

**FIRST COLONY LEVEE  
IMPROVEMENT DISTRICT  
FORT BEND COUNTY, TEXAS  
FINANCIAL REPORT  
July 31, 2024**



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# **McGRATH & CO., PLLC**

*Certified Public Accountants*

2900 North Loop West, Suite 880

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, 2024, 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, 2024, 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  
November 22, 2024

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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, 2024***

**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, 2024. 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 Fund Balance Sheet* and the *Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance*. 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, 2024***

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 Fund Balance Sheet* and the *Governmental Fund Revenues, Expenditures and Changes in Fund Balance*. 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, 2024, was \$26,968,061. A comparative summary of the District's overall financial position, as of July 31, 2024 and 2023, is as follows:

	2024	2023
Current and other assets	\$ 12,642,313	\$ 10,667,521
Capital assets	14,413,753	14,132,351
Total assets	<u>27,056,066</u>	<u>24,799,872</u>
Current liabilities	<u>88,005</u>	<u>41,764</u>
Net position		
Net investment in capital assets	14,413,753	14,132,351
Unrestricted	12,554,308	10,625,757
Total net position	<u>\$ 26,968,061</u>	<u>\$ 24,758,108</u>

***First Colony Levee Improvement District  
Management's Discussion and Analysis  
July 31, 2024***

The total net position of the District increased during the current fiscal year by \$2,209,953. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2024</u>	<u>2023</u>
Revenues		
Property taxes, penalties and interest	\$ 2,182,811	\$ 2,235,915
Other	633,117	399,135
Total revenues	<u>2,815,928</u>	<u>2,635,050</u>
Expenses		
Operating and administrative	<u>605,975</u>	<u>527,223</u>
Change in net position	2,209,953	2,107,827
Net position, beginning of year	<u>24,758,108</u>	<u>22,650,281</u>
Net position, end of year	<u><u>\$ 26,968,061</u></u>	<u><u>\$ 24,758,108</u></u>

**Financial Analysis of the District's General Fund**

Fund balance in the District's General Fund, as of July 31, 2024, was \$12,421,384. A comparative summary of the General Fund's financial position as of July 31, 2024 and 2023, is as follows:

	<u>2024</u>	<u>2023</u>
Total assets	<u>\$ 12,642,313</u>	<u>\$ 10,667,521</u>
Total liabilities	\$ 88,005	\$ 41,764
Total deferred inflows	132,924	105,872
Total fund balance	<u>12,421,384</u>	<u>10,519,885</u>
Total liabilities, deferred inflows and fund balance	<u><u>\$ 12,642,313</u></u>	<u><u>\$ 10,667,521</u></u>

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

	<u>2024</u>	<u>2023</u>
Total revenues	\$ 2,788,876	\$ 2,622,234
Total expenditures	<u>(887,377)</u>	<u>(532,318)</u>
Revenues over expenditures	<u><u>\$ 1,901,499</u></u>	<u><u>\$ 2,089,916</u></u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, which is dependent upon assessed values in the District and the maintenance tax rate set by the District. While assessed values in the District increased from the prior year, property tax revenues decreased because the District decreased the maintenance component of the levy.

*First Colony Levee Improvement District  
Management's Discussion and Analysis  
July 31, 2024*

**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 amended the budget during the year to reflect changes in anticipated revenues.

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 \$271,373 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, 2024 and 2023, are summarized as follows:

	<u>2024</u>	<u>2023</u>
Capital assets not being depreciated		
Land and improvements	\$ 14,382,668	\$ 14,132,351
Construction in progress	31,085	
Capital assets	<u>\$ 14,413,753</u>	<u>\$ 14,132,351</u>

Capital asset additions during the current year include the District's levee raising project. The District's levee system is considered improvements to land and is non-depreciable.

The District's construction in progress is for the safety, monitoring, and operational upgrades at outfall structures, the construction and hardening of the levee tops, and headwall improvements at Cross Lakes Boulevard.

**Long-Term Debt**

As of July 31, 2024, 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.

