

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

AUGUST 31, 2020

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

AUGUST 31, 2020

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1-2 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3-7 |
| BASIC FINANCIAL STATEMENTS | |
| 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 GOVERNMENT AUDITING STANDARDS | |
| INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS | 32-33 |
| INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE | 34-35 |
| SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 36 |
| NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 37-38 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | 39-42 |
| SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS | 43 |

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| 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 | 45 |
| GENERAL FUND EXPENDITURES | 46 |
| INVESTMENTS | 47 |
| TAXES LEVIED AND RECEIVABLE | 48-49 |
| LONG-TERM DEBT SERVICE REQUIREMENTS | 50-54 |
| CHANGES IN LONG-TERM BOND DEBT | 55-56 |
| COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND | 57-60 |
| BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS | 61-62 |

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fort Bend County Levee
Improvement District No. 7
Fort Bend County, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Levee Improvement District No. 7 (the "District"), as of and for the year ended August 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 August 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.

Board of Directors
Fort Bend County Levee
Improvement District No. 7

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. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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.

Other Matters

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the District's internal control over financial reporting and compliance.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

December 15, 2020

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2020

Management's discussion and analysis of Fort Bend County Levee Improvement District No. 7's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended August 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, if applicable, 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, property tax 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 LEVEE IMPROVEMENT DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 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 Fund Balances to the Statement of Activities explains the differences between the two presentations and assists 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 by \$22,814,383 as of August 31, 2020. A portion of the District's net position reflects its net investment in capital assets (land and drainage facilities less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of the Statement of Net Position as of August 31, 2020, and August 31, 2019.

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 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 | \$ 17,934,296 | \$ 17,586,079 | \$ 348,217 |
| Capital Assets (Net of Accumulated Depreciation) | 38,213,714 | 32,708,223 | 5,505,491 |
| Total Assets | \$ 56,148,010 | \$ 50,294,302 | \$ 5,853,708 |
| Deferred Outflows of Resources | \$ 56,160 | \$ 94,223 | \$ (38,063) |
| Bonds Payable | \$ 32,506,892 | \$ 34,331,459 | \$ 1,824,567 |
| Other Liabilities | 882,895 | 1,214,352 | 331,457 |
| Total Liabilities | \$ 33,389,787 | \$ 35,545,811 | \$ 2,156,024 |
| Net Position: | | | |
| Net Investment in Capital Assets | \$ 10,746,147 | \$ 10,192,692 | \$ 553,455 |
| Restricted | 2,669,954 | 1,102,951 | 1,567,003 |
| Unrestricted | 9,398,282 | 3,547,071 | 5,851,211 |
| Total Net Position | \$ 22,814,383 | \$ 14,842,714 | \$ 7,971,669 |

The following table provides a summary of the District's operations for the years ending August 31, 2020, and August 31, 2019.

| | Summary of Changes in the Statement of Activities | | |
|---------------------------------|---|---------------|----------------------------------|
| | 2020 | 2019 | Change Positive (Negative) |
| Revenues: | | | |
| Property Taxes | \$ 6,768,193 | \$ 5,102,323 | \$ 1,665,870 |
| Charges for Services | 50,910 | 33,944 | 16,966 |
| Grant Revenues | 4,583,617 | 83,379 | 4,500,238 |
| Other Revenues | 170,384 | 294,335 | (123,951) |
| Total Revenues | \$ 11,573,104 | \$ 5,513,981 | \$ 6,059,123 |
| Expenses for Services | 3,601,435 | 4,591,201 | 989,766 |
| Change in Net Position | \$ 7,971,669 | \$ 922,780 | \$ 7,048,889 |
| Net Position, Beginning of Year | 14,842,714 | 13,919,934 | 922,780 |
| Net Position, End of Year | \$ 22,814,383 | \$ 14,842,714 | \$ 7,971,669 |

**FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of August 31, 2020 were \$17,498,241, an increase of \$642,847 from the prior year.

The General Fund fund balance increased by \$5,842,306, primarily due to maintenance tax and grant revenues exceeding repairs and maintenance costs, administrative costs and capital costs, as well as a transfer from the Capital Projects Fund.

The Debt Service Fund fund balance increased by \$1,539,081, primarily due to the structure of the District's outstanding debt and a transfer from the General Fund.

The Capital Projects Fund fund balance decreased by \$6,738,540, due to capital outlay paid from bond proceeds received in a prior fiscal year as well as a transfer to the General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year which was amended for an increase in professional fees. Total revenues were \$6,356,861 more than budgeted revenues primarily due to greater than anticipated property tax revenues and receipt of unbudgeted grant revenues. Total expenditures were \$1,530,967 more than budgeted expenditures primarily due to greater than anticipated professional, contracted and capital costs offset by lower than anticipated repairs, maintenance and other costs.

CAPITAL ASSETS

Capital assets as of August 31, 2020, total \$38,213,714 (net of accumulated depreciation) and include land and drainage facilities. In the current fiscal year, the District paid engineering fees and/or construction costs related to: New Territory reclaimed water system landscape and irrigation improvements; wastewater treatment plant reuse pump station; reclaimed booster pump station; Brazos River stabilization project; and external channel improvements.

| Capital Assets At Year-End, Net of Accumulated Depreciation | | | |
|---|----------------------|----------------------|----------------------------------|
| | 2020 | 2019 | Change Positive (Negative) |
| Capital Assets Not Being Depreciated: | | | |
| Land and Land Improvements | \$ 3,515,946 | \$ 3,419,253 | \$ 96,693 |
| Construction in Progress | 7,117,193 | 1,718,134 | 5,399,059 |
| Capital Assets, Net of Accumulated Depreciation: | | | |
| Drainage System | 27,580,575 | 27,570,836 | 9,739 |
| Total Net Capital Assets | <u>\$ 38,213,714</u> | <u>\$ 32,708,223</u> | <u>\$ 5,505,491</u> |

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2020

LONG-TERM DEBT ACTIVITY

As of August 31, 2020, the District had total bond debt payable of \$32,640,000. The changes in the debt position of the District during the fiscal year ended August 31, 2020, are summarized as follows:

| | |
|--------------------------------------|----------------------|
| Bond Debt Payable, September 1, 2019 | \$ 34,430,000 |
| Less: Bond Principal Paid | <u>1,790,000</u> |
| Bond Debt Payable, August 31, 2020 | <u>\$ 32,640,000</u> |

The District has an underlying rating of "A+". The Series 2015 and 2018 bonds carry insured ratings of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal. The bond ratings above reflect all changes, if any, through August 31, 2020.

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 Levee Improvement District No. 7, c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Blvd., Suite 1400, Houston, TX 77056.

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
AUGUST 31, 2020

| | <u>General Fund</u> | <u>Debt Service Fund</u> |
|--|---------------------|------------------------------|
| ASSETS | | |
| Cash | \$ 246,101 | \$ 1,826,784 |
| Investments | 8,787,853 | 774,749 |
| Cash with Fiscal Agent | | 562,041 |
| Receivables: | | |
| Property Taxes | 41,538 | 46,352 |
| Penalty and Interest on Delinquent Taxes | | |
| Grants Receivable | 412,878 | |
| Other | 2,000 | |
| Due from Other Funds | 3,884 | |
| Prepaid Costs | 10,560 | |
| Land | | |
| Construction in Progress | | |
| Capital Assets (Net of Accumulated Depreciation) | | |
| TOTAL ASSETS | <u>\$ 9,504,814</u> | <u>\$ 3,209,926</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Charges on Refunding Bonds | <u>\$ - 0 -</u> | <u>\$ - 0 -</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 9,504,814</u> | <u>\$ 3,209,926</u> |

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

| Capital Projects Fund | Total | Adjustments | Statement of Net Position |
|--------------------------|----------------------|----------------------|------------------------------|
| \$ 200,663 | \$ 2,273,548 | \$ | \$ 2,273,548 |
| 4,995,466 | 14,558,068 | | 14,558,068 |
| | 562,041 | | 562,041 |
| | 87,890 | | 87,890 |
| | | 27,311 | 27,311 |
| | 412,878 | | 412,878 |
| | 2,000 | | 2,000 |
| | 3,884 | (3,884) | |
| | 10,560 | | 10,560 |
| | | 3,515,946 | 3,515,946 |
| | | 7,117,193 | 7,117,193 |
| | | 27,580,575 | 27,580,575 |
| <u>\$ 5,196,129</u> | <u>\$ 17,910,869</u> | <u>\$ 38,237,141</u> | <u>\$ 56,148,010</u> |
| | | | |
| <u>\$ - 0 -</u> | <u>\$ - 0 -</u> | <u>\$ 56,160</u> | <u>\$ 56,160</u> |
| | | | |
| <u>\$ 5,196,129</u> | <u>\$ 17,910,869</u> | <u>\$ 38,293,301</u> | <u>\$ 56,204,170</u> |

