FIRST COLONY LEVEE IMPROVEMENT DISTRICT

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

July 31, 2026

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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, 2026, 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, 2026, 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.

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.

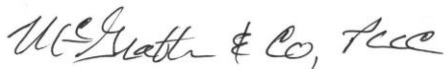
Required Supplementary Information

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 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.



Houston, Texas
October 23, 2026

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Management's Discussion and Analysis

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Overview of the District

The management's discussion and analysis (MD&A) section of this financial report is intended to help readers understand the financial condition of First Colony Levee Improvement District (the "District") as presented in the financial statements and notes, and the reasons it changed from the prior year. The analysis draws on information presented elsewhere in this financial report and provides management's perspective based on its knowledge of the District's financial condition and activities during the fiscal year.

The District is a levee improvement district created pursuant to an order of the Commissioners Court of Fort Bend County and operates in accordance with the Texas Water Code. The District's primary purpose is to finance, construct, operate, and maintain a levee system and related improvements for flood control and drainage purposes within its boundaries. The District is governed by a three-member Board of Directors appointed by the Commissioners Court of Fort Bend County.

Overview of the Financial Statements

The District's financial report contains basic financial statements that present the District's finances at both an overall government-wide level and a detailed fund level.

Government-wide financial statements focus on the District's overall financial position and both its long-term and short-term activities. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*. 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. 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.

The fund financial statements consist of the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures, and Changes in Fund Balances*. These statements focus on specific activities and report on the District's use of available financial resources and the balances of those resources at year end. The District uses only a General Fund to account for its operations.

Rather than presenting two sets of financial statements, the District uses a combined format that presents both the fund financial statements and the government-wide financial statements in a single statement. Each statement includes an adjustments column that identifies the differences between the fund-level and government-wide presentations.

Immediately following the financial statements are the notes to the financial statements, which are as important to understanding the District's finances as the financial statements themselves because they expand upon the information presented in the statements by providing additional detail, explanations, and required disclosures. The notes describe the nature of reported amounts, explain how those amounts were determined, and disclose certain information that does not meet the recognition criteria of the financial statements, such as certain contingencies.

Types of Information in the Financial Statements

The District's government-wide financial statements use the *economic resources measurement focus and accrual basis of accounting*. In other words, they report all types of financial statement elements:

- Assets - resources the District controls, from short-term assets like cash to long-term assets such as the District's levee system.
- Liabilities - amounts the District owes, from short-term liabilities such as accounts payable to long-term liabilities such as outstanding debt and due to developers.
- Deferred outflows of resources and deferred inflows of resources - resource flows that have already occurred but will not be reported as expenses or revenues until the future period to which they relate.
- Revenues and expenses - inflows and outflows of economic resources, respectively, related to the current year.

Governmental fund financial statements use the *current financial resources measurement focus and modified accrual basis of accounting* to report on the sources, uses, and balances of current financial resources. Governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as bonds payable, but they do report the flows of current financial resources related to those long-term items, including the proceeds from issuing bonds, as well as principal and interest payments on bonds, and spending on the construction of infrastructure assets.

	Government-Wide	Governmental Funds
Types of assets and liabilities	All assets and liabilities, both financial and nonfinancial, short term and long term	Only current financial resources, such as cash, taxes receivable, and accounts payable
Types of revenues and additions	All types of revenues/ additions that flow into the District during the year that relates to the year, regardless of when cash is received	Only revenues that are measurable and available to finance expenditures of the current year
Types of expenses, deductions, and expenditures	All types of expenses/ deductions that flow out of the District during the year that relate to the year, regardless of when cash is paid	Only expenditures for which the related liability is incurred in that year
Types of deferred outflows of resources and deferred inflows of resources	All types of resources that flow into and out of the District during the year that relate to a future year	Current financial resources that flow into and out of the District during the year that relate to a future year

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

Financial Summary and Analysis

Amounts presented in the following tables are in thousands of dollars and, due to rounding, may not add to the totals presented.

