
	2021	2020	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 7,000	\$ 7,000	\$
Construction in Progress	2,549,641	503,495	2,046,146
Capital Assets Subject to Depreciation:			
Water System	23,577,739	23,493,517	84,222
Wastewater System	14,127,434	13,746,659	380,775
Less Accumulated Depreciation	(6,433,631)	(5,504,205)	(929,426)
Total Net Capital Assets	\$ 33,828,183	\$ 32,246,466	\$ 1,581,717

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

LONG-TERM DEBT

As of December 31, 2021, the District had total bond debt payable of \$25,260,000. The changes in the debt position of the District during the fiscal year ended December 31, 2021, are summarized as follows:

Bond Debt Payable, January 1, 2021	\$ 26,495,000
Less: Bond Principal Paid	<u>1,235,000</u>
Bond Debt Payable, December 31, 2021	<u>\$ 25,260,000</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, 2021

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 535,742	\$ 288,884
Investments	6,391,235	2,859,048
Receivables:		
Property Taxes	1,735,078	2,483,736
Penalty and Interest on Delinquent Taxes		
Service Accounts Receivable	299,682	
Accrued Interest	4,981	2,854
Other	841	
Prepaid Costs		
Due from Other Funds	337,993	
Due from Other Governmental Units	171,707	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 9,477,259	\$ 5,634,522
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ - 0 -	\$ - 0 -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 9,477,259	\$ 5,634,522

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>
\$ 202,263	\$ 1,026,889	\$	\$ 1,026,889
1,889,348	11,139,631		11,139,631
	4,218,814		4,218,814
		262,002	262,002
	299,682		299,682
	7,835		7,835
	841		841
		75,836	75,836
	337,993	(337,993)	
	171,707		171,707
		7,000	7,000
		2,549,641	2,549,641
		31,271,542	31,271,542
<u>\$ 2,091,611</u>	<u>\$ 17,203,392</u>	<u>\$ 33,828,028</u>	<u>\$ 51,031,420</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 290,613</u>	<u>\$ 290,613</u>
<u>\$ 2,091,611</u>	<u>\$ 17,203,392</u>	<u>\$ 34,118,641</u>	<u>\$ 51,322,033</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, 2021

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 263,396	\$
Accrued Interest Payable		
Due to Other Funds		337,993
Security Deposits	130,991	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 394,387	\$ 337,993
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 2,036,574	\$ 2,917,597
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		2,378,932
Assigned to 2022 Budget Deficit	363,051	
Unassigned	6,683,247	
TOTAL FUND BALANCES	\$ 7,046,298	\$ 2,378,932
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 9,477,259	\$ 5,634,522
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.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 342,694	\$ 606,090	\$	\$ 606,090
		323,073	323,073
	337,993	(337,993)	
	130,991		130,991
		1,270,000	1,270,000
		24,318,540	24,318,540
<u>\$ 342,694</u>	<u>\$ 1,075,074</u>	<u>\$ 25,573,620</u>	<u>\$ 26,648,694</u>
<u>\$ - 0 -</u>	<u>\$ 4,954,171</u>	<u>\$ (603,036)</u>	<u>\$ 4,351,135</u>
\$ 1,748,917	\$ 1,748,917	\$ (1,748,917)	\$
	2,378,932	(2,378,932)	
	363,051	(363,051)	
	6,683,247	(6,683,247)	
<u>\$ 1,748,917</u>	<u>\$ 11,174,147</u>	<u>\$ (11,174,147)</u>	<u>\$ - 0 -</u>
<u>\$ 2,091,611</u>	<u>\$ 17,203,392</u>		
		\$ 10,279,173	\$ 10,279,173
		2,668,288	2,668,288
		7,374,743	7,374,743
		<u>\$ 20,322,204</u>	<u>\$ 20,322,204</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, 2021**

Total Fund Balances - Governmental Funds	\$ 11,174,147
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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 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. Prepaid bond insurance is amortized over the life of the bonds.	366,449
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	33,828,183
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2020 and prior tax levies became part of recognized revenue in the governmental activities of the District.	865,038
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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	\$ (323,073)	
Bonds Payable	<u>(25,588,540)</u>	<u>(25,911,613)</u>

Total Net Position - Governmental Activities	<u>\$ 20,322,204</u>
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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, 2021