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

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
AUGUST 31, 2020

| | <u>General Fund</u> | <u>Debt Service Fund</u> |
|---|---------------------|------------------------------|
| LIABILITIES | | |
| Accounts Payable | \$ 106,532 | \$ 1,358 |
| Accrued Interest Payable | | |
| Due to Other Funds | | 3,884 |
| Long-Term Liabilities: | | |
| Bonds Payable, Due Within One Year | | |
| Bonds Payable, Due After One Year | | |
| TOTAL LIABILITIES | <u>\$ 106,532</u> | <u>\$ 5,242</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Property Taxes | <u>\$ 41,538</u> | <u>\$ 46,352</u> |
| FUND BALANCES | | |
| Nonspendable: | | |
| Prepaid Costs | \$ 10,560 | \$ |
| Restricted for Authorized Construction | | |
| Restricted for Debt Service | | 3,158,332 |
| Unassigned | <u>9,346,184</u> | |
| TOTAL FUND BALANCES | <u>\$ 9,356,744</u> | <u>\$ 3,158,332</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 9,504,814</u> | <u>\$ 3,209,926</u> |
| 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> |
|----------------------------------|--|--|--------------------------------------|
| \$ 212,964 | \$ 320,854 | \$ | \$ 320,854 |
| | 3,884 | 562,041 (3,884) | 562,041 |
| | | 1,770,000 | 1,770,000 |
| | | <u>30,736,892</u> | <u>30,736,892</u> |
| <u>\$ 212,964</u> | <u>\$ 324,738</u> | <u>\$ 33,065,049</u> | <u>\$ 33,389,787</u> |
| <u>\$ -0-</u> | <u>\$ 87,890</u> | <u>\$ (87,890)</u> | <u>\$ - 0 -</u> |
| \$ 4,983,165 | \$ 10,560 4,983,165 3,158,332 9,346,184 | \$ (10,560) (4,983,165) (3,158,332) (9,346,184) | \$ |
| <u>\$ 4,983,165</u> | <u>\$ 17,498,241</u> | <u>\$ (17,498,241)</u> | <u>\$ - 0 -</u> |
| <u>\$ 5,196,129</u> | <u>\$ 17,910,869</u> | | |
| | | \$ 10,746,147 | \$ 10,746,147 |
| | | 2,669,954 | 2,669,954 |
| | | <u>9,398,282</u> | <u>9,398,282</u> |
| | | <u>\$ 22,814,383</u> | <u>\$ 22,814,383</u> |

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

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2020

| | | |
|--|----|------------|
| Total Fund Balances - Governmental Funds | \$ | 17,498,241 |
|--|----|------------|

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

| | | |
|--|--|------------|
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. | | 38,213,714 |
|--|--|------------|

| | | |
|--|--|--------|
| Deferred charges on refunding bonds are amortized over the term of the old debt or new debt, whichever is shorter. | | 56,160 |
|--|--|--------|

| | | |
|--|--|---------|
| 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. | | 115,201 |
|--|--|---------|

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 | \$ (562,041) | |
| Bonds Payable | (32,506,892) | (33,068,933) |

| | | |
|--|----|-------------------|
| Total Net Position - Governmental Activities | \$ | <u>22,814,383</u> |
|--|----|-------------------|

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

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FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED AUGUST 31, 2020

| | General Fund | Debt Service Fund |
|---|---------------------|----------------------|
| REVENUES | | |
| Property Taxes | \$ 3,926,082 | \$ 2,833,175 |
| Penalty and Interest | | 46,019 |
| Grant Revenues | 4,583,617 | |
| Investment and Miscellaneous Revenues | <u>56,162</u> | <u>10,571</u> |
| TOTAL REVENUES | <u>\$ 8,565,861</u> | <u>\$ 2,889,765</u> |
| EXPENDITURES/EXPENSES | | |
| Service Operations: | | |
| Professional Fees | \$ 403,265 | \$ 15,874 |
| Contracted Services | 275,264 | 99,175 |
| Utilities | 34,255 | |
| Repairs and Maintenance | 176,063 | |
| Depreciation | | |
| Other | 245,181 | 7,080 |
| Capital Outlay | 1,582,939 | |
| Debt Service: | | |
| Bond Principal | | 1,790,000 |
| Bond Interest | | 1,170,081 |
| Bond Issuance Costs | <u>52,270</u> | |
| TOTAL EXPENDITURES/EXPENSES | <u>\$ 2,769,237</u> | <u>\$ 3,082,210</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES | <u>\$ 5,796,624</u> | <u>\$ (192,445)</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers In (Out) | <u>\$ 45,682</u> | <u>\$ 1,731,526</u> |
| NET CHANGE IN FUND BALANCES | <u>\$ 5,842,306</u> | <u>\$ 1,539,081</u> |
| CHANGE IN NET POSITION | | |
| FUND BALANCES/NET POSITION - SEPTEMBER 1, 2019 | <u>3,514,438</u> | <u>1,619,251</u> |
| FUND BALANCES/NET POSITION - AUGUST 31, 2020 | <u>\$ 9,356,744</u> | <u>\$ 3,158,332</u> |

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

| Capital Projects Fund | Total | Adjustments | Statement of Activities |
|--------------------------|-------------------|--------------------|----------------------------|
| \$ | \$ 6,759,257 | \$ 8,936 | \$ 6,768,193 |
| | 46,019 | 4,891 | 50,910 |
| | 4,583,617 | | 4,583,617 |
| <u>103,651</u> | <u>170,384</u> | | <u>170,384</u> |
| \$ 103,651 | \$ 11,559,277 | \$ 13,827 | \$ 11,573,104 |
| | | | |
| \$ 167,498 | \$ 586,637 | \$ | \$ 586,637 |
| | 374,439 | | 374,439 |
| | 34,255 | | 34,255 |
| | 176,063 | | 176,063 |
| | | 974,616 | 974,616 |
| 317 | 252,578 | | 252,578 |
| 4,897,168 | 6,480,107 | (6,480,107) | |
| | 1,790,000 | (1,790,000) | |
| | 1,170,081 | (19,504) | 1,150,577 |
| | <u>52,270</u> | | <u>52,270</u> |
| \$ 5,064,983 | \$ 10,916,430 | \$ (7,314,995) | \$ 3,601,435 |
| | | | |
| \$ (4,961,332) | \$ 642,847 | \$ 7,328,822 | \$ 7,971,669 |
| | | | |
| \$ (1,777,208) | \$ -0- | \$ -0- | \$ -0- |
| \$ (6,738,540) | \$ 642,847 | \$ (642,847) | \$ |
| | | 7,971,669 | 7,971,669 |
| <u>11,721,705</u> | <u>16,855,394</u> | <u>(2,012,680)</u> | <u>14,842,714</u> |
| | | | |
| \$ 4,983,165 | \$ 17,498,241 | \$ 5,316,142 | \$ 22,814,383 |

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

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

| | |
|---|---------------------|
| Net Change in Fund Balances - Governmental Funds | \$ 642,847 |
| 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. | 8,936 |
| Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed. | 4,891 |
| 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. | (974,616) |
| 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. | 6,480,107 |
| 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. | 1,790,000 |
| 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. | 19,504 |
| Change in Net Position - Governmental Activities | <u>\$ 7,971,669</u> |

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

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 1. CREATION OF DISTRICT

Fort Bend County Levee Improvement District No. 7, located in Fort Bend County, Texas (the "District") was created, effective November 5, 1984, by the Commissioners Court of Fort Bend County, Texas. The District operates pursuant to provisions of Chapters 49 and 57 of the Texas Water Code, Chapter 7808 of the Texas Special District Local Laws Code ("Chapter 7808"), and provisions of Article XVI, Section 59 of the Constitution of Texas. The District is within the corporate boundaries of the City of Sugar Land by virtue of the City of Sugar Land's annexation and dissolution of Fort Bend County Municipal Utility District Nos. 67, 68, 69, 111, and 112, effective December 12, 2017. The principal functions of the District include constructing and maintaining levees and other improvements on, along and contiguous to rivers, creeks, and streams; reclaiming lands within the District from these streams; the control and distribution of the waters of rivers and streams within and adjacent to the District by straightening and otherwise improving them; the provisions of proper drainage and other improvements of the reclaimed land within the District; and constructing, operating, and maintaining reclaimed water facilities pursuant to and in accordance with Chapter 7808. Chapter 7808 was amended effective June 14, 2019, to allow the District to use a delivery method described by (1) Chapter 2269, Texas Government Code, or (2) Subchapter I, Chapter 49, Texas Water Code, with respect to the design and construction of erosion control facilities located in or adjacent to the Brazos River and any related facility or improvement. The District is subject to continuing supervision of the Commissioners Court of Fort Bend County and the Texas Commission on Environmental Quality (the "Commission"). The Board of Directors held its first meeting on December 3, 1984, and the first bonds were issued on August 1, 1989.