Government-Wide

Net Position
(amounts expressed in thousands)

	2026	2025	Change	Percentage Change
Current and other assets	$ 14,617	$ 12,948	$ 1,669	13%
Capital assets	16,194	16,069	125	1%
Total assets	30,811	29,017	1,794	6%
Current liabilities	217	102	115	112%
Net position				
Net investment in capital assets	16,194	16,069	125	1%
Unrestricted	14,400	12,846	1,554	12%
Total net position	$ 30,593	$ 28,915	$ 1,679	6%

The District's net position as of July 31, 2026, was $30,593,334, an increase of $1,678,528 compared to the prior year.

Changes in Net Position
(amounts expressed in thousands)

	2026	2025	Change	Percentage Change
Revenues				
Property taxes	$ 1,930	$ 2,111	$ (181)	(9%)
Investment earnings	534	618	(84)	(14%)
Other	38	29	9	31%
Total revenues	2,502	2,758	(256)	(9%)
Expenses				
Operating	823	811	13	2%
Revenues over expenses	1,679	1,947	(268)	(14%)
Net position, beginning of year	28,915	26,968	1,947	7%
Net position, end of year	$ 30,593	$ 28,915	$ 1,679	6%

The change in the District's net position reflects the combined effect of the revenues and expenses presented above. The following discussion focuses on those changes in revenues and expenses that were significant to the District's financial results for the current fiscal year.

Revenues

Property Taxes

The District is authorized to levy ad valorem property taxes for maintenance and operations purposes. Property taxes are a significant source of the District's financial resources, comprising 77% of total resource inflows during the current fiscal year.

Property tax revenues are determined primarily by the taxable assessed value of property within the District and the annual property tax rates adopted by the Board of Directors. The District is authorized to levy a maintenance and operations tax not to exceed $0.25 per $100 of assessed valuation. Despite an increase of 2% in assessed values, the year-over-year change in property tax revenues is primarily attributable to a 9% decrease in the maintenance and operations tax rate.

Investment Income

Investment income is earned on the District's available cash and investment balances. These earnings comprised 21% of the District's total resource inflows during the current fiscal year. The District invests available funds in accordance with its investment policy and applicable state law.

Investment income fluctuates from year to year based primarily on prevailing interest rates and the amount of funds available for investment, which is affected by the timing and level of the District's revenues, expenditures, and other financing activities.

Expenses

Overall expenses, which consisted entirely of costs associated with operating and maintaining the District's levee system, remained consistent with the prior year. Significant operating expenses include amounts paid to the District's consultants for the day-to-day operation of the levee system, as well as repairs and maintenance of District facilities. The nominal year-over-year variance reflects stable operational activity, consistent with the District's established infrastructure and mature development.

Governmental Funds

Most of the previous discussion regarding government-wide activities is equally applicable to the finances of the governmental funds. However, due to the focus on current financial resources, certain factors that are relevant to the District's current financial health are more apparent in the fund financial statements than the government-wide statements.

Revenues, Expenditures, and Changes in Fund Balances
(amounts expressed in thousands)

	General Fund	
	2026	2025
Total revenues	$ 2,474	$ 2,776
Total expenditures	(948)	(2,466)
Revenues over expenditures	1,526	310
Beginning fund balances	12,731	12,421
Ending fund balances	$ 14,257	$ 12,731

General Fund

The General Fund is the District's primary operating fund and accounts for the District's day-to-day operating activities. Fund balance in the General Fund increased by $1,525,967, or 12%, during the current fiscal year. Property tax revenues are the primary source of revenues in the General Fund, comprising 77% of total resources. Although the District decreased its maintenance and operations tax rate, resulting in lower property tax revenues, fund balance increased primarily due to a decrease in expenditures. Total expenditures decreased by 62% from the prior fiscal year, primarily attributable to a significant decrease in capital outlay expenditures for levee improvements.