*First Colony Levee Improvement District  
Management's Discussion and Analysis  
July 31, 2024*

A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	<u>2024 Actual</u>	<u>2025 Budget</u>
Total revenues	\$ 2,788,876	\$ 2,729,050
Total expenditures	<u>(887,377)</u>	<u>(2,784,810)</u>
Revenues over/(under) expenditures	1,901,499	(55,760)
Beginning fund balance	<u>10,519,885</u>	<u>12,421,384</u>
Ending fund balance	<u>\$ 12,421,384</u>	<u>\$ 12,365,624</u>

**Property Taxes**

The District's property tax base increased approximately \$129,467,000 for the 2024 tax year from \$1,797,549,671 to \$1,927,016,731. This increase was primarily due to increased property values. For the 2024 tax year, the District has levied a maintenance tax rate of \$0.11 per \$100 of assessed value. The District's tax rate for the 2023 tax year was \$0.12 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, 2024*

	General Fund	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash	\$ 65,243	\$ -	\$ 65,243
Investments	12,429,946		12,429,946
Taxes receivable, net	132,924		132,924
Accrued interest receivable	14,200		14,200
Capital assets not being depreciated		14,413,753	14,413,753
Total Assets	<u>\$ 12,642,313</u>	<u>14,413,753</u>	<u>27,056,066</u>
<b>Liabilities</b>			
Accounts payable	\$ 77,934		77,934
Other payables	10,071		10,071
Total Liabilities	<u>88,005</u>		<u>88,005</u>
<b>Deferred Inflows of Resources</b>			
Deferred property taxes	<u>132,924</u>	<u>(132,924)</u>	
<b>Fund Balance/Net Position</b>			
<b>Fund Balance</b>			
Committed	10,932,119	(10,932,119)	
Unassigned	1,489,265	(1,489,265)	
Total Fund Balance	<u>12,421,384</u>	<u>(12,421,384)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 12,642,313</u>		
<b>Net Position</b>			
Net investment in capital assets		14,413,753	14,413,753
Unrestricted		12,554,308	12,554,308
Total Net Position		<u>\$ 26,968,061</u>	<u>\$ 26,968,061</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, 2024*

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Property taxes	\$ 2,134,102	\$ 19,182	\$ 2,153,284
Penalties and interest	21,657	7,870	29,527
Miscellaneous	4,232		4,232
Investment earnings	628,885		628,885
Total Revenues	<u>2,788,876</u>	<u>27,052</u>	<u>2,815,928</u>
<b>Expenditures/Expenses</b>			
Operating and administrative			
Professional fees	121,642		121,642
Contracted services	142,206		142,206
Repairs and maintenance	279,005		279,005
Administrative	46,669		46,669
Other	16,453		16,453
Capital outlay	281,402	(281,402)	
Total Expenditures/Expenses	<u>887,377</u>	<u>(281,402)</u>	<u>605,975</u>
<b>Revenues Over Expenditures</b>	1,901,499	(1,901,499)	
<b>Change in Net Position</b>		2,209,953	2,209,953
Fund Balance/Net Position			
Beginning of the year	10,519,885	14,238,223	24,758,108
<b>End of the year</b>	<u>\$ 12,421,384</u>	<u>\$ 14,546,677</u>	<u>\$ 26,968,061</u>

See notes to basic financial statements.

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*First Colony Levee Improvement District*  
*Notes to Financial Statements*  
*July 31, 2024*

**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 an other 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. At July 31, 2024, 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 that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets are not capitalized. 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 improvement to land and is 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, 2024*

**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	\$ 12,421,384
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	14,413,753
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	\$ 92,673
Penalty and interest receivable	40,251
Change due to property taxes	<u>132,924</u>
Total net position - governmental activities	<u><u>\$ 26,968,061</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	\$ 1,901,499
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.	27,052
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.	281,402
Change in net position of governmental activities	<u><u>\$ 2,209,953</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, 2024*

**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, 2024, 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	\$ 470,000	4%	N/A	N/A
Texas CLASS	General	10,697,119	86%	AAAm	38 days
TexPool	General	<u>1,262,827</u>	<u>10%</u>	AAAm	35 days
Total		<u>\$ 12,429,946</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 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, 2024*

**Note 4 – Capital Assets**

A summary of changes in capital assets, for the year ended July 31, 2024, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 14,132,351	\$ 250,317	\$ 14,382,668
Construction in progress		31,085	31,085
Capital assets	<u>\$ 14,132,351</u>	<u>\$ 281,402</u>	<u>\$ 14,413,753</u>

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

**Note 5 – Long-Term Debt**

At July 31, 2024, 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 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of \$0.12 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$2,157,059 on the adjusted taxable value of \$1,797,549,671.