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").

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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:

- 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.

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, property tax 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 collectable 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 collectable 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. Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are revenues which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

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 August 31, 2020, the Debt Service Fund owed the General Fund \$3,884 for maintenance tax collections. The District's Capital Projects Fund reimbursed the General Fund in the current fiscal year for construction costs paid in prior fiscal years totaling \$1,777,208. The General Fund transferred \$1,731,526 to the Debt Service Fund toward payment of the District's bond obligations.

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 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 on the drainage facilities is calculated using the straight-line method of depreciation over a period ranging between 10 and 45 years.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The 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 revised budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors 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 position, 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 LEVEE IMPROVEMENT DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 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 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.

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 Directors. 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 LEVEE IMPROVEMENT DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 3. LONG-TERM DEBT

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

| | September 1, 2019 | Additions | Retirements | August 31, 2020 |
|-----------------------|----------------------|---------------|----------------------------|----------------------|
| Bonds Payable | \$ 34,430,000 | \$ | \$ 1,790,000 | \$ 32,640,000 |
| Unamortized Discounts | (236,046) | | (12,714) | (223,332) |
| Unamortized Premiums | 137,505 | | 47,281 | 90,224 |
| Bonds Payable, net | <u>\$ 34,331,459</u> | <u>\$ -0-</u> | <u>\$ 1,824,567</u> | <u>\$ 32,506,892</u> |
| | | | Amount Due Within One Year | \$ 1,770,000 |
| | | | Amount Due After One Year | 30,736,892 |
| | | | Bonds Payable, net | <u>\$ 32,506,892</u> |

| | Series 2014 | Series 2015 |
|---|--------------------------|-------------------------|
| Amount Outstanding – August 31, 2020 | \$ 4,000,000 | \$ 14,500,000 |
| Interest Rates | 3.00% - 4.00% | 3.00% - 3.625% |
| Maturity Dates – Serially Beginning/Ending | March 1, 2023/2038 | March 1, 2023/2038 |
| Interest Payment Dates | September 1/ March 1 | September 1/ March 1 |
| Callable Dates | March 1, 2022* | March 1, 2022* |
| | Series 2016 Refunding | Series 2018 |
| Amount Outstanding – August 31, 2020 | \$ 2,500,000 | \$ 11,640,000 |
| Interest Rates | 3.00% | 3.00% - 4.00% |
| Maturity Dates – Serially Beginning/Ending | March 1, 2021/2022 | March 1, 2021/2043 |
| Interest Payment Dates | September 1/ March 1 | September 1/ March 1 |
| Callable Dates | Non-callable | March 1, 2024* |

- * At the option of the district, in whole or in part, on the call option date or any date thereafter, at par plus accrued interest to the date of redemption. Series 2014 and Series 2015 term bonds maturing March 1, 2038, are subject to mandatory redemption on March 1, 2036. Series 2018 term bonds maturing March 1, 2033, March 1, 2035 and March 1, 2043 are subject to mandatory redemption on March 1, 2032, March 1, 2034 and March 1, 2042, respectively.

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 3. LONG-TERM DEBT (Continued)

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|----------------------|----------------------|----------------------|
| 2021 | \$ 1,770,000 | \$ 1,124,081 | \$ 2,894,081 |
| 2022 | 1,750,000 | 1,065,882 | 2,815,882 |
| 2023 | 1,670,000 | 1,008,281 | 2,678,281 |
| 2024 | 1,670,000 | 953,082 | 2,623,082 |
| 2025 | 1,670,000 | 897,881 | 2,567,881 |
| 2026-2030 | 8,305,000 | 3,714,114 | 12,019,114 |
| 2031-2035 | 8,300,000 | 2,341,549 | 10,641,549 |
| 2036-2040 | 5,990,000 | 862,837 | 6,852,837 |
| 2041-2043 | 1,515,000 | 121,200 | 1,636,200 |
| | <u>\$ 32,640,000</u> | <u>\$ 12,088,907</u> | <u>\$ 44,728,907</u> |

At an election held within the District on November 5, 1985, voters of the District authorized a total of \$32,955,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing levee and drainage improvements. On May 10, 2008, voters of the District authorized an additional \$15,000,000 principal amount of unlimited tax bonds, totaling \$47,955,000 for the purpose of acquiring or constructing levee and drainage improvements. The District has no remaining authorized but unissued unlimited tax bonds for said improvements and facilities from such prior elections.

On May 10, 2014, the District's voters authorized the issuance of a total of \$14,500,000 principal amount unlimited tax bonds for the purpose of acquiring or constructing the Reclaimed Water System. No remaining authorized but unissued tax bonds remain from such authorization. The District's voters have also authorized the issuance of \$14,500,000 principal amount of unlimited tax refunding bonds for the purposes of refunding outstanding bonds of the District issued to acquire or construct the Reclaimed Water System or any other outstanding bonds of the District and could authorize additional amounts.

At an election held within the District on May 5, 2018, voters of the District authorized a total of \$121,150,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing levee system and stormwater drainage improvements, as well as facilities for erosion abatement and control along the Brazos River.

The District's voters have also authorized the issuance of \$136,150,000 principal amount of unlimited tax levee refunding bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts.

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 3. LONG-TERM DEBT (Continued)

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. During the year ended August 31, 2020, the District levied an ad valorem debt service tax rate of \$0.18 per \$100 of assessed valuation, which resulted in a tax levy of \$2,833,388 on the adjusted taxable valuation of \$1,574,104,785 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 District is required to provide to certain information repositories continuing disclosure of annual financial information and operating data with respect to the District. The information is of the general type included in the annual audit report and must be filed within six months after the end of each fiscal year of the District.

For the bonds sold, 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 be rebated to the federal government, within the meaning of Section 148(f) of the Internal Revenue Code. 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

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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 \$2,273,548 and the bank balance was \$2,293,244. The District was not exposed to custodial credit risk at year-end. The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at August 31, 2020, as listed below:

| | <u>Cash</u> |
|-----------------------|---------------------|
| GENERAL FUND | \$ 246,101 |
| DEBT SERVICE FUND | 1,826,784 |
| CAPITAL PROJECTS FUND | <u>200,663</u> |
| TOTAL DEPOSITS | <u>\$ 2,273,548</u> |

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 Directors. 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.

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.

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At August 31, 2020, the District's investment in TexPool was rated AAAm by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

As of August 31, 2020, the District had the following investments and maturities:

| Fund and Investment Type | Fair Value | Maturities of Less Than 1 Year |
|------------------------------|----------------------|--------------------------------------|
| <u>GENERAL FUND</u> | | |
| TexPool | \$ 8,787,853 | \$ 8,787,853 |
| <u>DEBT SERVICE FUND</u> | | |
| TexPool | 774,749 | 774,749 |
| <u>CAPITAL PROJECTS FUND</u> | | |
| TexPool | 4,995,466 | 4,995,466 |
| TOTAL INVESTMENTS | <u>\$ 14,558,068</u> | <u>\$ 14,558,068</u> |

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 LEVEE IMPROVEMENT DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 6. CAPITAL ASSETS

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

| | September 1, 2019 | Increases | Decreases | August 31, 2020 |
|--|-----------------------------|----------------------------|--------------------------|-----------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land and Land Improvements | \$ 3,419,253 | \$ 96,693 | \$ | \$ 3,515,946 |
| Construction in Progress | <u>1,718,134</u> | <u>6,383,414</u> | <u>984,355</u> | <u>7,117,193</u> |
| Total Capital Assets Not Being Depreciated | <u>\$ 5,137,387</u> | <u>\$ 6,480,107</u> | <u>\$ 984,355</u> | <u>\$ 10,633,139</u> |
| Capital Assets Subject to Depreciation | | | | |
| Drainage System | <u>\$ 39,452,836</u> | <u>\$ 984,355</u> | <u>\$ - 0 -</u> | <u>\$ 40,437,191</u> |
| Accumulated Depreciation | | | | |
| Drainage System | <u>\$ 11,882,000</u> | <u>\$ 974,616</u> | <u>\$ - 0 -</u> | <u>\$ 12,856,616</u> |
| Total Depreciable Capital Assets, Net of Accumulated Depreciation | <u>\$ 27,570,836</u> | <u>\$ 9,739</u> | <u>\$ - 0 -</u> | <u>\$ 27,580,575</u> |
| Total Capital Assets, Net of Accumulated Depreciation | <u><u>\$ 32,708,223</u></u> | <u><u>\$ 6,489,846</u></u> | <u><u>\$ 984,355</u></u> | <u><u>\$ 38,213,714</u></u> |

NOTE 7. MAINTENANCE TAX

On November 5, 1985, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$0.25 per \$100 of assessed valuation of taxable property within the District. During the year ended August 31, 2020, the District levied an ad valorem maintenance tax rate of \$0.25 per \$100 of assessed valuation, which resulted in a tax levy of \$3,935,262 on the adjusted taxable valuation of \$1,574,104,785 for the 2019 tax year. This maintenance tax may be used by the General Fund to pay expenditures related to operating the District and capital improvements.