Significant Capital Asset and Long-Term Financing Activity

The District's capital assets consist primarily of levee facilities and related improvements used for flood control and drainage purposes. These facilities and related improvements are considered improvements to land and are non-depreciable. The original levee system was financed with proceeds from the issuance of bonds, which were repaid through property taxes levied within the District. The District has fully repaid these bonds and has no outstanding long-term debt.

Subsequent additions and improvements to the levee system are expected to be funded from the District's available financial resources, as the District has no remaining voter approved authorization for future bond issuances.

Overall, the District's capital assets increased $124,623, or 1%, to $16,193,727.

Currently Known Facts, Decisions, or Conditions

Trends in Relevant Economic Data

The District's tax base has nominally decreased, by approximately $14,529,388, less than 1%, for the next fiscal year. Because the District's tax base is substantially built out, with little undeveloped land remaining within its boundaries, future changes in assessed valuation are expected to be driven primarily by market appreciation or depreciation rather than new development.

General Fund Budget

The District's adopted fiscal year 2027 budget reflects certain changes that are expected to have a significant effect on its financial position and results of operations. Based on the adopted budget, fund balance in the General Fund is expected to decrease by approximately $5,324,257, or 37%. The projected decrease is primarily attributable to anticipated expenditures for capital improvement projects, including outfall structure upgrades, Oyster Creek storm sewer outfall closures, raising the banks of Oyster Creek, and improvements to the Ditch B channel lining, which are expected to be funded from the District's available financial resources.

Basic Financial Statements

First Colony Levee Improvement District
Statement of Net Position and Governmental Funds Balance Sheet
July 31, 2026

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash	$ 72,669	$ -	$ 72,669
Investments	14,385,468		14,385,468
Taxes receivable, net	142,539		142,539
Accrued interest receivable	12,174		12,174
Prepaid items	4,042		4,042
Capital assets not being depreciated		16,193,727	16,193,727
Total Assets	$ 14,616,892	16,193,727	30,810,619
Liabilities			
Accounts payable	$ 199,733		199,733
Other payables	17,552		17,552
Total Liabilities	217,285		217,285
Deferred Inflows of Resources			
Deferred property taxes	142,539	(142,539)	
Fund Balances/Net Position			
Fund Balances			
Nonspendable	4,042	(4,042)	
Committed	13,934,786	(13,934,786)	
Unassigned	318,240	(318,240)	
Total Fund Balances	14,257,068	(14,257,068)	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 14,616,892		
Net Position			
Net investment in capital assets		16,193,727	16,193,727
Unrestricted		14,399,607	14,399,607
Total Net Position		$ 30,593,334	$ 30,593,334

See notes to basic financial statements.

First Colony Levee Improvement District
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended July 31, 2026

	General Fund	Adjustments	Statement of Activities
Revenues			
Property taxes	$ 1,907,976	$ 21,931	$ 1,929,907
Penalties and interest	27,024	6,007	33,031
Miscellaneous	4,843		4,843
Investment earnings	534,079		534,079
Total Revenues	2,473,922	27,938	2,501,860
Expenditures/Expenses			
Operating and administrative			
Professional fees	223,045		223,045
Contracted services	157,771		157,771
Repairs and maintenance	374,379		374,379
Administrative	54,923		54,923
Other	13,214		13,214
Capital outlay	124,623	(124,623)	
Total Expenditures/Expenses	947,955	(124,623)	823,332
Revenues Over Expenditures	1,525,967	(1,525,967)	
Change in Net Position		1,678,528	1,678,528
Fund Balance/Net Position			
Beginning of the year	12,731,101	16,183,705	28,914,806
End of the year	$ 14,257,068	$ 16,336,266	$ 30,593,334

See notes to basic financial statements.

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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 the Commissioners 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. Another 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 another 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. Interfund activity, if any, has been

removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

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 considered to be a separate accounting entity. The District uses only a General Fund to account for its operations. The District's principal revenue source 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.