Net property taxes receivable, at July 31, 2024, consisted of the following:

Current year taxes receivable	\$ 45,783
Prior years taxes receivable	58,467
Less allowance for uncollectible accounts	<u>(11,577)</u>
	92,673
Penalty and interest receivable	<u>40,251</u>
Net property taxes receivable	<u><u>\$ 132,924</u></u>

*First Colony Levee Improvement District*  
*Notes to Financial Statements*  
*July 31, 2024*

**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, 2024, the District has designated a total of \$10,932,119 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, 2024*

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 2,174,300	\$ 2,116,126	\$ 2,134,102	\$ 17,976
Penalties and interest			21,657	21,657
Miscellaneous	1,500	1,500	4,232	2,732
Investment earnings	520,000	520,000	628,885	108,885
Total Revenues	<u>2,695,800</u>	<u>2,637,626</u>	<u>2,788,876</u>	<u>151,250</u>
<b>Expenditures</b>				
Operating and administrative				
Professional fees	128,900	128,900	121,642	7,258
Contracted services	63,700	63,700	142,206	(78,506)
Repairs and maintenance	248,900	248,900	279,005	(30,105)
Administrative	55,900	55,900	46,669	9,231
Other	10,100	10,100	16,453	(6,353)
Capital outlay	500,000	500,000	281,402	218,598
Total Expenditures	<u>1,007,500</u>	<u>1,007,500</u>	<u>887,377</u>	<u>120,123</u>
<b>Revenues Over Expenditures</b>	1,688,300	1,630,126	1,901,499	271,373
<b>Fund Balance</b>				
Beginning of the year	<u>10,519,885</u>	<u>10,519,885</u>	<u>10,519,885</u>	
End of the year	<u>\$ 12,208,185</u>	<u>\$ 12,150,011</u>	<u>\$ 12,421,384</u>	<u>\$ 271,373</u>



*First Colony Levee Improvement District*  
*Notes to Required Supplementary Information*  
*July 31, 2024*

**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. The budget was amended during the year to reflect changes in anticipated revenues.

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## **Texas Supplementary Information**

**First Colony Levee Improvement District**  
**TSI-1. Services and Rates**  
**July 31, 2024**

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):

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

District employs winter averaging for wastewater usage?  Yes  No

Total charges per 10,000 gallons usage: Water \_\_\_\_\_ Wastewater \_\_\_\_\_

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
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, 2024*

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, 2024*

Professional fees	
Legal	\$ 47,046
Audit	11,500
Engineering	63,096
	<u>121,642</u>
Contracted services	
Bookkeeping	32,087
Operator	25,983
Appraisal district fees	55,341
Tax assessor/collector	21,533
Delinquent tax attorney	7,262
	<u>142,206</u>
Repairs and maintenance	<u>279,005</u>
Administrative	
Directors fees	12,300
Printing and office supplies	4,507
Insurance	6,795
Other	23,067
	<u>46,669</u>
Other	<u>16,453</u>
Capital outlay	<u>281,402</u>
Total expenditures	<u>\$ 887,377</u>

See accompanying auditor's report.

*First Colony Levee Improvement District*  
*TSI-3. Investments*  
*July 31, 2024*

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General				
Texas CLASS - Reserve	Variable	N/A	\$ 10,697,119	\$ -
TexPool	Variable	N/A	1,262,827	
Certificate of deposit	5.50%	11/01/24	235,000	9,632
Certificate of deposit - Reserve	5.50%	09/20/24	235,000	4,568
Total - All Funds			<u>\$ 12,429,946</u>	<u>\$ 14,200</u>

See accompanying auditor's report.

*First Colony Levee Improvement District*  
*TSI-4. Taxes Levied and Receivable*  
*July 31, 2024*