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.

NOTE 9. SUBSEQUENT EVENT – BOND SALE

On September 24, 2020, subsequent to fiscal year-end, the District closed on the sale of its \$60,100,000 Series 2020 Unlimited Tax Levee Improvement Bonds. Proceeds from the sale will be used to finance the construction and engineering costs associated with the District's Brazos River Bank Erosion Control Project. Bond proceeds were used to pay for bond issuance costs and land acquisition costs.

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 10. GRANT PROGRAMS

On June 24, 2019 the District received a Hazard Mitigation Grant Program (HMGP) Phase 1 award from the U.S. Department of Homeland Security passed through the Texas Department of Emergency Management for the District's Brazos River Bank Erosion Control Project (the "Project"). The Phase 1 Award is a reimbursement-based award of up to 75% of the costs for pre-construction work, including design, of the Project. The Phase 1 award is under Catalog of Federal Domestic Assistance program 97.039 and FEMA project number 4332-0035-TX (the "Phase 1 Award"). The District is required by the grant contract to pay 100% of the costs for pre-construction work for the Project and may seek reimbursement of up to 75% of such costs from FEMA. The Phase 1 award is administered by and through TDEM, and only costs incurred by the District that are eligible for reimbursement under such federal rules and regulations, as determined by TDEM and FEMA, will be reimbursed to the District. The District recorded \$1,787,767 in pre-construction costs related to the Project, of which \$580,303 were incurred during the current year. If TDEM and FEMA are satisfied with the District's completion of Phase 1, which is ongoing, then FEMA may award Phase 2 for up to 75% of eligible construction costs of the Project.

On September 5, 2019 the District received a Natural Resources Conservation Service (NRCS) grant award from the U.S. Department of Agriculture. Proceeds will be used for a portion of the costs of Emergency Watershed Protection (EWP) Project #5103 in Fort Bend County. Specifically, the EWP Project entails approximately 1200 linear feet of the District's External Drainage Channel and toe protection with grading and rock rip rap placed along slope of bank for erosion control and stabilization of upper bank and existing vegetation and remove miscellaneous debris in work area (the "External Drainage Channel Project") from damage due to Hurricane Harvey. The award is under Catalog of Federal Domestic Assistance program 10.923 and award identifying number NR197442XXXXC029. The federal cost share of the project is up to 90% of construction costs, up to \$2,821,644 and 100% of technical assistance costs up to \$239,840 for a total of \$3,061,484 federal share. The District is required by the grant contract to spend 10% of the costs up to \$313,516 of its own funds toward the construction costs of the External Drainage Channel Project.

The District requested and received three amendments to the initial grant. Amendments 1 and 3 increased the approved budget. Amendment 2 extended the period of performance to September 4, 2020. The amended federal cost share of the project is up to 90% of construction costs, up to \$3,694,034 and 100% of technical assistance costs up to \$239,840 for a total of \$3,933,874 federal share. The District is required by the grant contract to spend 10% of the costs up to \$410,448 of its own funds toward the construction costs of the External Drainage Channel Project. This is also a reimbursement-based award subject to federal rules and regulations. The District recorded \$5,325,260 in engineering and construction costs related to this External Drainage Channel Project, of which \$4,851,756 were recorded during the current year. The District received \$4,155,655, of which \$412,878 is recorded as grants receivable.

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 10. GRANT PROGRAMS (Continued)

On November 14, 2018, the District received a public assistance grant from the U.S. Department of Homeland Security passed through the Texas Department of Public Safety for the purchase of emergency supplies and TIGER DAM tubes, so that the District could respond to flood threats from the rising Brazos River and rainfall runoff following the extreme Rainfall of Hurricane Harvey. The goal of this purchase was preventing flood waters from inundating residential and commercial areas at the area of Grand Parkway Toll Road and Route 90A and along Bull Head Slough near Ellis Creek Boulevard and Easton Avenue. The public assistance grant is under Code of Federal Domestic Assistance number 97.036 and FEMA project DR 4332 PW 3558. Costs were incurred in the fall of 2017. The District received reimbursement of \$421,865 in the current year.

NOTE 11. 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 LEVEE IMPROVEMENT DISTRICT NO. 7

REQUIRED SUPPLEMENTARY INFORMATION

AUGUST 31, 2020

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2020

| | Original Budget | Final Amended Budget | Actual | Variance Positive (Negative) |
|--|---------------------|-------------------------|---------------------|------------------------------------|
| REVENUES | | | | |
| Property Taxes | \$ 2,184,000 | \$ 2,184,000 | \$ 3,926,082 | \$ 1,742,082 |
| Grant Revenues | | | 4,583,617 | 4,583,617 |
| Investment and Miscellaneous Revenues | <u>25,000</u> | <u>25,000</u> | <u>56,162</u> | <u>31,162</u> |
| TOTAL REVENUES | <u>\$ 2,209,000</u> | <u>\$ 2,209,000</u> | <u>\$ 8,565,861</u> | <u>\$ 6,356,861</u> |
| EXPENDITURES | | | | |
| Service Operations: | | | | |
| Professional Fees | \$ 316,000 | \$ 321,000 | \$ 403,265 | \$ (82,265) |
| Contracted Services | 141,000 | 141,000 | 275,264 | (134,264) |
| Repairs and Maintenance | 358,500 | 358,500 | 176,063 | 182,437 |
| Other | 365,500 | 365,500 | 331,706 | 33,794 |
| Capital Outlay | | | <u>1,582,939</u> | <u>(1,582,939)</u> |
| TOTAL EXPENDITURES | <u>\$ 1,181,000</u> | <u>\$ 1,186,000</u> | <u>\$ 2,769,237</u> | <u>\$ (1,583,237)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ 1,028,000</u> | <u>\$ 1,023,000</u> | <u>\$ 5,796,624</u> | <u>\$ 4,773,624</u> |
| OTHER FINANCING SOURCES(USES) | | | | |
| Transfers In | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 45,682</u> | <u>\$ 45,682</u> |
| NET CHANGE IN FUND BALANCE | \$ 1,028,000 | \$ 1,023,000 | \$ 5,842,306 | \$ 4,819,306 |
| FUND BALANCE - SEPTEMBER 1, 2019 | <u>3,514,438</u> | <u>3,514,438</u> | <u>3,514,438</u> | |
| FUND BALANCE - AUGUST 31, 2020 | <u>\$ 4,542,438</u> | <u>\$ 4,537,438</u> | <u>\$ 9,356,744</u> | <u>\$ 4,819,306</u> |

See accompanying independent auditor's report.

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FORT BEND COUNT LEVEE IMPROVEMENT DISTRICT NO. 7

**SUPPLEMENTARY INFORMATION –
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

AUGUST 31, 2020

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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Suite 235
Houston, Texas 77065-5610
(713) 462-0341
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December 15, 2020

Board of Directors
Fort Bend County Levee
Improvement District No. 7
Fort Bend County, Texas

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Fort Bend County Levee Improvement District No. 7 ("the District") as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies, and therefore material weaknesses may exist that have not been identified. We identified a deficiency in internal control that we consider to be a material weakness (Reference No 2020-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "McCall Gibson Swedlund Barfoot PLLC". The script is cursive and fluid.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

December 15, 2020

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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Austin, TX 78755-5126
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E-Mail: mgsb@mgsbpllc.com

December 15, 2020

Board of Directors
Fort Bend County Levee
Improvement District No. 7
Fort Bend County, Texas

**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control
over Compliance Required by the Uniform Guidance**

Report on Compliance for Each Major Federal Program

We have audited Fort Bend County Levee Improvement District No. 7's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston Texas

December 15, 2020

**FORT BEND COUNTY LEVEE
IMPROVEMENT DISTRICT NO. 7
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020**

| <u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Pass-through Entity Identifying Number</u> | <u>Total Federal Expenditures</u> |
|--|------------------------------------|---|---------------------------------------|
| U.S. Department of Agriculture: | | | |
| Natural Resources Conservation Service Emergency Watershed Protection Project | 10.923 | NR197442XXXXC029 | <u>\$ 4,155,655</u> |

See accompanying independent auditor's report.