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,732,622	\$ 2,475,475
Water Revenues	546,138	
Wastewater Revenues	218,437	
Water Authority Fees	458,273	
Shared Facilities Revenues	124,231	
Tap Connection and Inspection Fees	297,339	
Penalty and Interest	154,236	80,738
Investment and Miscellaneous Revenues	88,951	8,958
TOTAL REVENUES	\$ 3,620,227	\$ 2,565,171
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 581,178	\$
Contracted Services	170,583	5,189
Purchased Sewer Service	114,667	
Utilities	43,940	
Repairs and Maintenance	214,163	
Purchased Water and Pumpage Fees	635,590	
Depreciation		
Other	209,462	218
Capital Outlay	425,422	
Debt Service:		
Bond Principal		1,235,000
Bond Interest		895,980
TOTAL EXPENDITURES/EXPENSES	\$ 2,395,005	\$ 2,136,387
NET CHANGE IN FUND BALANCES	\$ 1,225,222	\$ 428,784
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2021	5,821,076	1,950,148
FUND BALANCES/NET POSITION - DECEMBER 31, 2021	\$ 7,046,298	\$ 2,378,932

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 4,208,097	\$ 50,410	\$ 4,258,507
	546,138		546,138
	218,437		218,437
	458,273		458,273
	124,231		124,231
	297,339		297,339
	234,974	(32,716)	202,258
1,118	99,027		99,027
<u>\$ 1,118</u>	<u>\$ 6,186,516</u>	<u>\$ 17,694</u>	<u>\$ 6,204,210</u>
\$	\$ 581,178	\$	\$ 581,178
	175,772		175,772
	114,667		114,667
	43,940		43,940
	214,163		214,163
	635,590		635,590
		929,426	929,426
147	209,827		209,827
2,085,721	2,511,143	(2,511,143)	
	1,235,000	(1,235,000)	
	895,980	(6,737)	889,243
<u>\$ 2,085,868</u>	<u>\$ 6,617,260</u>	<u>\$ (2,823,454)</u>	<u>\$ 3,793,806</u>
\$ (2,084,750)	\$ (430,744)	\$ 430,744	\$
		2,410,404	2,410,404
3,833,667	11,604,891	6,306,909	17,911,800
<u>\$ 1,748,917</u>	<u>\$ 11,174,147</u>	<u>\$ 9,148,057</u>	<u>\$ 20,322,204</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, 2021**

Net Change in Fund Balances - Governmental Funds	\$ (430,744)
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.	50,410
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.	(32,716)
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.	(929,426)
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.	2,511,143
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.	1,235,000
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.	<u>6,737</u>
Change in Net Position - Governmental Activities	<u>\$ 2,410,404</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, 2021

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, 2021

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

The District’s fund financial statements are combined with the government-wide financial statements. The fund financial 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, 2021

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 2020 tax levy collections during the period of October 1, 2020 to December 31, 2021, and taxes collected from January 1, 2021 to December 31, 2021, for the 2019 and prior tax levies. The 2021 tax levy has been fully deferred to meet the operating expenditures for the 2022 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, 2021, the District’s Debt Service Fund owed the General Fund \$337,993 for tax collections.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 not 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, 2021

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. The District assigned \$363,051 of its General Fund balance to be used in the fiscal year ending 2022.

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, 2021

NOTE 3. LONG-TERM DEBT

	<u>Series 2006A</u>	<u>Series 2010</u>	
Amount Outstanding – December 31, 2021	\$ 2,460,000	\$ 150,000	
Interest Rates	2.65% - 2.85%	3.75%	
Maturity Dates - Serially Beginning/Ending	August 15, 2022/2027	August 15, 2022	
Interest Payment Dates	February 15/ August 15	February 15/ August 15	
Callable Dates	August 15, 2016*	August 15, 2020*	
	<u>Series 2010A</u>	<u>Series 2015</u>	<u>Series 2016 Refunding</u>
Amount Outstanding – December 31, 2021	\$ 270,000	\$ 6,910,000	\$ 3,680,000
Interest Rates	N/A	2.020% - 4.30%	2.00% - 3.50%
Maturity Dates - Serially Beginning/Ending	August 15, 2022/2030	August 15, 2022/2045	August 15, 2022/2037
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, 2021	\$ 5,305,000	\$ 1,675,000	\$ 4,810,000
Interest Rates	3.00% - 4.00%	1.97% - 4.34%	2.00% - 3.125%
Maturity Dates - Serially Beginning/Ending	August 15, 2022/2038	August 15, 2022/2049	August 15, 2022/2039
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, 2021

