

**FIRST COLONY LEVEE
IMPROVEMENT DISTRICT
FORT BEND COUNTY, TEXAS
FINANCIAL REPORT
July 31, 2023**

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Houston, Texas 77092

Independent Auditor's Report

Board of Directors
First Colony Levee Improvement District
Fort Bend County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and General Fund of First Colony Levee Improvement District (the "District"), as of and for the year ended July 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of First Colony Levee Improvement District, as of July 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

***Board of Directors
First Colony Levee Improvement District
Fort Bend County, Texas***

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied

***Board of Directors
First Colony Levee Improvement District
Fort Bend County, Texas***

certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

McGuire & Co, P.C.

Houston, Texas
October 20, 2023

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Management's Discussion and Analysis

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***First Colony Levee Improvement District
Management's Discussion and Analysis
July 31, 2023***

Using this Annual Report

Within this section of the financial report of First Colony Levee Improvement District (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended July 31, 2023. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

***First Colony Levee Improvement District
Management's Discussion and Analysis
July 31, 2023***

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes, or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at July 31, 2023, was \$24,758,108. A comparative summary of the District's overall financial position, as of July 31, 2023 and 2022, is as follows:

	2023	2022
Current and other assets	\$ 10,667,521	\$ 8,705,092
Capital assets	14,132,351	14,127,256
Total assets	<u>24,799,872</u>	<u>22,832,348</u>
Current liabilities	<u>41,764</u>	<u>182,067</u>
Net position		
Net investment in capital assets	14,132,351	14,127,256
Unrestricted	<u>10,625,757</u>	<u>8,523,025</u>
Total net position	<u>\$ 24,758,108</u>	<u>\$ 22,650,281</u>

***First Colony Levee Improvement District
Management's Discussion and Analysis
July 31, 2023***

The total net position of the District increased during the current fiscal year by \$2,107,827. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2023</u>	<u>2022</u>
Revenues		
Property taxes, penalties and interest	\$ 2,235,915	\$ 2,188,105
Other	399,135	35,548
Total revenues	<u>2,635,050</u>	<u>2,223,653</u>
Expenses		
Operating and administrative	527,223	603,052
Intergovernmental		3,472,509
Total expenses	<u>527,223</u>	<u>4,075,561</u>
Change in net position	2,107,827	(1,851,908)
Net position, beginning of year	<u>22,650,281</u>	<u>24,502,189</u>
Net position, end of year	<u>\$ 24,758,108</u>	<u>\$ 22,650,281</u>

Financial Analysis of the District's General Fund

Fund balance in the District's General Fund, as of July 31, 2023, was \$10,519,885. A comparative summary of the General Fund's financial position as of July 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 10,667,521</u>	<u>\$ 8,705,092</u>
Total liabilities	\$ 41,764	\$ 182,067
Total deferred inflows	105,872	93,056
Total fund balance	<u>10,519,885</u>	<u>8,429,969</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 10,667,521</u>	<u>\$ 8,705,092</u>

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

	<u>2023</u>	<u>2022</u>
Total revenues	\$ 2,622,234	\$ 2,209,524
Total expenditures	(532,318)	(5,767,845)
Revenues over/(under) expenditures	<u>\$ 2,089,916</u>	<u>\$ (3,558,321)</u>

The District manages its activities with the objective of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund is from a property tax levy, which is dependent upon assessed values in the District and the maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year. During the prior year, the District incurred significant expenses relating to the District's share of project costs for the Lost Creek Pump Station in the amount of \$3,472,509.

*First Colony Levee Improvement District
Management's Discussion and Analysis
July 31, 2023*

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. The actual net change in fund balance was \$978,056 greater than budgeted. The *Budgetary Comparison Schedule* on page 28 of this report provides variance information per financial statement line item.

Capital Assets

Capital assets held by the District at July 31, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Capital assets not being depreciated		
Land and improvements	\$ 14,132,351	\$ 13,120,933
Construction in progress		1,006,323
Capital assets	<u>\$ 14,132,351</u>	<u>\$ 14,127,256</u>

Capital asset additions during the current year are costs related to the improvement of the levee system. The District's levee system is considered improvements to land and is non-depreciable.

Long-Term Debt

As of July 31, 2023, the District had issued all bonds authorized by the voters of the District in the amount of \$15,350,000 and had no bonds outstanding.