**FORT BEND COUNTY LEVEE
IMPROVEMENT DISTRICT NO. 7
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020**

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal award includes the federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 2. GRANT PROGRAMS

On June 24, 2019 the District received a Hazard Mitigation Grant Program (HMGP) Phase 1 award from the U.S. Department of Homeland Security passed through the Texas Department of Emergency Management for the District's Brazos River Bank Erosion Control Project (the "Project"). The Phase 1 Award is a reimbursement-based award of up to 75% of the costs for pre-construction work, including design, of the Project. The Phase 1 award is under Catalog of Federal Domestic Assistance program 97.039 and FEMA project number 4332-0035-TX (the "Phase 1 Award"). The District is required by the grant contract to pay 100% of the costs for pre-construction work for the Project and may seek reimbursement of up to 75% of such costs from FEMA. The Phase 1 award is administered by and through TDEM, and only costs incurred by the District that are eligible for reimbursement under such federal rules and regulations, as determined by TDEM and FEMA, will be reimbursed to the District. The District recorded \$1,787,767 in pre-construction costs related to the Project, of which \$580,303 were incurred during the current year. If TDEM and FEMA are satisfied with the District's completion of Phase 1, which is ongoing, then FEMA may award Phase 2 for up to 75% of eligible construction costs of the Project.

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**FORT BEND COUNTY LEVEE
IMPROVEMENT DISTRICT NO. 7
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020**

NOTE 2. GRANT PROGRAMS (Continued)

The District requested and received three amendments to the initial grant. Amendments 1 and 3 increased the approved budget. Amendment 2 extended the period of performance to September 4, 2020. The amended federal cost share of the project is up to 90% of construction costs, up to \$3,694,034 and 100% of technical assistance costs up to \$239,840 for a total of \$3,933,874 federal share. The District is required by the grant contract to spend 10% of the costs up to \$410,448 of its own funds toward the construction costs of the External Drainage Channel Project. This is also a reimbursement-based award subject to federal rules and regulations. The District recorded \$5,325,260 in engineering and construction costs related to this External Drainage Channel Project, of which \$4,851,756 were recorded during the current year. The District received \$4,155,655, of which \$412,878 is recorded as grants receivable.

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NOTE 3. MATCHING COSTS

Matching Costs, the nonfederal share of certain program costs, are not included on the Schedule.

NOTE 4. INDIRECT COSTS

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**FORT BEND COUNTY LEVEE
IMPROVEMENT DISTRICT NO. 7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020**

Section I — Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
 ☒ yes ☐ no
- Significant Deficiencies(s) identified that are not considered to be material weaknesses?
 ☐ yes ☒ None reported
- Noncompliance material to financial statements noted?
 ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
 ☐ yes ☒ no
- Significant Deficiencies(s) identified that are not considered to be material weakness(es)?
 ☐ yes ☒ None reported
- Type of auditor's report issued on compliance for major programs: Unmodified
- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 of Uniform Guidance ☐ yes ☒ no

**FORT BEND COUNTY LEVEE
IMPROVEMENT DISTRICT NO. 7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020**

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster

10.923 USDA NRCS Emergency Watershed Protection Project

Dollar threshold used to distinguish

between type A and type B programs: \$750,000

Audited Qualified as low-risk auditee? yes X no

**FORT BEND COUNTY LEVEE
IMPROVEMENT DISTRICT NO. 7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020**

Section II — Financial Statement Findings

Reference No. 2020-001

Criteria: Uniform Guidance states that the auditee shall prepare appropriate financial statements, including the schedule of expenditures of federal awards. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework, even if the auditor assists in drafting the financial statements.

Condition: The accounting function does not include preparation of the financial statements complete with footnotes in accordance with accounting principles generally accepted in the United States of America. Accordingly, the District has not established internal controls over the preparation of its financial statements. Also, during the course of performing our audit, we prepared various journal entries to present the financial statements on the government-wide basis of accounting. In addition, we prepared the capital asset and depreciation schedules and posted adjustments related to the presentation of the capital assets in the government-wide financial statements.

Cause: The District does not employ an individual or consultant with the knowledge and expertise to prepare financial statements complete with footnotes in accordance with accounting principles generally accepted in the United States of America.

Effect: This condition and the reliance on the auditor to perform these functions is considered to be a material weakness in the system of internal controls.

Recommendation: We recommend that the Board of Directors consider the requirements in the context of other entities of similar size and the District's facts and circumstances.

View of Responsible Officials: The Board engages consultants who possess industry knowledge and expertise to provide financial services, as well as legal and professional engineering services. Based on the auditor's unmodified opinion and after reading the financial statements, the Board believes the financial statements to be materially correct. The Board does not think that the addition of an employee or consultant to perform or reperform the annual financial reporting process is necessary nor would it be cost effective.

**FORT BEND COUNTY LEVEE
IMPROVEMENT DISTRICT NO. 7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020**

Section III— Federal Award Findings and Questioned Costs

None

**FORT BEND COUNTY LEVEE
IMPROVEMENT DISTRICT NO. 7
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2020**

None

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

AUGUST 31, 2020

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
SERVICES AND RATES
FOR THE YEAR ENDED AUGUST 31, 2020

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

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

2. RETAIL SERVICE PROVIDERS: NOT APPLICABLE

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: NOT APPLICABLE

4. STANDBY FEES: NOT APPLICABLE

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No

County in which District is located:

Fort Bend County, Texas

Is the District located within a city?

Entirely X Partly Not at all

City in which District is located:

City of Sugar Land, Texas.

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

Entirely Partly Not at all X

Are Board Members appointed by an office outside the District?

Yes No X

See accompanying independent auditor's report.

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2020

| | |
|--|---------------------|
| PROFESSIONAL FEES: | |
| Auditing | \$ 20,000 |
| Engineering | 83,147 |
| Legal | <u>300,118</u> |
| TOTAL PROFESSIONAL FEES | <u>\$ 403,265</u> |
| CONTRACTED SERVICES: | |
| Bookkeeping | \$ 25,950 |
| Operations and Billing | 89,400 |
| General Manager | <u>159,914</u> |
| TOTAL CONTRACTED SERVICES | <u>\$ 275,264</u> |
| UTILITIES | <u>\$ 34,255</u> |
| REPAIRS AND MAINTENANCE | <u>\$ 176,063</u> |
| ADMINISTRATIVE EXPENDITURES: | |
| Director Fees, Including Payroll Taxes | \$ 34,631 |
| Dues | 5,675 |
| Insurance | 15,436 |
| Office Supplies and Postage | 4,847 |
| Communications and Website | 27,346 |
| Other | <u>10,970</u> |
| TOTAL ADMINISTRATIVE EXPENDITURES | <u>\$ 98,905</u> |
| CAPITAL OUTLAY | <u>\$ 1,582,939</u> |
| WATER REUSE COSTS | <u>\$ 146,276</u> |
| BOND ISSUANCE COSTS | <u>\$ 52,270</u> |
| TOTAL EXPENDITURES | <u>\$ 2,769,237</u> |

See accompanying independent auditor's report.

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
INVESTMENTS
AUGUST 31, 2020

| <u>Funds</u> | <u>Identification or Certificate Number</u> | <u>Interest Rates</u> | <u>Maturity Dates</u> | <u>Balance at End of Year</u> | <u>Accrued Interest Receivable at End of Year</u> |
|------------------------------|---|---------------------------|---------------------------|-----------------------------------|---|
| <u>GENERAL FUND</u> | | | | | |
| TexPool | XXXX0002 | Varies | Daily | \$ 2,130,484 | \$ |
| TexPool | XXXX0004 | Varies | Daily | 6,657,369 | |
| TOTAL GENERAL FUND | | | | <u>\$ 8,787,853</u> | <u>\$ - 0 -</u> |
| <u>DEBT SERVICE FUND</u> | | | | | |
| TexPool | XXXX0001 | Varies | Daily | <u>\$ 774,749</u> | <u>\$ - 0 -</u> |
| <u>CAPITAL PROJECTS FUND</u> | | | | | |
| TexPool | XXXX0003 | Varies | Daily | \$ 969,380 | \$ |
| TexPool | XXXX0005 | Varies | Daily | 4,026,086 | |
| TOTAL CAPITAL PROJECTS FUND | | | | <u>\$ 4,995,466</u> | <u>\$ - 0 -</u> |
| TOTAL - ALL FUNDS | | | | <u>\$ 14,558,068</u> | <u>\$ - 0 -</u> |

See accompanying independent auditor's report.