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2021:

	January 1, 2021	Additions	Retirements	December 31, 2021
Bonds Payable	\$ 26,495,000	\$	\$ 1,235,000	\$ 25,260,000
Unamortized Discounts	(130,187)		(11,100)	(119,087)
Unamortized Premiums	474,267		26,640	447,627
Bonds Payable, Net	\$ 26,839,080	\$ -0-	\$ 1,250,540	\$ 25,588,540
			Amount Due Within One Year	\$ 1,270,000
			Amount Due After One Year	24,318,540
			Bonds Payable, Net	\$ 25,588,540

As of December 31, 2021, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
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
2027-2031	5,865,000	2,991,336	8,856,336
2032-2036	6,280,000	1,987,676	8,267,676
2037-2041	4,100,000	873,881	4,973,881
2042-2046	2,030,000	290,471	2,320,471
2047-2049	275,000	24,088	299,088
	\$ 25,260,000	\$ 10,123,438	\$ 35,383,438

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 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, 2021

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended December 31, 2021, 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 \$2,567,169 on the adjusted taxable valuation of \$434,840,844 for the 2021 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 \$6,791,889 and the bank balance was \$6,218,217. 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, 2021

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, 2021, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 535,742	\$ 3,845,000	\$ 4,380,742
DEBT SERVICE FUND	288,884	1,920,000	2,208,884
CAPITAL PROJECTS FUND	202,263		202,263
TOTAL DEPOSITS	\$ 1,026,889	\$ 5,765,000	\$ 6,791,889

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, 2021

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Certificates of deposit are recorded at acquisition cost. As of December 31, 2021, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 2,546,235	\$ 2,546,235
Certificates of Deposit	3,845,000	3,845,000
<u>DEBT SERVICE FUND</u>		
Texas CLASS	939,048	939,048
Certificates of Deposit	1,920,000	1,920,000
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	1,889,348	1,889,348
TOTAL INVESTMENTS	<u>\$ 11,139,631</u>	<u>\$ 11,139,631</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2021, the District's investments in Texas CLASS 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 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.

Restrictions

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, 2021

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 is as follows:

	January 1, 2021	Increases	Decreases	December 31, 2021
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 7,000	\$	\$	\$ 7,000
Construction in Progress	503,495	2,511,143	464,997	2,549,641
Total Capital Assets Not Being Depreciated	<u>\$ 510,495</u>	<u>\$ 2,511,143</u>	<u>\$ 464,997</u>	<u>\$ 2,556,641</u>
Capital Assets Subject to Depreciation				
Water System	\$ 23,493,517	\$ 84,222	\$	\$ 23,577,739
Wastewater System	13,746,659	380,775		14,127,434
Total Capital Assets Subject to Depreciation	<u>\$ 37,240,176</u>	<u>\$ 464,997</u>	<u>\$ - 0 -</u>	<u>\$ 37,705,173</u>
Less Accumulated Depreciation				
Water System	\$ 4,534,479	\$ 608,836	\$	\$ 5,143,315
Wastewater System	969,726	320,590		1,290,316
Total Accumulated Depreciation	<u>\$ 5,504,205</u>	<u>\$ 929,426</u>	<u>\$ - 0 -</u>	<u>\$ 6,433,631</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 31,735,971</u>	<u>\$ (464,429)</u>	<u>\$ - 0 -</u>	<u>\$ 31,271,542</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 32,246,466</u></u>	<u><u>\$ 2,046,714</u></u>	<u><u>\$ 464,997</u></u>	<u><u>\$ 33,828,183</u></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, 2021, the District levied an ad valorem maintenance tax rate of \$0.41 per \$100 of assessed valuation, which resulted in a tax levy of \$1,783,965 on the adjusted taxable valuation of \$434,840,844 for the 2021 tax year. The 2021 tax levy has been fully deferred to meet fiscal year 2022 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 for which the District carries commercial insurance. 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, 2021

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 has been amended multiple times. 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. 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 11. 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 \$4.25 per 1,000-gallons of water pumped from each well. The District incurred costs of \$625,562 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, 2021

NOTE 12. 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 13. SUBSEQUENT EVENT – BOND SALE

On March 17, 2022, subsequent to year end, the District issued \$10,450,000 of Series 2022 Unlimited Tax Bonds. Proceeds from the bonds are being used to pay for the construction and engineering costs related to the City of Arcola wastewater treatment plant expansions, Gateway Acres Subdivision Wastewater Collection System, and the Fresno Ranchos Subdivision Lift Station and Force Main. Additional proceeds were used to pay bond issuance costs.