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

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, 2026, an allowance of $11,577 was provided for possible uncollectible property taxes.

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 that exceeds the capitalization threshold for the asset class 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 that do not exceed the threshold are not capitalized. The District's capitalization threshold for infrastructure assets is $50,000. The threshold for subscription-based information technology arrangements (SBITAs) is $100,000.

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.

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's nonspendable fund balance consists of prepaid items.

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 8 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 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.

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	$	14,257,068
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		16,193,727
Deferred inflows in the fund statements consist of property taxes receivable and related penalties and interest that have been levied and are due, but are not available to pay current period expenditures. These amounts are included in revenues in the government-wide statements.		142,539
Total net position - governmental activities	$	30,593,334

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

Net change in fund balances - total governmental funds	$	1,525,967
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest.		27,938
Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives. The difference during the current fiscal year is for capital outlay.		124,623
Change in net position of governmental activities	$	1,678,528

Note 3 – Implementation of New Accounting Standards

During the current fiscal year, the District implemented GASB Statement No. 103, *Financial Reporting Model Improvements*, and GASB Statement No. 104, *Disclosure of Certain Capital Assets*. Implementation of GASB 103 did not affect the amounts reported in the District's financial statements but resulted in changes to the presentation and content of required supplementary information, including management's discussion and analysis and the budgetary comparison schedules. Implementation of GASB 104 had no substantive impact on the District's financial statements.

Note 4 – 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.

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, 2026, the District's investments consist of the following:

Type	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	$ 940,000	7%	N/A	N/A
Texas CLASS	13,445,468	93%	AAAm	54 days
Total	$ 14,385,468	100%		

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

Texas CLASS

The District 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.

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended July 31, 2026, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 16,069,104	$ 4,268	$ 16,073,372
Construction in progress		120,355	120,355
Capital assets	$ 16,069,104	$ 124,623	$ 16,193,727

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

Note 6 – Long-Term Debt

At July 31, 2026, 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 7 – 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 2026 fiscal year was financed through the 2025 tax levy, pursuant to which the District levied property taxes of $0.10 per $100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was $1,957,400 on the adjusted taxable value of $1,957,400,462.

Net property taxes receivable, at July 31, 2026, consisted of the following:

Current year taxes receivable	$ 53,271
Prior years taxes receivable	61,926
Less allowance for uncollectible accounts	(11,577)
	103,620
Penalty and interest receivable	38,919
Net property taxes receivable	$ 142,539

Note 8 – 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 nonrecurring expenditures that cannot be financed by amending the District's normal budget. As of July 31, 2026, the District has designated a total of $13,934,786 for the Reserve Fund. The Reserve Fund is reported as a committed fund balance on the financial statements.

Note 9 – 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.

Required Supplementary Information

First Colony Levee Improvement District
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended July 31, 2026

	Original and Final Budget	Actual	Variance Actual Over (Under) Final Budget
Revenues			
Property taxes	$ 2,074,800	$ 1,907,976	$ (166,824)
Penalties and interest		27,024	27,024
Miscellaneous		4,843	4,843
Investment earnings	603,000	534,079	(68,921)
Total Revenues	2,677,800	2,473,922	(203,878)
Expenditures			
Operating and administrative			
Professional fees	350,800	223,045	(127,755)
Contracted services	67,300	157,771	90,471
Repairs and maintenance	276,900	374,379	97,479
Administrative	66,530	54,923	(11,607)
Other	10,100	13,214	3,114
Capital outlay	440,000	124,623	(315,377)
Total Expenditures	1,211,630	947,955	(263,675)
Revenues Over Expenditures	1,466,170	1,525,967	59,797
Fund Balance			
Beginning of the year	12,731,101	12,731,101	
End of the year	$ 14,197,271	$ 14,257,068	$ 59,797

First Colony Levee Improvement District
Required Supplementary Information - Note to Budgetary Comparison Schedule
For the Year Ended July 31, 2026