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2020

| | <u>Maintenance Taxes</u> | | <u>Debt Service Taxes</u> | |
|-----------------------------|--------------------------|------------------|---------------------------|------------------|
| TAXES RECEIVABLE - | | | | |
| SEPTEMBER 1, 2019 | \$ | 32,633 | \$ | 46,321 |
| Adjustments to Beginning | | | | |
| Balance | | <u>(275)</u> | | <u>(182)</u> |
| | \$ | 32,358 | \$ | 46,139 |
| Original 2019 Tax Levy | \$ | 3,936,764 | \$ | 2,834,470 |
| Adjustment to 2019 Tax Levy | | <u>(1,502)</u> | | <u>(1,082)</u> |
| | | 3,935,262 | | 2,833,388 |
| TOTAL TO BE | | | | |
| ACCOUNTED FOR | | \$ 3,967,620 | | \$ 2,879,527 |
| TAX COLLECTIONS: | | | | |
| Prior Years | \$ | 16,379 | \$ | 18,189 |
| Current Year | | <u>3,909,703</u> | | <u>2,814,986</u> |
| | | 3,926,082 | | 2,833,175 |
| TAXES RECEIVABLE - | | | | |
| AUGUST 31, 2020 | | <u>\$ 41,538</u> | | <u>\$ 46,352</u> |
| TAXES RECEIVABLE BY | | | | |
| YEAR: | | | | |
| 2019 | \$ | 25,559 | \$ | 18,402 |
| 2018 | | 5,835 | | 7,502 |
| 2017 | | 5,274 | | 2,397 |
| 2016 | | 1,412 | | 2,325 |
| 2015 | | 836 | | 2,059 |
| 2014 | | 435 | | 2,486 |
| 2013 | | 343 | | 1,664 |
| 2012 | | 296 | | 1,436 |
| 2011 | | 373 | | 1,863 |
| 2010 | | 417 | | 1,824 |
| 2009 | | 410 | | 1,792 |
| 2008 | | 241 | | 1,484 |
| 2007 | | <u>107</u> | | <u>1,118</u> |
| TOTAL | \$ | <u>41,538</u> | \$ | <u>46,352</u> |

See accompanying independent auditor's report.

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2020

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| PROPERTY VALUATIONS: | | | | |
| Land | \$ 275,336,150 | \$ 274,730,500 | \$ 274,917,500 | \$ 274,742,110 |
| Improvements | 1,311,567,019 | 1,328,691,054 | 1,334,879,060 | 1,322,216,720 |
| Personal Property | 16,517,060 | 17,620,570 | 16,912,410 | 16,723,810 |
| Exemptions | <u>(29,315,444)</u> | <u>(26,310,106)</u> | <u>(28,034,871)</u> | <u>(47,770,991)</u> |
| TOTAL PROPERTY VALUATIONS | <u>\$ 1,574,104,785</u> | <u>\$ 1,594,732,018</u> | <u>\$ 1,598,674,099</u> | <u>\$ 1,565,911,649</u> |
| TAX RATES PER \$100 VALUATION: | | | | |
| Debt Service | \$ 0.18 | \$ 0.18 | \$ 0.10 | \$ 0.140 |
| Maintenance | <u>0.25</u> | <u>0.14</u> | <u>0.22</u> | <u>0.085</u> |
| TOTAL TAX RATES PER \$100 VALUATION | <u>\$ 0.43</u> | <u>\$ 0.32</u> | <u>\$ 0.32</u> | <u>\$ 0.225</u> |
| ADJUSTED TAX LEVY* | <u>\$ 6,768,650</u> | <u>\$ 5,103,311</u> | <u>\$ 5,115,757</u> | <u>\$ 3,523,301</u> |
| PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED | <u>99.35 %</u> | <u>99.74 %</u> | <u>99.85 %</u> | <u>99.89 %</u> |

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

Maintenance Tax – Maximum tax rate of \$0.25 per \$100 of assessed valuation approved by voters on November 5, 1985.

See accompanying independent auditor's report.

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
LONG-TERM DEBT SERVICE REQUIREMENTS
AUGUST 31, 2020

| S E R I E S - 2 0 1 4 | | | |
|--|-----------------------------|---|---------------------|
| Due During Fiscal Years Ending August 31 | Principal Due March 1 | Interest Due September 1/ March 1 | Total |
| 2021 | \$ | \$ 142,500 | \$ 142,500 |
| 2022 | | 142,500 | 142,500 |
| 2023 | 250,000 | 142,500 | 392,500 |
| 2024 | 250,000 | 135,000 | 385,000 |
| 2025 | 250,000 | 127,500 | 377,500 |
| 2026 | 250,000 | 118,750 | 368,750 |
| 2027 | 250,000 | 110,000 | 360,000 |
| 2028 | 250,000 | 101,250 | 351,250 |
| 2029 | 250,000 | 92,500 | 342,500 |
| 2030 | 250,000 | 83,750 | 333,750 |
| 2031 | 250,000 | 75,000 | 325,000 |
| 2032 | 250,000 | 66,250 | 316,250 |
| 2033 | 250,000 | 57,500 | 307,500 |
| 2034 | 250,000 | 48,750 | 298,750 |
| 2035 | 250,000 | 39,375 | 289,375 |
| 2036 | 250,000 | 30,000 | 280,000 |
| 2037 | 250,000 | 20,000 | 270,000 |
| 2038 | 250,000 | 10,000 | 260,000 |
| 2039 | | | |
| 2040 | | | |
| 2041 | | | |
| 2042 | | | |
| 2043 | | | |
| | <u>\$ 4,000,000</u> | <u>\$ 1,543,125</u> | <u>\$ 5,543,125</u> |

See accompanying independent auditor's report.

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
LONG-TERM DEBT SERVICE REQUIREMENTS
AUGUST 31, 2020

| S E R I E S - 2 0 1 5 | | | |
|--|-----------------------------|---|----------------------|
| Due During Fiscal Years Ending August 31 | Principal Due March 1 | Interest Due September 1/ March 1 | Total |
| 2021 | \$ | \$ 470,069 | \$ 470,069 |
| 2022 | | 470,069 | 470,069 |
| 2023 | 910,000 | 470,069 | 1,380,069 |
| 2024 | 910,000 | 442,769 | 1,352,769 |
| 2025 | 910,000 | 415,469 | 1,325,469 |
| 2026 | 910,000 | 388,169 | 1,298,169 |
| 2027 | 905,000 | 360,869 | 1,265,869 |
| 2028 | 905,000 | 333,719 | 1,238,719 |
| 2029 | 905,000 | 306,569 | 1,211,569 |
| 2030 | 905,000 | 278,287 | 1,183,287 |
| 2031 | 905,000 | 250,006 | 1,155,006 |
| 2032 | 905,000 | 220,594 | 1,125,594 |
| 2033 | 905,000 | 191,181 | 1,096,181 |
| 2034 | 905,000 | 160,637 | 1,065,637 |
| 2035 | 905,000 | 130,094 | 1,035,094 |
| 2036 | 905,000 | 98,419 | 1,003,419 |
| 2037 | 905,000 | 65,612 | 970,612 |
| 2038 | 905,000 | 32,806 | 937,806 |
| 2039 | | | |
| 2040 | | | |
| 2041 | | | |
| 2042 | | | |
| 2043 | | | |
| | <u>\$ 14,500,000</u> | <u>\$ 5,085,407</u> | <u>\$ 19,585,407</u> |

See accompanying independent auditor's report.

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
LONG-TERM DEBT SERVICE REQUIREMENTS
AUGUST 31, 2020

| <u>S E R I E S - 2 0 1 6 R E F U N D I N G</u> | | | |
|--|-----------------------------|---|---------------------|
| Due During Fiscal Years Ending August 31 | Principal Due March 1 | Interest Due September 1/ March 1 | Total |
| 2021 | \$ 1,260,000 | \$ 75,000 | \$ 1,335,000 |
| 2022 | 1,240,000 | 37,200 | 1,277,200 |
| 2023 | | | |
| 2024 | | | |
| 2025 | | | |
| 2026 | | | |
| 2027 | | | |
| 2028 | | | |
| 2029 | | | |
| 2030 | | | |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| 2035 | | | |
| 2036 | | | |
| 2037 | | | |
| 2038 | | | |
| 2039 | | | |
| 2040 | | | |
| 2041 | | | |
| 2042 | | | |
| 2043 | | | |
| | <u>\$ 2,500,000</u> | <u>\$ 112,200</u> | <u>\$ 2,612,200</u> |

See accompanying independent auditor's report.