Next Year's Budget

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

	<u>2023 Actual</u>	<u>2024 Budget</u>
Total revenues	\$ 2,622,234	\$ 2,695,800
Total expenditures	<u>(532,318)</u>	<u>(1,006,300)</u>
Revenues over expenditures	2,089,916	1,689,500
Beginning fund balance	8,429,969	10,519,885
Ending fund balance	<u>\$ 10,519,885</u>	<u>\$ 12,209,385</u>

*First Colony Levee Improvement District
Management's Discussion and Analysis
July 31, 2023*

Property Taxes

The District's property tax base increased approximately \$167,850,000 for the 2023 tax year from \$1,626,334,763 to \$1,794,184,712. This increase was primarily due to increased property values. For the 2023 tax year, the District has levied a maintenance tax rate of \$0.12 per \$100 of assessed value. The District's tax rate for the 2022 tax year was \$0.136 per \$100 of assessed value for maintenance and operations.

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Basic Financial Statements

First Colony Levee Improvement District
Statement of Net Position and Governmental Fund Balance Sheet
July 31, 2023

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash	\$ 69,424	\$ -	\$ 69,424
Investments	10,471,858		10,471,858
Taxes receivable, net	105,872		105,872
Accrued interest receivable	20,367		20,367
Capital assets not being depreciated		14,132,351	14,132,351
Total Assets	<u>\$ 10,667,521</u>	<u>14,132,351</u>	<u>24,799,872</u>
Liabilities			
Accounts payable	\$ 32,372		32,372
Other payables	9,392		9,392
Total Liabilities	<u>41,764</u>		<u>41,764</u>
Deferred Inflows of Resources			
Deferred property taxes	105,872	(105,872)	
Fund Balance/Net Position			
Fund Balance			
Committed	8,129,206	(8,129,206)	
Unassigned	2,390,679	(2,390,679)	
Total Fund Balance	<u>10,519,885</u>	<u>(10,519,885)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 10,667,521</u>		
Net Position			
Net investment in capital assets		14,132,351	14,132,351
Unrestricted		10,625,757	10,625,757
Total Net Position		<u>\$ 24,758,108</u>	<u>\$ 24,758,108</u>

See notes to basic financial statements.

*First Colony Levee Improvement District
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance
For the Year Ended July 31, 2023*

	General Fund	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 2,198,637	\$ 8,488	\$ 2,207,125
Penalties and interest	24,462	4,328	28,790
Miscellaneous	3,494		3,494
Investment earnings	395,641		395,641
Total Revenues	<u>2,622,234</u>	<u>12,816</u>	<u>2,635,050</u>
Expenditures/Expenses			
Operating and administrative			
Professional fees	98,242		98,242
Contracted services	135,225		135,225
Repairs and maintenance	231,490		231,490
Administrative	43,419		43,419
Other	18,847		18,847
Capital outlay	5,095	(5,095)	
Total Expenditures/Expenses	<u>532,318</u>	<u>(5,095)</u>	<u>527,223</u>
Revenues Over Expenditures	2,089,916	(2,089,916)	
Change in Net Position		2,107,827	2,107,827
Fund Balance/Net Position			
Beginning of the year	8,429,969	14,220,312	22,650,281
End of the year	<u>\$ 10,519,885</u>	<u>\$ 14,238,223</u>	<u>\$ 24,758,108</u>

See notes to basic financial statements.

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First Colony Levee Improvement District
Notes to Financial Statements
July 31, 2023

Note 1 – Summary of Significant Accounting Policies

The accounting policies of First Colony Levee Improvement District (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of Commissioner’s Court of Fort Bend County, dated April 26, 1982, and operates in accordance with the Texas Water Code, Chapters 49 and 57. The three-member Board of Directors, appointed by the Commissioners Court of Fort Bend County, held its first meeting on August 18, 1982, and the first bonds were issued on January 4, 1984.

The District’s primary activities include construction, maintenance and operation of a levee system for flood control and drainage purposes. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by a three-member Board of Directors appointed by the Fort Bend County Commissioners Court. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate and be fiscally independent of other governments. Since the District does not have an elected governing body, it is not a primary government. A component unit is a legally separate government for which the elected officials of a primary government are financially accountable. The criteria used to determine financial accountability is whether the primary government appoints a voting majority of the component unit’s governing body and (1) is able to impose its will on the component unit or (2) the component unit creates a financial benefit/burden for the primary government. While the County appoints the Directors of the District, it has no further financial accountability for the District. Under these criteria, the District is not a component unit of the County or any other governmental entity. An other stand-alone government is an entity that does not have a separately elected governing body and is not a component unit of another government. For financial reporting purposes, the District is a stand-alone government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is a separate accounting entity. The District uses only a General Fund to account for its operations. The District's principal source of revenue is property taxes. Expenditures include costs associated with the daily operations of the District.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes and interest earned on investments. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset unless a legal right of offset exists. As of July 31, 2023, an allowance of \$11,577 was provided for possible uncollectible property taxes.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