	General Fund Over (Under)
Budgetary Revenues	
Differences-final budget to actual:	
Property tax revenues were less than budgeted because the District adopted its budget prior to the final certification of taxable assessed values and establishment of the property tax levy, resulting in actual revenues being lower than originally anticipated.	$ (166,824)
Investment earnings were less than budgeted due to interest rates being lower than expected.	(68,921)
Budgetary Expenditures	
Differences-final budget to actual:	
Professional fees were less than budgeted primarily because engineering fees associated with the outfall structure upgrades were less than anticipated.	(127,755)
Contracted services were greater than budgeted because the District did not budget expenditures associated with the assessment and collection of property taxes.	90,471
Repairs and maintenance expenditures were greater than budgeted because routine landscaping maintenance expenditures were greater than anticipated.	97,479
Capital outlay was less than budgeted because design costs for the Oyster Creek Outfalls project were lower than anticipated.	(315,377)

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Texas Supplementary Information

First Colony Levee Improvement District
TSI-1. Services and Rates
July 31, 2026

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

☐ Retail Water	☐ Wholesale Water	☐ Solid Waste / Garbage	☒ Drainage
☐ Retail Wastewater	☐ Wholesale Wastewater	☒ Flood Control	☐ Irrigation
☐ Parks / Recreation	☐ Fire Protection	☐ Roads	☐ Security

☒ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

☐ 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.

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

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

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

   The District does not have Debt Service standby fees.

   The District does not have Operation and Maintenance standby fees.

5. Location of District:

   Is the District located entirely within one county? Yes [X] No [ ]

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

   Is the District located within a city? Entirely [X] 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 [X]

   ETJs in which the District is located:

   Are Board members appointed by an office outside the district? Yes [X] 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, 2026

Professional fees		
Legal	$	64,368
Audit		14,000
Engineering		144,677
		223,045
Contracted services		
Bookkeeping		36,673
Operator		29,896
Tax assessor/collector		55,435
Appraisal district fees		26,091
Delinquent tax attorney		9,676
		157,771
Repairs and maintenance		374,379
Administrative		
Directors fees		16,354
Printing and office supplies		4,205
Insurance		7,530
Other		26,834
		54,923
Other		13,214
Capital outlay		124,623
Total expenditures	$	947,955

See accompanying auditor's report.

First Colony Levee Improvement District
TSI-3. Investments
July 31, 2026

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General				
Texas CLASS - Reserve	Variable	N/A	$ 12,994,786	$ -
Texas CLASS	Variable	N/A	450,682	
Certificate of deposit - Reserve	3.75%	05/04/27	235,000	2,124
Certificate of deposit - Reserve	3.75%	09/15/26	235,000	3,332
Certificate of deposit - Reserve	3.70%	10/24/26	235,000	2,311
Certificate of deposit - Reserve	3.70%	08/24/26	235,000	4,407
Total			$ 14,385,468	$ 12,174

See accompanying auditor's report.

First Colony Levee Improvement District
TSI-4. Taxes Levied and Receivable
July 31, 2026

	Maintenance Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 80,750	$ 942	$ 81,692
Adjustments to Prior Year Tax Levy	(27,262)		(27,262)
Adjusted Receivable	53,488	942	54,430
2025 Original Tax Levy	1,960,220		1,960,220
Adjustments	(2,820)		(2,820)
Adjusted Tax Levy	1,957,400		1,957,400
Total to be accounted for	2,010,888	942	2,011,830
Tax collections:			
Current year	1,904,129		1,904,129
Prior years	4,081		4,081
Total Collections	1,908,210		1,908,210
Taxes Receivable, End of Year	$ 102,678	$ 942	$ 103,620
Taxes Receivable, By Years			
2025	$ 53,271	$ -	$ 53,271
2024	13,589		13,589
2023	7,677		7,677
2022 and prior	28,141	942	29,083
Taxes Receivable, End of Year	$ 102,678	$ 942	$ 103,620