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
LONG-TERM DEBT SERVICE REQUIREMENTS
AUGUST 31, 2020

| S E R I E S - 2 0 1 8 | | | |
|--|-----------------------------|---|----------------------|
| Due During Fiscal Years Ending August 31 | Principal Due March 1 | Interest Due September 1/ March 1 | Total |
| 2021 | \$ 510,000 | \$ 436,512 | \$ 946,512 |
| 2022 | 510,000 | 416,113 | 926,113 |
| 2023 | 510,000 | 395,712 | 905,712 |
| 2024 | 510,000 | 375,313 | 885,313 |
| 2025 | 510,000 | 354,912 | 864,912 |
| 2026 | 505,000 | 339,613 | 844,613 |
| 2027 | 505,000 | 324,462 | 829,462 |
| 2028 | 505,000 | 308,682 | 813,682 |
| 2029 | 505,000 | 292,268 | 797,268 |
| 2030 | 505,000 | 275,226 | 780,226 |
| 2031 | 505,000 | 257,550 | 762,550 |
| 2032 | 505,000 | 239,876 | 744,876 |
| 2033 | 505,000 | 220,936 | 725,936 |
| 2034 | 505,000 | 202,000 | 707,000 |
| 2035 | 505,000 | 181,800 | 686,800 |
| 2036 | 505,000 | 161,600 | 666,600 |
| 2037 | 505,000 | 141,400 | 646,400 |
| 2038 | 505,000 | 121,200 | 626,200 |
| 2039 | 505,000 | 101,000 | 606,000 |
| 2040 | 505,000 | 80,800 | 585,800 |
| 2041 | 505,000 | 60,600 | 565,600 |
| 2042 | 505,000 | 40,400 | 545,400 |
| 2043 | 505,000 | 20,200 | 525,200 |
| | <u>\$ 11,640,000</u> | <u>\$ 5,348,175</u> | <u>\$ 16,988,175</u> |

See accompanying independent auditor's report.

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FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
LONG-TERM DEBT SERVICE REQUIREMENTS
AUGUST 31, 2020

ANNUAL REQUIREMENTS
FOR ALL SERIES

| Due During Fiscal Years Ending August 31 | Total Principal Due | Total Interest Due | Total Principal and Interest Due |
|--|------------------------|-----------------------|--|
| 2021 | \$ 1,770,000 | \$ 1,124,081 | \$ 2,894,081 |
| 2022 | 1,750,000 | 1,065,882 | 2,815,882 |
| 2023 | 1,670,000 | 1,008,281 | 2,678,281 |
| 2024 | 1,670,000 | 953,082 | 2,623,082 |
| 2025 | 1,670,000 | 897,881 | 2,567,881 |
| 2026 | 1,665,000 | 846,532 | 2,511,532 |
| 2027 | 1,660,000 | 795,331 | 2,455,331 |
| 2028 | 1,660,000 | 743,651 | 2,403,651 |
| 2029 | 1,660,000 | 691,337 | 2,351,337 |
| 2030 | 1,660,000 | 637,263 | 2,297,263 |
| 2031 | 1,660,000 | 582,556 | 2,242,556 |
| 2032 | 1,660,000 | 526,720 | 2,186,720 |
| 2033 | 1,660,000 | 469,617 | 2,129,617 |
| 2034 | 1,660,000 | 411,387 | 2,071,387 |
| 2035 | 1,660,000 | 351,269 | 2,011,269 |
| 2036 | 1,660,000 | 290,019 | 1,950,019 |
| 2037 | 1,660,000 | 227,012 | 1,887,012 |
| 2038 | 1,660,000 | 164,006 | 1,824,006 |
| 2039 | 505,000 | 101,000 | 606,000 |
| 2040 | 505,000 | 80,800 | 585,800 |
| 2041 | 505,000 | 60,600 | 565,600 |
| 2042 | 505,000 | 40,400 | 545,400 |
| 2043 | 505,000 | 20,200 | 525,200 |
| | <u>\$ 32,640,000</u> | <u>\$ 12,088,907</u> | <u>\$ 44,728,907</u> |

See accompanying independent auditor's report.

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED AUGUST 31, 2020

| Description | Original Bonds Issued | Bonds Outstanding September 1, 2019 |
|---|--------------------------|---|
| Fort Bend County Levee Improvement District No. 7 Unlimited Tax Levee Improvement Bonds - Series 2014 | \$ 4,000,000 | \$ 4,000,000 |
| Fort Bend County Levee Improvement District No. 7 Unlimited Tax Levee Improvement Bonds - Series 2015 | 14,500,000 | 14,500,000 |
| Fort Bend County Levee Improvement District No. 7 Unlimited Tax Levee Improvement Refunding Bonds - Series 2016 | 7,085,000 | 3,780,000 |
| Fort Bend County Levee Improvement District No. 7 Unlimited Tax Levee Improvement Bonds - Series 2018 | <u>12,150,000</u> | <u>12,150,000</u> |
| TOTAL | <u>\$ 37,735,000</u> | <u>\$ 34,430,000</u> |

| | Tax Bonds- Levee and Drainage Facilities | Refunding Bonds * | Tax Bonds- Reclaimed Water Facilities |
|-----------------------------|--|-----------------------|---|
| Bond Authority: | | | |
| Amount Authorized by Voters | \$ 169,105,000 | \$ 150,650,000 | \$ 14,500,000 |
| Amount Issued | <u>47,955,000</u> | <u>131,180</u> | <u>14,500,000</u> |
| Remaining to be Issued | <u>\$ 121,150,000</u> | <u>\$ 150,518,820</u> | <u>\$ - 0 -</u> |

* Includes \$136,150,000 for refunding levee and drainage facilities bonds
and \$14,500,000 for refunding reclaimed water facilities bonds.

See accompanying independent auditor's report.

| <u>Current Year Transactions</u> | | | | |
|----------------------------------|---------------------|---------------------|--|--|
| <u>Bonds Sold</u> | <u>Retirements</u> | | <u>Bonds Outstanding August 31, 2020</u> | <u>Paying Agent</u> |
| | <u>Principal</u> | <u>Interest</u> | | |
| \$ | \$ | \$ 142,500 | \$ 4,000,000 | The Bank of New York Mellon Trust Company, N.A. Dallas, TX |
| | | 470,069 | 14,500,000 | The Bank of New York Mellon Trust Company, N.A. Dallas, TX |
| | 1,280,000 | 100,600 | 2,500,000 | The Bank of New York Mellon Trust Company, N.A. Dallas, TX |
| | <u>510,000</u> | <u>456,912</u> | <u>11,640,000</u> | The Bank of New York Mellon Trust Company, N.A. Dallas, TX |
| <u>\$ - 0 -</u> | <u>\$ 1,790,000</u> | <u>\$ 1,170,081</u> | <u>\$ 32,640,000</u> | |

Debt Service Fund cash, investments and cash with paying agent balances as of August 31, 2020: \$ 3,163,574

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,944,735

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

See accompanying independent auditor's report.

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

| | Amounts | | |
|--|---------------------|---------------------|---------------------|
| | 2020 | 2019 | 2018 |
| REVENUES | | | |
| Property Taxes | \$ 3,926,082 | \$ 2,229,850 | \$ 3,497,007 |
| Grant Revenues | 4,583,617 | 83,379 | |
| Investment and Miscellaneous Revenues | 56,162 | 68,898 | 17,210 |
| TOTAL REVENUES | <u>\$ 8,565,861</u> | <u>\$ 2,382,127</u> | <u>\$ 3,514,217</u> |
| EXPENDITURES | | | |
| Professional Fees | \$ 403,265 | \$ 865,488 | \$ 609,157 |
| Contracted Services | 275,264 | 163,834 | 118,802 |
| Utilities | 34,255 | 51,413 | 37,735 |
| Repairs and Maintenance | 176,063 | 457,123 | 402,291 |
| Other | 297,451 | 173,444 | 229,675 |
| Capital Outlay | 1,582,939 | 196,706 | 542,930 |
| Tax Anticipation Note Principal | | | 1,000,000 |
| Tax Anticipation Note Interest | | | 11,290 |
| TOTAL EXPENDITURES | <u>\$ 2,769,237</u> | <u>\$ 1,908,008</u> | <u>\$ 2,951,880</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ 5,796,624</u> | <u>\$ 474,119</u> | <u>\$ 562,337</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In (Out) | \$ 45,682 | \$ 466,296 | \$ 317,775 |
| Tax Anticipation Note Proceeds | | | 1,000,000 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>\$ 45,682</u> | <u>\$ 466,296</u> | <u>\$ 1,317,775</u> |
| NET CHANGE IN FUND BALANCE | \$ 5,842,306 | \$ 940,415 | \$ 1,880,112 |
| BEGINNING FUND BALANCE | <u>3,514,438</u> | <u>2,574,023</u> | <u>693,911</u> |
| ENDING FUND BALANCE | <u>\$ 9,356,744</u> | <u>\$ 3,514,438</u> | <u>\$ 2,574,023</u> |

See accompanying independent auditor's report.