NOTE 14. ECONOMIC UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. Since that time, the District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19. The District will continue to carefully monitor the situation and evaluate the financial statement impact, if any, that results from the pandemic.

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FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021

**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, 2021**

	Original Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,659,159	\$ 1,732,622	\$ 73,463
Water Revenues	567,984	546,138	(21,846)
Wastewater Revenues	176,349	218,437	42,088
Water Authority Fees	426,135	458,273	32,138
Shared Facilities Revenues	259,452	124,231	(135,221)
Tap Connection and Inspection Fees	154,793	297,339	142,546
Penalty and Interest	77,691	154,236	76,545
Investment and Miscellaneous Revenues	<u>56,513</u>	<u>88,951</u>	<u>32,438</u>
TOTAL REVENUES	<u>\$ 3,378,076</u>	<u>\$ 3,620,227</u>	<u>\$ 242,151</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 571,840	\$ 581,178	\$ (9,338)
Contracted Services	164,929	170,583	(5,654)
Purchased Sewer Services	113,116	114,667	(1,551)
Utilities	35,464	43,940	(8,476)
Repairs and Maintenance	199,735	214,163	(14,428)
Purchased Water and Pumpage Fees	454,885	635,590	(180,705)
Other	178,312	209,462	(31,150)
Capital Outlay	<u>504,250</u>	<u>425,422</u>	<u>78,828</u>
TOTAL EXPENDITURES	<u>\$ 2,222,531</u>	<u>\$ 2,395,005</u>	<u>\$ (172,474)</u>
NET CHANGE IN FUND BALANCE	\$ 1,155,545	\$ 1,225,222	\$ 69,677
FUND BALANCE - JANUARY 1, 2021	<u>5,821,076</u>	<u>5,821,076</u>	<u> </u>
FUND BALANCE - DECEMBER 31, 2021	<u>\$ 6,976,621</u>	<u>\$ 7,046,298</u>	<u>\$ 69,677</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, 2021

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2021**

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>1,719</u>	<u>1,633</u>	x 1.0	<u>1,633</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>9</u>	<u>9</u>	x 8.0	<u>72</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>1,750</u></u>	<u><u>1,664</u></u>		<u><u>1,850</u></u>
Total Wastewater Connections	<u><u>1,609</u></u>	<u><u>1,596</u></u>	x 1.0	<u><u>1,596</u></u>

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

Gallons pumped into system:	146,268,000	Water Accountability Ratio: 89.7% (Gallons billed and sold /Gallons pumped and purchased)
Gallons billed to customers:	101,858,000	
Gallons sold:	32,012,000	To: <u>City of Arcola, Texas</u>
Gallons purchased:	4,200,000	From: <u>Fort Bend County MUD No. 23</u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2021

PROFESSIONAL FEES:	
Auditing	\$ 20,000
Engineering	370,868
Legal	128,735
Delinquent Tax Attorney	<u>61,575</u>
TOTAL PROFESSIONAL FEES	<u>\$ 581,178</u>
PURCHASED WATER AND PUMPAGE FEES	<u>\$ 635,590</u>
PURCHASED WASTEWATER SERVICE	<u>\$ 114,667</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 44,899
Operations and Billing	90,864
Tax Collector/Appraisal District	<u>34,820</u>
TOTAL CONTRACTED SERVICES	<u>\$ 170,583</u>
UTILITIES:	
Electricity	\$ 39,996
Telephone	<u>3,944</u>
TOTAL UTILITIES	<u>\$ 43,940</u>
REPAIRS AND MAINTENANCE	<u>\$ 214,163</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 14,563
Arbitrage Compliance Costs	9,600
Insurance	15,907
Office Supplies and Postage	16,600
Meetings and Other	<u>11,693</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 68,363</u>
CAPITAL OUTLAY	<u>\$ 425,422</u>
OTHER EXPENDITURES:	
Chemicals	\$ 3,483
Laboratory Fees	8,007
Permit Fees	1,523
Connection and Inspection Fees	124,104
Regulatory Assessment	<u>3,982</u>
TOTAL OTHER EXPENDITURES	<u>\$ 141,099</u>
TOTAL EXPENDITURES	<u>\$ 2,395,005</u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
INVESTMENTS
DECEMBER 31, 2021