The District's levee system is considered an improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District does not have any restricted fund balances.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District's committed fund balance consists of amounts established as the Reserve Fund for the renewal, replacement, and extraordinary repair of certain capital assets. See Note 7 for more information.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned - all other spendable amounts in the General Fund.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables and the useful lives and impairment of capital assets. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

First Colony Levee Improvement District
Notes to Financial Statements
July 31, 2023

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Fund Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental fund	\$ 10,519,885
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	14,132,351
Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the fund.	
Property taxes receivable	\$ 73,492
Penalty and interest receivable	32,380
Change due to property taxes	<u>105,872</u>
Total net position - governmental activities	<u><u>\$ 24,758,108</u></u>

Reconciliation of the *Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance* to the *Statement of Activities*

Net change in fund balance - total governmental fund	\$ 2,089,916
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes and related penalties and interest.	12,816
Governmental funds report capital outlays for construction costs as expenditures in the funds; however, in the <i>Statement of Activities</i> , these costs are recognized as capital assets.	5,095
Change in net position of governmental activities	<u><u>\$ 2,107,827</u></u>

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

First Colony Levee Improvement District
Notes to Financial Statements
July 31, 2023

Note 3 – Deposits and Investments (continued)

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers’ acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District’s investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of July 31, 2023, the District’s investments consist of the following:

<u>Type</u>	<u>Fund</u>	<u>Carrying Value</u>	<u>Percentage of Total</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>
Certificates of deposit	General	\$ 720,000	7%	N/A	N/A
Texas CLASS	General	7,889,206	75%	AAAm	39 days
TexPool	General	<u>1,862,652</u>	<u>18%</u>	AAAm	25 days
Total		<u>\$ 10,471,858</u>	<u>100%</u>		

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

Note 3 – Deposits and Investments (continued)

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District's position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

Texas CLASS

The District also participates in the Texas Cooperative Liquid Assets Securities System (Texas CLASS). Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administrator and UMB Bank N.A., as the custodian.

The District's investment in Texas CLASS is reported at fair value because Texas CLASS uses fair value to report investments (other than repurchase agreements which are valued at amortized cost). Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District's investment in Texas CLASS is measured using published fair value per share (level 1 inputs).

Investments in Texas CLASS may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

First Colony Levee Improvement District
Notes to Financial Statements
July 31, 2023

Note 4 – Capital Assets

A summary of changes in capital assets, for the year ended July 31, 2023, is as follows:

	Beginning Balances	Additions/ Retirements	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 13,120,933	\$ 1,011,418	\$ 14,132,351
Construction in progress	1,006,323	(1,006,323)	
Capital assets	<u>\$ 14,127,256</u>	<u>\$ 5,095</u>	<u>\$ 14,132,351</u>

The District’s levee system is considered an improvement to land and is non-depreciable.

Note 5 – Long-Term Debt

At July 31, 2023, the District has issued all bonds authorized by the voters of the District in the amount of \$15,350,000 and had no bonds outstanding.

Note 6 – Property Taxes

On August 13, 1983, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$0.25 per \$100 of assessed value.

All property values and exempt status, if any, are determined by the Fort Bend Central Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2023 fiscal year was financed through the 2022 tax levy, pursuant to which the District levied property taxes of \$0.136 per \$100 of assessed value, all of which was allocated to maintenance and operation. The resulting tax levy was \$2,211,828 on the adjusted taxable value of \$1,626,334,763.

Net property taxes receivable, as of July 31, 2023, consisted of the following:

Current year taxes receivable	\$ 34,405
Prior years taxes receivable	50,664
Less allowance for uncollectible accounts	(11,577)
	<u>73,492</u>
Penalty and interest receivable	32,380
Net property taxes receivable	<u>\$ 105,872</u>

First Colony Levee Improvement District
Notes to Financial Statements
July 31, 2023

Note 7 – Committed Fund Balance

On February 11, 2013, the District established a Reserve Fund to provide for renewal, replacement and extraordinary repair of certain capital assets and to provide funds to meet major non-recurring expenditures that cannot be financed by amending the District's normal budget. As of July 31, 2023, the District has designated a total of \$8,129,206 for the Reserve Fund. The Reserve Fund is reported as a committed fund balance on the financial statements.