| | | Percentage of Total Revenues | | | | |
|--------------|--------------|------------------------------|---------|---------|----------|---------|
| 2017 | 2016 | 2020 | 2019 | 2018 | 2017 | 2016 |
| \$ 1,325,823 | \$ 953,852 | 45.8 % | 93.6 % | 99.5 % | 99.7 % | 99.7 % |
| | | 53.5 | 3.5 | | | |
| 4,358 | 3,093 | 0.7 | 2.9 | 0.5 | 0.3 | 0.3 |
| \$ 1,330,181 | \$ 956,945 | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| | | | | | | |
| \$ 371,987 | \$ 226,392 | 4.7 % | 36.3 % | 17.3 % | 28.0 % | 23.7 % |
| 105,200 | 104,648 | 3.2 | 6.9 | 3.4 | 7.9 | 10.9 |
| 19,960 | 35,979 | 0.4 | 2.2 | 1.1 | 1.5 | 3.8 |
| 544,271 | 322,442 | 2.1 | 19.2 | 11.4 | 40.9 | 33.7 |
| 43,393 | 41,734 | 3.5 | 7.3 | 6.5 | 3.3 | 4.4 |
| 721,517 | | 18.5 | 8.3 | 15.4 | 54.2 | |
| | | | | 28.5 | | |
| | | | | 0.3 | | |
| \$ 1,806,328 | \$ 731,195 | 32.4 % | 80.2 % | 83.9 % | 135.8 % | 76.5 % |
| | | | | | | |
| \$ (476,147) | \$ 225,750 | 67.6 % | 19.8 % | 16.1 % | (35.8) % | 23.5 % |
| | | | | | | |
| \$ | \$ | | | | | |
| \$ - 0 - | \$ - 0 - | | | | | |
| | | | | | | |
| \$ (476,147) | \$ 225,750 | | | | | |
| 1,170,058 | 944,308 | | | | | |
| \$ 693,911 | \$ 1,170,058 | | | | | |

See accompanying independent auditor's report.

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

| | Amounts | | |
|--|---------------------|---------------------|---------------------|
| | 2020 | 2019 | 2018 |
| REVENUES | | | |
| Property Taxes | \$ 2,833,175 | \$ 2,856,532 | \$ 1,588,915 |
| Penalty and Interest | 46,019 | 27,550 | 26,385 |
| Investment and Miscellaneous Revenues | 10,571 | 17,486 | 5,623 |
| TOTAL REVENUES | <u>\$ 2,889,765</u> | <u>\$ 2,901,568</u> | <u>\$ 1,620,923</u> |
| EXPENDITURES | | | |
| Tax Collection Expenditures | \$ 118,379 | \$ 119,837 | \$ 106,053 |
| Debt Service Principal | 1,790,000 | 1,305,000 | 1,330,000 |
| Debt Service Interest and Fees | 1,173,831 | 849,401 | 768,119 |
| Bond Issuance Costs | | | |
| Payment to Refunded Bond Escrow Agent | | | |
| TOTAL EXPENDITURES | <u>\$ 3,082,210</u> | <u>\$ 2,274,238</u> | <u>\$ 2,204,172</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ (192,445)</u> | <u>\$ 627,330</u> | <u>\$ (583,249)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In | \$ 1,731,526 | \$ | \$ |
| Long-Term Debt Proceeds - Capitalized Interest | | 456,913 | |
| Proceeds from Refunding Bonds | | | |
| Payment to Refunded Bond Escrow Agent | | | |
| Bond Premium | | | |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>\$ 1,731,526</u> | <u>\$ 456,913</u> | <u>\$ - 0 -</u> |
| NET CHANGE IN FUND BALANCE | \$ 1,539,081 | \$ 1,084,243 | \$ (583,249) |
| BEGINNING FUND BALANCE | <u>1,619,251</u> | <u>535,008</u> | <u>1,118,257</u> |
| ENDING FUND BALANCE | <u>\$ 3,158,332</u> | <u>\$ 1,619,251</u> | <u>\$ 535,008</u> |
| TOTAL ACTIVE RETAIL WATER CONNECTIONS | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |

See accompanying independent auditor's report.

| | | Percentage of Total Revenues | | | | |
|---------------------|---------------------|------------------------------|----------------|-----------------|-----------------|-----------------|
| 2017 | 2016 | 2020 | 2019 | 2018 | 2017 | 2016 |
| \$ 2,185,687 | \$ 2,351,301 | 98.0 % | 98.5 % | 98.1 % | 99.0 % | 99.2 % |
| 15,153 | 13,354 | 1.6 | 0.9 | 1.6 | 0.7 | 0.6 |
| 5,671 | 3,939 | 0.4 | 0.6 | 0.3 | 0.3 | 0.2 |
| <u>\$ 2,206,511</u> | <u>\$ 2,368,594</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> |
| | | | | | | |
| \$ 92,847 | \$ 103,581 | 4.1 % | 4.1 % | 6.5 % | 4.2 % | 4.4 % |
| 1,615,000 | 1,660,000 | 61.9 | 45.0 | 82.1 | 73.2 | 70.1 |
| 822,560 | 794,849 | 40.6 | 29.3 | 47.4 | 37.3 | 33.6 |
| | 222,230 | | | | | 9.4 |
| | 135,000 | | | | | 5.7 |
| <u>\$ 2,530,407</u> | <u>\$ 2,915,660</u> | <u>106.6 %</u> | <u>78.4 %</u> | <u>136.0 %</u> | <u>114.7 %</u> | <u>123.2 %</u> |
| | | | | | | |
| <u>\$ (323,896)</u> | <u>\$ (547,066)</u> | <u>(6.6) %</u> | <u>21.6 %</u> | <u>(36.0) %</u> | <u>(14.7) %</u> | <u>(23.2) %</u> |
| | | | | | | |
| \$ | \$ | | | | | |
| | 7,085,000 | | | | | |
| | (7,127,437) | | | | | |
| | 275,408 | | | | | |
| <u>\$ - 0 -</u> | <u>\$ 232,971</u> | | | | | |
| | | | | | | |
| \$ (323,896) | \$ (314,095) | | | | | |
| 1,442,153 | 1,756,248 | | | | | |
| <u>\$ 1,118,257</u> | <u>\$ 1,442,153</u> | | | | | |
| | | | | | | |
| <u>N/A</u> | <u>N/A</u> | | | | | |
| | | | | | | |
| <u>N/A</u> | <u>N/A</u> | | | | | |

See accompanying independent auditor's report.

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
AUGUST 31, 2020

District Mailing Address - Fort Bend County Levee Improvement District No. 7
c/o Schwartz, Page & Harding, L.L.P.
1300 Post Oak Blvd., Suite 1400
Houston, TX 77056

District Telephone Number - (713) 623-4531

| Board Members | Term of Office (Elected or Appointed) | Fees of Office for the year ended <u>August 31, 2020</u> | Expense Reimbursements for the year ended <u>August 31, 2020</u> | <u>Title</u> |
|----------------------|--|---|---|------------------------|
| James R. Grotte | 05/20 - 05/24 (Elected) | \$ 7,200 | \$ 117 | Chairman |
| Cindy Picazo | 05/18 - 05/22 (Elected) | \$ 6,900 | \$ 1,174 | Vice Chairman |
| Gerald Kazmierczak | 05/18 - 05/22 (Elected) | \$ 6,300 | \$ 37 | Secretary |
| Jeff Hanig | 05/20 - 05/24 (Elected) | \$ 6,150 | \$ 9 | Assistant Secretary |
| Michael Pincomb | 05/18 - 05/22 (Elected) | \$ 5,550 | \$ 288 | Director |

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

Submission date of most recent District Registration Form: June 3, 2020

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on August 7, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 7
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
AUGUST 31, 2020

| Consultants: | <u>Date Hired</u> | <u>Fees for the year ended August 31, 2020</u> | <u>Title</u> |
|---|-------------------|--|----------------------------|
| Schwartz, Page & Harding, L.L.P. | 02/12/92 | \$ 406,577 | General Counsel |
| McCall Gibson Swedlund Barfoot PLLC | 08/13/98 | \$ 20,000 | Auditor |
| Myrtle Cruz, Inc. | 12/03/84 | \$ 28,433 | Bookkeeper |
| Perdue, Brandon, Fielder, Collins & Mott, L.L.P. | 01/02/97 | \$ 12,186 | Delinquent Tax Attorney |
| AECOM | 2018 | \$ 429,134 | Engineer |
| LJA Engineering, Inc. | 02/07/19 | \$ 764,443 | Engineer |
| Mike Stone Associates, Inc. | 02/07/19 | \$ 159,914 | General Manager |
| Mary Jarmon | 06/03/04 | \$ -0- | Investment Officer |
| Masterson Advisors LLC | 04/17/18 | \$ -0- | Financial Advisor |
| Levee Management Services, LLC | 05/10/12 | \$ 278,527 | Operator |
| Assessments of the Southwest | 11/89 | \$ 71,476 | Tax Assessor/ Collector |

See accompanying independent auditor's report.