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	\$ 2,546,235	\$
Certificate of Deposit	XXXX0783	0.20%	04/29/22	240,000	324
Certificate of Deposit	XXXX7336	0.44%	11/04/22	240,000	171
Certificate of Deposit	XXXX2246	0.50%	01/22/22	240,000	1,124
Certificate of Deposit	XXXX1575	0.10%	12/31/22	240,000	1
Certificate of Deposit	XXXX2413	0.45%	02/24/22	240,000	917
Certificate of Deposit	XXXX2548	0.29%	05/28/22	240,000	414
Certificate of Deposit	XXXX1329	0.25%	11/24/22	240,000	61
Certificate of Deposit	XXXX0172	0.15%	06/30/22	240,000	181
Certificate of Deposit	XXXX6670	0.25%	09/30/22	240,000	151
Certificate of Deposit	XXXX0586	0.25%	04/27/22	245,000	416
Certificate of Deposit	XXXX7767	0.30%	12/22/22	240,000	18
Certificate of Deposit	XXXX0879	0.13%	08/02/22	240,000	130
Certificate of Deposit	XXXX6605	0.50%	05/30/22	240,000	707
Certificate of Deposit	XXXX4604	0.25%	07/22/22	240,000	266
Certificate of Deposit	XXXX0266	0.30%	11/25/22	240,000	71
Certificate of Deposit	XXXX0319	0.12%	11/24/22	240,000	29
TOTAL GENERAL FUND				\$ 6,391,235	\$ 4,981
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0004	Varies	Daily	\$ 939,048	\$
Certificate of Deposit	XXXX4800	0.20%	08/02/22	240,000	198
Certificate of Deposit	XXXX0073	0.44%	08/05/22	240,000	428
Certificate of Deposit	XXXX2126	0.50%	08/04/22	240,000	490
Certificate of Deposit	XXXX0365	0.30%	02/26/22	240,000	608
Certificate of Deposit	XXXX0134	0.25%	02/27/22	240,000	505
Certificate of Deposit	XXXX2023	0.25%	08/02/22	240,000	248
Certificate of Deposit	XXXX5860	0.13%	08/02/22	240,000	129
Certificate of Deposit	XXXX4608	0.25%	08/02/22	240,000	248
TOTAL DEBT SERVICE FUND				\$ 2,859,048	\$ 2,854
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX0005	Varies	Daily	\$ 1,469,117	\$
Texas CLASS	XXXX0001	Varies	Daily	420,231	-
TOTAL CAPITAL PROJECTS FUND				\$ 1,889,348	\$ - 0 -
TOTAL - ALL FUNDS				\$ 11,139,631	\$ 7,835