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 personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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Required Supplementary Information

*First Colony Levee Improvement District
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended July 31, 2023*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 2,150,000	\$ 2,198,637	\$ 48,637
Penalties and interest		24,462	24,462
Miscellaneous		3,494	3,494
Investment earnings	40,000	395,641	355,641
Total Revenues	<u>2,190,000</u>	<u>2,622,234</u>	<u>432,234</u>
Expenditures			
Operating and administrative			
Professional fees	122,000	98,242	23,758
Contracted services	61,000	135,225	(74,225)
Repairs and maintenance	332,000	231,490	100,510
Administrative	49,040	43,419	5,621
Other	14,100	18,847	(4,747)
Capital outlay	500,000	5,095	494,905
Total Expenditures	<u>1,078,140</u>	<u>532,318</u>	<u>545,822</u>
Revenues Over Expenditures	1,111,860	2,089,916	978,056
Fund Balance			
Beginning of the year	8,429,969	8,429,969	
End of the year	<u>\$ 9,541,829</u>	<u>\$ 10,519,885</u>	<u>\$ 978,056</u>

First Colony Levee Improvement District
Notes to Required Supplementary Information
July 31, 2023

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

First Colony Levee Improvement District
TSI-1. Services and Rates
July 31, 2023

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

- | | | | |
|--|---|---|--|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Solid Waste/Garbage | <input checked="" type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input checked="" type="checkbox"/> Flood Control | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Roads | <input type="checkbox"/> Security |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | | |
| <input type="checkbox"/> Other (Specify): _____ | | | |

2. Retail Service Providers N/A

a. Retail Rates for a 5/8" meter (or equivalent):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>
Water:	_____	_____	_____	_____	_____ to _____
Wastewater:	_____	_____	_____	_____	_____ to _____
Surcharge:	_____	_____	_____	_____	_____ to _____

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water _____ Wastewater _____

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC'S</u>
Unmetered	_____	_____	x 1.0	_____
less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____	_____	_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditor's report.

First Colony Levee Improvement District
TSI-1. Services and Rates
July 31, 2023

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

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

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

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

5. Location of District:

Is the District located entirely within one county? Yes No

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

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

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

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

Entirely Partly Not at all

ETJs in which the District is located: _____

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

If Yes, by whom? Fort Bend County Commissioners Court

See accompanying auditor's report.

*First Colony Levee Improvement District
 TSI-2 General Fund Expenditures
 For the Year Ended July 31, 2023*

Professional fees	
Legal	\$ 59,692
Audit	10,500
Engineering	28,050
	<u>98,242</u>
Contracted services	
Bookkeeping	29,808
Operator	25,983
Appraisal district fees	55,153
Tax assessor/collector	19,168
Delinquent tax attorney	5,113
	<u>135,225</u>
Repairs and maintenance	<u>231,490</u>
Administrative	
Directors fees	11,234
Printing and office supplies	4,237
Insurance	5,088
Other	22,860
	<u>43,419</u>
Other	<u>18,847</u>
Capital outlay	<u>5,095</u>
Total expenditures	<u>\$ 532,318</u>

See accompanying auditor's report.

First Colony Levee Improvement District
TSI-3. Investments
July 31, 2023

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General				
Texas CLASS - Reserve	Variable	N/A	\$ 7,889,206	\$ -
TexPool	Variable	N/A	1,862,652	
Certificate of deposit	3.50%	09/26/23	240,000	7,088
Certificate of deposit - Reserve	3.50%	09/27/23	240,000	7,065
Certificate of deposit	3.50%	11/02/23	240,000	6,214
Total - All Funds			<u>\$ 10,471,858</u>	<u>\$ 20,367</u>

See accompanying auditor's report.