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 70,136	\$ 3,356	\$ 73,492	
Adjustments to Prior Year Tax Levy	(3,486)		(3,486)	
Adjusted Receivable	66,650	3,356	70,006	
2023 Original Tax Levy	2,150,683		2,150,683	
Adjustments	6,376		6,376	
Adjusted Tax Levy	2,157,059		2,157,059	
Total to be accounted for	2,223,709	3,356	2,227,065	
Tax collections				
Current year	2,111,276		2,111,276	
Prior years	23,116		23,116	
Total Collections	2,134,392		2,134,392	
Taxes Receivable, End of Year	\$ 89,317	\$ 3,356	\$ 92,673	
Taxes Receivable, By Years				
2023	\$ 45,783	\$ -	\$ 45,783	
2022	12,583		12,583	
2021	8,194		8,194	
2020 and prior	22,757	3,356	26,113	
Taxes Receivable, End of Year	\$ 89,317	\$ 3,356	\$ 92,673	
	2023	2022	2021	2020
Property Valuations				
Land	\$ 260,987,429	\$ 260,637,152	\$ 259,858,982	\$ 259,088,832
Improvements	1,703,225,358	1,503,319,708	1,203,200,418	1,178,551,347
Personal Property	40,672,305	37,538,753	35,036,625	34,993,852
Exemptions	(207,335,421)	(177,263,975)	(63,810,737)	(63,406,490)
Total Property Valuations	\$ 1,797,549,671	\$ 1,624,231,638	\$ 1,434,285,288	\$ 1,409,227,541
Tax Rates per \$100 Valuation				
Maintenance tax rates	\$ 0.12	\$ 0.136	\$ 0.15	\$ 0.15
Total Tax Rates per \$100 Valuation	\$ 0.12	\$ 0.136	\$ 0.15	\$ 0.15
Adjusted Tax Levy	\$ 2,157,059	\$ 2,208,955	\$ 2,151,428	\$ 2,113,841
Percentage of Taxes Collected to Taxes Levied **	97.88%	99.43%	99.62%	99.67%

\* 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				
	2024	2023	2022	2021	2020
Revenues					
Property taxes	\$ 2,134,102	\$ 2,198,637	\$ 2,142,191	\$ 2,120,667	\$ 2,065,796
Penalties and interest	21,657	24,462	31,785	33,193	16,300
Miscellaneous	4,232	3,494	6,799	1,068	726
Investment earnings	628,885	395,641	28,749	27,717	144,257
Total Revenues	<u>2,788,876</u>	<u>2,622,234</u>	<u>2,209,524</u>	<u>2,182,645</u>	<u>2,227,079</u>
Expenditures					
Operating and administrative					
Professional fees	121,642	98,242	95,976	97,465	95,842
Contracted services	142,206	135,225	132,912	123,990	121,171
Repairs and maintenance	279,005	231,490	307,446	238,835	312,098
Administrative	46,669	43,419	45,899	31,830	35,031
Other	16,453	18,847	20,819	9,837	6,536
Capital outlay	281,402	5,095	1,692,284	129,817	49,604
Intergovernmental					
Capital contribution			3,472,509		
Total Expenditures	<u>887,377</u>	<u>532,318</u>	<u>5,767,845</u>	<u>631,774</u>	<u>620,282</u>
Revenues Over/(Under) Expenditures	<u>\$ 1,901,499</u>	<u>\$ 2,089,916</u>	<u>\$ (3,558,321)</u>	<u>\$ 1,550,871</u>	<u>\$ 1,606,797</u>

\*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2024	2023	2022	2021	2020
76%	84%	98%	97%	93%
1%	1%	1%	2%	1%
*	*	*	*	*
23%	15%	1%	1%	6%
100%	100%	100%	100%	100%
4%	4%	4%	4%	4%
5%	5%	6%	6%	5%
10%	9%	14%	11%	14%
2%	2%	2%	1%	2%
1%	1%	1%	*	*
10%	*	77%	6%	2%
		157%		
32%	21%	261%	28%	27%
68%	79%	(161%)	72%	73%

***First Colony Levee Improvement District  
TSI-8. Board Members, Key Personnel and Consultants  
For the Year Ended July 31, 2024***

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): January 18, 2024  
 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
<b>Board Members:</b>				
Scott Jacobson	Appointed 02/23 - 02/27	\$ 2,210	\$ 158	President
Richard E. Sherrill	Appointed 02/24 - 02/28	3,094	183	Vice President/ Assistant Secretary
Debra Coffman	Appointed 10/21 - 10/25	7,200	3,207	Secretary

Directors are appointed by Fort Bend County Commissioners Court.

Consultants:		Amount Paid	
Allen Boone Humphries Robinson LLP	2003	\$ 52,613	Attorney
LID Solutions LLC	2017	262,196	Operator
Fort Bend Central Appraisal District	Legislative	21,533	Property Valuation
Bob Leared Interests, Inc.	1984	55,341	Tax Assessor/Collector
Pape-Dawson Engineers, LLC	1982	52,167	Engineer
McGrath & Co., PLLC	2013	11,500	Auditor
Municipal Accounts & Consulting, L.P.	2005	28,537	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, LLP	1996	7,262	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.