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, 2021

	Maintenance Taxes	Debt Service Taxes
TAXES RECEIVABLE -		
JANUARY 1, 2021	\$ 1,628,307	\$ 2,313,289
Adjustments to Beginning		
Balance	<u>(8,883)</u>	<u>(13,763)</u>
	\$ 1,619,424	\$ 2,299,526
Original 2021 Tax Levy	\$ 1,767,957	\$ 2,544,133
Adjustment to 2021 Tax Levy	<u>16,008</u>	<u>23,036</u>
	<u>1,783,965</u>	<u>2,567,169</u>
TOTAL TO BE		
ACCOUNTED FOR	\$ 3,403,389	\$ 4,866,695
TAX COLLECTIONS:		
Prior Years	\$ 1,366,815	\$ 1,949,099
Current Year	<u>301,496</u>	<u>433,860</u>
	<u>1,668,311</u>	<u>2,382,959</u>
TAXES RECEIVABLE -		
DECEMBER 31, 2021	<u>\$ 1,735,078</u>	<u>\$ 2,483,736</u>
TAXES RECEIVABLE BY		
YEAR:		
2021	\$ 1,482,469	\$ 2,133,309
2020	89,380	128,621
2019	48,939	64,872
2018	39,704	39,704
2017	17,165	17,165
2016	12,490	12,490
2015	9,831	9,831
2014	8,578	8,578
2013	4,334	13,003
2012	4,115	12,345
2011	4,043	12,130
2010 and prior	<u>14,030</u>	<u>31,688</u>
TOTAL	<u>\$ 1,735,078</u>	<u>\$ 2,483,736</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, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
PROPERTY VALUATIONS:				
Land	\$ 201,360,841	\$ 196,658,583	\$ 140,376,197	\$ 142,614,607
Improvements	213,823,958	217,232,684	183,471,630	164,383,956
Personal Property	89,740,213	94,787,040	99,339,981	83,563,570
Exemptions	<u>(70,084,168)</u>	<u>(80,820,270)</u>	<u>(61,266,359)</u>	<u>(38,194,754)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 434,840,844</u>	<u>\$ 427,858,037</u>	<u>\$ 361,921,449</u>	<u>\$ 352,367,379</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.59	\$ 0.59	\$ 0.57	\$ 0.50
Maintenance	<u>0.41</u>	<u>0.41</u>	<u>0.43</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>\$ 4,351,134</u>	<u>\$ 4,281,228</u>	<u>\$ 3,621,045</u>	<u>\$ 3,524,708</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>16.90 %</u>	<u>94.91 %</u>	<u>96.86 %</u>	<u>97.75 %</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, 2021

SERIES - 2006A

Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
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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	<u>\$ 2,460,000</u>	<u>\$ 245,202</u>	<u>\$ 2,705,202</u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2021

S E R I E S - 2 0 1 0			
Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
2022	\$ 150,000	\$ 5,625	\$ 155,625
2023			
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	\$ 150,000	\$ 5,625	\$ 155,625

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2021

SERIES - 2010 A

Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due	Total
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>\$ 270,000</u>	<u>\$ - 0 -</u>	<u>\$ 270,000</u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2021

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
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			
	<u>\$ 6,910,000</u>	<u>\$ 3,999,766</u>	<u>\$ 10,909,766</u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2021

SERIES - 2016 REFUNDING

Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
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
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	<u>\$ 3,680,000</u>	<u>\$ 1,113,006</u>	<u>\$ 4,793,006</u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2021

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
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
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	<u>\$ 5,305,000</u>	<u>\$ 2,350,600</u>	<u>\$ 7,655,600</u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2021

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
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>\$ 1,675,000</u>	<u>\$ 1,128,663</u>	<u>\$ 2,803,663</u>

See accompanying independent auditor's report.

FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2021

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
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
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	<u>\$ 4,810,000</u>	<u>\$ 1,280,576</u>	<u>\$ 6,090,576</u>

See accompanying independent auditor's report.

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FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2021

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
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>\$ 25,260,000</u>	<u>\$ 10,123,438</u>	<u>\$ 35,383,438</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, 2021

Description	Original Bonds Issued	Bonds Outstanding January 1, 2021
Fort Bend County Fresh Water Supply District No. 1 Sanitary Sewer System Unlimited Tax Bonds - Series 2006A	\$ 6,935,000	\$ 2,830,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Bonds - Series 2008	8,500,000	230,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Bonds - Series 2010	5,285,000	295,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Bonds - Series 2010A	600,000	300,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Bonds - Series 2015	8,000,000	7,100,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Refunding Bonds - Series 2016	4,430,000	3,860,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Refunding Bonds - Series 2017	5,365,000	5,315,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Bonds - Series 2019	1,745,000	1,715,000
Fort Bend County Fresh Water Supply District No. 1 Unlimited Tax Refunding Bonds - Series 2020	<u>4,850,000</u>	<u>4,850,000</u>
TOTAL	<u><u>\$ 45,710,000</u></u>	<u><u>\$ 26,495,000</u></u>

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding December 31, 2021	Paying Agent
	Principal	Interest		
\$	\$ 370,000	\$ 77,345	\$ 2,460,000	Wells Fargo Bank N.A. Houston, TX
	230,000	10,373	- 0 -	Wells Fargo Bank N.A. Houston, TX
	145,000	10,917	150,000	Wells Fargo Bank N.A. Houston, TX
	30,000		270,000	Wells Fargo Bank N.A. Houston, TX
	190,000	264,127	6,910,000	Amegy Bank N.A. Houston, TX
	180,000	120,300	3,680,000	Amegy Bank N.A. Houston, TX
	10,000	212,200	5,305,000	Amegy Bank N.A. Houston, TX
	40,000	62,405	1,675,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	40,000	138,313	4,810,000	Amegy Bank N.A. Houston, TX
<u>\$ - 0 -</u>	<u>\$ 1,235,000</u>	<u>\$ 895,980</u>	<u>\$ 25,260,000</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, 2021**