***First Colony Levee Improvement District
TSI-4. Taxes Levied and Receivable
July 31, 2023***

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 61,647	\$ 3,356	\$ 65,003	
Adjustments to Prior Year Tax Levy	(4,690)		(4,690)	
Adjusted Receivable	56,957	3,356	60,313	
2022 Original Tax Levy	2,200,383		2,200,383	
Adjustments	11,445		11,445	
Adjusted Tax Levy	2,211,828		2,211,828	
Total to be accounted for	2,268,785	3,356	2,272,141	
Tax collections				
Current year	2,177,423		2,177,423	
Prior years	21,226		21,226	
Total Collections	2,198,649		2,198,649	
Taxes Receivable, End of Year	\$ 70,136	\$ 3,356	\$ 73,492	
Taxes Receivable, By Years				
2022	\$ 34,405	\$ -	\$ 34,405	
2021	10,725		10,725	
2020	7,663		7,663	
2019 and prior	17,343	3,356	20,699	
Taxes Receivable, End of Year	\$ 70,136	\$ 3,356	\$ 73,492	
	2022	2021	2020	2019
Property Valuations				
Land	\$ 260,637,152	\$ 259,858,982	\$ 259,088,832	\$ 248,079,069
Improvements	1,503,718,928	1,203,200,428	1,178,551,347	1,164,001,342
Personal Property	37,583,813	35,036,625	34,993,852	33,357,224
Exemptions	(175,605,130)	(63,393,757)	(63,406,490)	(57,038,029)
Total Property Valuations	\$ 1,626,334,763	\$ 1,434,702,278	\$ 1,409,227,541	\$ 1,388,399,606
Tax Rates per \$100 Valuation				
Maintenance tax rates	\$ 0.136	\$ 0.15	\$ 0.15	\$ 0.15
Total Tax Rates per \$100 Valuation	\$ 0.136	\$ 0.15	\$ 0.15	\$ 0.15
Adjusted Tax Levy	\$ 2,211,828	\$ 2,152,053	\$ 2,113,841	\$ 2,082,599
Percentage of Taxes Collected to Taxes Levied **	98.44%	99.50%	99.64%	99.80%

* Maximum Maintenance Tax Rate Approved by Voters: \$0.25 on August 13, 1983

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

See accompanying auditor's report.

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***First Colony Levee Improvement District
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years***

	Amounts				
	2023	2022	2021	2020	2019
Revenues					
Property taxes	\$ 2,198,637	\$ 2,142,191	\$ 2,120,667	\$ 2,065,796	\$ 2,020,676
Penalties and interest	24,462	31,785	33,193	16,300	22,478
Miscellaneous	3,494	6,799	1,068	726	23,174
Investment earnings	395,641	28,749	27,717	144,257	173,595
Total Revenues	<u>2,622,234</u>	<u>2,209,524</u>	<u>2,182,645</u>	<u>2,227,079</u>	<u>2,239,923</u>
Expenditures					
Operating and administrative					
Professional fees	98,242	95,976	97,465	95,842	211,036
Contracted services	135,225	132,912	123,990	121,171	115,605
Repairs and maintenance	231,490	307,446	238,835	312,098	219,314
Administrative	43,419	45,899	31,830	35,031	40,253
Other	18,847	20,819	9,837	6,536	10,490
Capital outlay	5,095	1,692,284	129,817	49,604	44,065
Intergovernmental					
Capital contribution		3,472,509			
Total Expenditures	<u>532,318</u>	<u>5,767,845</u>	<u>631,774</u>	<u>620,282</u>	<u>640,763</u>
Revenues Over/(Under) Expenditures	<u>\$ 2,089,916</u>	<u>\$ (3,558,321)</u>	<u>\$ 1,550,871</u>	<u>\$ 1,606,797</u>	<u>\$ 1,599,160</u>

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
84%	98%	97%	93%	90%
1%	1%	2%	1%	1%
*	*	*	*	1%
15%	1%	1%	6%	8%
100%	100%	100%	100%	100%
4%	4%	4%	4%	9%
5%	6%	6%	5%	5%
9%	14%	11%	14%	10%
2%	2%	1%	2%	2%
1%	1%	*	*	*
*	77%	6%	2%	2%
	157%			
21%	261%	28%	27%	28%
79%	(161%)	72%	73%	72%

**First Colony Levee Improvement District
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended July 31, 2023**

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027
 District Business Telephone Number: (713) 860-6400
 Submission Date of the most recent District Registration Form
 (TWC Sections 36.054 and 49.054): May 9, 2023
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
 (Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members:				
Scott Jacobson	Appointed 02/23 - 02/27	\$ 1,642	\$ 181.8	President
Richard E. Sherrill	Appointed 02/20 - 02/24	2,392	203	Vice President/ Assistant Secretary
Debra Coffman	Appointed 10/21 - 10/25	7,200	8,031	Secretary

Directors are appointed by Fort Bend County Commissioners Court.

Consultants:		Amount Paid	
Allen Boone Humphries Robinson LLP	2003	\$ 67,942	Attorney
LID Solutions LLC	2017	260,454	Operator
Fort Bend Central Appraisal District	Legislative	19,168	Property Valuation
Bob Leared Interests, Inc.	1984	55,153	Tax Assessor/Collector
Costello, Inc.	1982	26,212	Engineer
McGrath & Co., PLLC	2013	10,500	Auditor
Municipal Accounts & Consulting, L.P.	2005	35,004	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, LLP	1996	5,113	Delinquent Tax Attorney
Masterson Advisors, LLC	2018		Financial Advisor

* *Fees of Office* are the amounts actually paid to a Director during the District's fiscal year.
 See accompanying auditor's report.