	2025	2024	2023	2022
Property Valuations:				
Land	$ 326,450,443	$ 326,028,007	$ 261,594,944	$ 260,889,952
Improvements	1,704,895,640	1,731,909,635	1,692,287,795	1,498,718,838
Personal Property	44,391,755	42,941,247	40,590,829	37,538,753
Exemptions	(118,337,376)	(185,884,637)	(209,645,437)	(178,386,577)
Total Property Valuations	$ 1,957,400,462	$ 1,914,994,252	$ 1,784,828,131	$ 1,618,760,966
Tax Rates per $100 Valuation:				
Maintenance tax rates	$ 0.10	$ 0.11	$ 0.12	$ 0.136
Adjusted Tax Levy:	$ 1,957,400	$ 2,106,494	$ 2,141,794	$ 2,201,515
Percentage of Taxes Collected to Taxes Levied **	97.28%	99.35%	99.64%	99.68%

* 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				
	2026	2025	2024	2023	2022
Revenues					
Property taxes	$ 1,907,976	$ 2,121,518	$ 2,134,102	$ 2,198,637	$ 2,142,191
Penalties and interest	27,024	34,417	21,657	24,462	31,785
Miscellaneous	4,843	1,760	4,232	3,494	6,799
Investment earnings	534,079	618,128	628,885	395,641	28,749
Total Revenues	2,473,922	2,775,823	2,788,876	2,622,234	2,209,524
Expenditures					
Operating and administrative					
Professional fees	223,045	335,854	121,642	98,242	95,976
Contracted services	157,771	149,399	142,206	135,225	132,912
Repairs and maintenance	374,379	260,044	279,005	231,490	307,446
Administrative	54,923	53,816	46,669	43,419	45,899
Other	13,214	11,642	16,453	18,847	20,819
Capital outlay	124,623	1,655,351	281,402	5,095	1,692,284
Intergovernmental					
Capital contribution					3,472,509
Total Expenditures	947,955	2,466,106	887,377	532,318	5,767,845
Revenues Over (Under) Expenditures	1,525,967	309,717	1,901,499	2,089,916	(3,558,321)
Beginning fund balance	12,731,101	12,421,384	10,519,885	8,429,969	11,988,290
Ending fund balance	$ 14,257,068	$ 12,731,101	$ 12,421,384	$ 10,519,885	$ 8,429,969

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2026	2025	2024	2023	2022
77%	77%	76%	84%	98%
1%	1%	1%	1%	1%
*	*	*	*	*
22%	22%	23%	15%	1%
100%	**100%**	**100%**	**100%**	**100%**
9%	12%	4%	4%	4%
6%	5%	5%	5%	6%
15%	9%	10%	9%	14%
2%	2%	2%	2%	2%
1%	*	1%	1%	1%
5%	60%	10%	*	77%
				157%
38%	**88%**	**32%**	**21%**	**261%**
62%	**12%**	**68%**	**79%**	**(161%)**

First Colony Levee Improvement District
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended July 31, 2026

Complete District Mailing Address:	3200 Southwest Freeway, Suite 2400, 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 2, 2025
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.060)	$ 7,200

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	$ 3,536	$ 197	President
Debra Coffman	Appointed 10/25 - 10/29	6,188	1,859	Vice President/ Assistant Secretary
Robert McBride	Appointed 02/24 - 02/28	6,630	298	Secretary

Directors are appointed by Fort Bend County Commissioners Court.

Consultants		Amounts Paid	
Allen Boone Humphries Robinson LLP	2003	$ 61,813	Attorney
LID Solutions LLC	2017	323,604	Operator
Fort Bend Central Appraisal District	Legislative	26,091	Property Valuation
Bob Leared Interests, Inc.	1984	55,435	Tax Assessor/Collector
Pape-Dawson Engineers, LLC	1982	248,207	Engineer
McGrath & Co., PLLC	2013	14,000	Auditor
Municipal Accounts & Consulting, L.P.	2005	34,322	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, LLP	1996	9,146	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.