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, 2021: \$ 3,147,932

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,263,694

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		
	2021	2020	2019
REVENUES			
Property Taxes	\$ 1,732,622	\$ 1,551,624	\$ 1,716,514
Water Revenues	546,138	575,046	520,736
Wastewater Revenues	218,437	198,675	163,918
Water Authority Fees	458,273	421,570	366,021
Shared Facilities Revenues	124,231	364,529	190,657
Tap Connection and Inspection Fees	297,339	146,515	216,935
Penalty and Interest	154,236	111,449	122,920
Capital Contributions			169,963
Investment and Miscellaneous Revenues	88,951	115,030	181,317
TOTAL REVENUES	\$ 3,620,227	\$ 3,484,438	\$ 3,648,981
EXPENDITURES			
Professional Fees	\$ 581,178	\$ 709,742	\$ 508,934
Contracted Services	170,583	149,938	156,506
Purchased Sewer Service	114,667	109,214	114,597
Utilities	43,940	37,151	44,010
Repairs and Maintenance	214,163	439,470	184,115
Purchased Water and Pumpage Fees	635,590	529,810	522,428
Other	209,462	184,419	260,203
Capital Outlay	425,422	2,096,634	528,207
TOTAL EXPENDITURES	\$ 2,395,005	\$ 4,256,378	\$ 2,319,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,225,222	\$ (771,940)	\$ 1,329,981
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ - 0 -	\$ (155,637)	\$ 50,680
NET CHANGE IN FUND BALANCE	\$ 1,225,222	\$ (927,577)	\$ 1,380,661
BEGINNING FUND BALANCE	5,821,076	6,748,653	5,367,992
ENDING FUND BALANCE	\$ 7,046,298	\$ 5,821,076	\$ 6,748,653

See accompanying independent auditor's report.

		Percentage of Total Revenues						
<u>2018</u>	<u>2017</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>		
\$ 1,596,026	\$ 1,376,887	47.8 %	44.5 %	47.0 %	49.2 %	55.9 %		
517,697	341,731	15.1	16.5	14.3	15.9	13.9		
141,496	65,543	6.0	5.7	4.5	4.4	2.7		
310,134	197,590	12.7	12.1	10.0	9.5	8.0		
189,522	174,221	3.4	10.5	5.2	5.8	7.1		
193,297	156,164	8.2	4.2	5.9	5.9	6.3		
112,900	89,390	4.3	3.2	3.4	3.5	3.6		
120,496				4.7	3.7			
69,074	60,739	2.5	3.3	5.0	2.1	2.5		
<u>\$ 3,250,642</u>	<u>\$ 2,462,265</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>		
\$ 471,834	\$ 651,876	16.1 %	20.4 %	13.9 %	14.5 %	26.5 %		
150,199	82,486	4.7	4.3	4.3	4.6	3.4		
99,362	49,421	3.2	3.1	3.1	3.1	2.0		
49,519	38,794	1.2	1.1	1.2	1.5	1.6		
222,356	154,017	5.9	12.6	5.0	6.8	6.3		
435,101	312,695	17.6	15.2	14.3	13.4	12.7		
295,062	263,419	5.8	5.3	7.1	9.1	10.7		
224,278	419,098	11.8	60.2	14.5	6.9	17.0		
<u>\$ 1,947,711</u>	<u>\$ 1,971,806</u>	<u>66.3 %</u>	<u>122.2 %</u>	<u>63.4 %</u>	<u>59.9 %</u>	<u>80.2 %</u>		
\$ 1,302,931	\$ 490,459	<u>33.7 %</u>	<u>(22.2) %</u>	<u>36.6 %</u>	<u>40.1 %</u>	<u>19.8 %</u>		
<u>\$ (68,870)</u>	<u>\$ (1,161,427)</u>							
\$ 1,234,061	\$ (670,968)							
4,133,931	4,804,899							
<u>\$ 5,367,992</u>	<u>\$ 4,133,931</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		
	2021	2020	2019
REVENUES			
Property Taxes	\$ 2,475,475	\$ 2,056,644	\$ 1,718,508
Penalty and Interest	80,738	57,619	50,237
Investment and Miscellaneous Revenues	8,958	44,337	63,811
TOTAL REVENUES	\$ 2,565,171	\$ 2,158,600	\$ 1,832,556
EXPENDITURES			
Debt Service Interest, Fees and Tax Collection Costs	\$ 901,387	\$ 910,761	\$ 961,266
Debt Service Principal	1,235,000	1,160,000	1,110,000
Bond Issuance Costs		239,274	
Payment to Refunded Bond Escrow Agent		79,000	
TOTAL EXPENDITURES	\$ 2,136,387	\$ 2,389,035	\$ 2,071,266
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 428,784	\$ (230,435)	\$ (238,710)
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		66,253	
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ 244,292	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 428,784	\$ 13,857	\$ (238,710)
BEGINNING FUND BALANCE	1,950,148	1,936,291	2,175,001
ENDING FUND BALANCE	\$ 2,378,932	\$ 1,950,148	\$ 1,936,291
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,664	1,596	1,527
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,596	1,528	1,497

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2018	2017	2021	2020	2019	2018	2017
\$ 1,603,046	\$ 1,388,236	96.6 %	95.2 %	93.8 %	92.9 %	95.1 %
51,471	46,152	3.1	2.7	2.7	3.0	3.2
<u>70,834</u>	<u>24,376</u>	<u>0.3</u>	<u>2.1</u>	<u>3.5</u>	<u>4.1</u>	<u>1.7</u>
<u>\$ 1,725,351</u>	<u>\$ 1,458,764</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 967,200	\$ 1,088,703	35.1 %	42.2 %	52.4 %	56.1 %	74.6 %
1,100,000	1,040,000	48.1	53.7	60.6	63.8	71.3
	295,455		11.1			20.3
			3.7			
<u>\$ 2,067,200</u>	<u>\$ 2,424,158</u>	<u>83.2 %</u>	<u>110.7 %</u>	<u>113.0 %</u>	<u>119.9 %</u>	<u>166.2 %</u>
<u>\$ (341,849)</u>	<u>\$ (965,394)</u>	<u>16.8 %</u>	<u>(10.7) %</u>	<u>(13.0) %</u>	<u>(19.9) %</u>	<u>(66.2) %</u>
\$	\$ (19,198)					
	5,365,000					
	(5,542,210)					
	486,205					
<u>\$ - 0 -</u>	<u>\$ 289,797</u>					
\$ (341,849)	\$ (675,597)					
<u>2,516,850</u>	<u>3,192,447</u>					
<u>\$ 2,175,001</u>	<u>\$ 2,516,850</u>					
<u>1,436</u>	<u>1,286</u>					
<u>1,410</u>	<u>304</u>					

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2021**

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, 2021</u>	Expense Reimbursements for the year ended <u>December 31, 2021</u>	<u>Title</u>
Paul Hamilton	05/18 05/22 (Elected)	\$ 4,650	\$ 20	President
Rosa Linda Medina	11/20 05/24 (Elected)	\$ 2,700	\$ 23	Vice President
Calvin Casher	11/20 05/24 (Elected)	\$ 3,000	\$ 604	Secretary
Rodrigo Carreon	05/18 05/22 (Elected)	\$ -0-	\$ -0-	Assistant Secretary
Erasto Vallejo	11/20 05/24 (Elected)	\$ 1,650	\$ 20	Assistant Secretary

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 19, 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, 2021**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2021</u>	<u>Title</u>
Sanford Kuhl Hagan Kugle Parker Kahn LLP	01/21/10	\$ 130,082	General Counsel
McCall Gibson Swedlund Barfoot PLLC	11/01/01	\$ 20,000	Auditor
Municipal Accounts and Consulting, LP	06/15/18	\$ 44,899	Bookkeeper
Jacobs Engineering Group, Inc.	01/15/09	\$ 567,413	Engineer
Robert W. Baird & Co. Inc.	02/19/15	\$ -0-	Financial Advisor
Environmental Development Partners	07/01/12	\$ 512,540	Operator

See accompanying independent auditor's report.

