

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**

**FORT BEND COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2020**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
Certified Public Accountants



**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**

**FORT BEND COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2020**



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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Fort Bend County Fresh Water  
Supply District No. 2  
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Fresh Water Supply District No. 2 (the "District"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.





## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, and the schedule of expenditures of federal awards, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*McCall Gibson Swedlund Barfoot PLLC*

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

January 5, 2021



**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Management's discussion and analysis of the financial performance of Fort Bend County Fresh Water Supply District No. 2 (the "District") provides an overview of the District's financial activities for the fiscal year ended September 30, 2020. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all the District's assets, liabilities, and, if applicable, deferred outflows of resources and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, ad valorem taxes, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for resources restricted, committed or assigned for servicing bond debt. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**FUND FINANCIAL STATEMENTS (Continued)**

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

**NOTES TO THE FINANCIAL STATEMENTS**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

**OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$17,085,475 as of September 30, 2020. A portion of the District's net position reflects its net investment in capital assets (water and wastewater facilities less any debt used to acquire those assets that are still outstanding). The following is a comparative analysis of government-wide changes in net position:

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

	Summary of Changes in the Statement of Net Position		
	2020	2019	Change Positive (Negative)
Current and Other Assets	\$ 6,825,743	\$ 6,306,646	\$ 519,097
Capital Assets (Net of Accumulated Depreciation)	19,586,995	19,296,962	290,033
Total Assets	\$ 26,412,738	\$ 25,603,608	\$ 809,130
Bonds Payable	\$ 8,582,000	\$ 8,686,000	\$ 104,000
Other Liabilities	745,263	381,280	(363,983)
Total Liabilities	\$ 9,327,263	\$ 9,067,280	\$ (259,983)
Net Position:			
Net Investment in Capital Assets	\$ 11,005,199	\$ 10,781,925	\$ 223,274
Restricted	274,411	234,316	40,095
Unrestricted	5,805,865	5,520,087	285,778
Total Net Position	\$ 17,085,475	\$ 16,536,328	\$ 549,147

The following table provides a summary of the District's operations for the years ending September 30, 2020, and September 30, 2019. The District's net position increased by \$549,147.

	Summary of Changes in the Statement of Activities		
	2020	2019	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 964,326	\$ 949,117	\$ 15,209
Charges for Services	1,499,731	1,215,104	284,627
Other Revenues	113,768	160,967	(47,199)
Total Revenues	\$ 2,577,825	\$ 2,325,188	\$ 252,637
Expenses for Services	2,028,678	1,768,748	(259,930)
Change in Net Position	\$ 549,147	\$ 556,440	\$ (7,293)
Net Position, Beginning of Year	16,536,328	15,979,888	556,440
Net Position, End of Year	\$ 17,085,475	\$ 16,536,328	\$ 549,147

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The District's combined fund balances as of September 30, 2020, were \$5,910,310, an increase of \$121,288 from the prior year.

The General Fund fund balance increased by \$251,952, primarily due to service revenues and property tax revenues exceeding operating, capital and debt services costs.

The Debt Service Fund fund balance increased by \$40,095 as a result of a transfer from the General Fund.

The Capital Projects Fund fund balance decreased by \$170,759 primarily due to a transfer to the General Fund.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$319,167 more than budgeted revenues primarily due to higher than expected tap revenues. Actual expenditures were \$239,820 more than budgeted expenditures primarily due to higher than anticipated tap connection costs, purchased services, repairs and maintenance costs offset by lower than anticipated capital outlay costs.

**CAPITAL ASSETS**

Capital assets as of September 30, 2020, total \$19,586,995, and include land, engineering and construction costs related to the water system, the District's capacity in the Kingsbridge Municipal Utility District ("Kingsbridge") water plant, the District's capacity in the Fort Bend County Municipal Utility District No. 25 ("MUD No. 25") wastewater treatment plant and the District's capacity in the Royal Valley Utilities, Inc. ("RVU") wastewater treatment plant. Additional information on the District's capital assets can be found in Note 6 of this report.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 442,379	\$ 281,379	\$ 161,000
Construction in Progress	618,314		618,314
Capital Assets, Net of Accumulated Depreciation:			
Water System	3,714,827	3,820,377	(105,550)
Wastewater System	14,811,475	15,195,206	(383,731)
Total Net Capital Assets	\$ 19,586,995	\$ 19,296,962	\$ 290,033

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**LONG-TERM DEBT ACTIVITY**

As of September 30, 2020, the District had total bond debt payable of \$8,582,000. The changes in the debt position of the District during the fiscal year ended September 30, 2020, are summarized as follows:

Bond Debt Payable, October 1, 2019	\$ 8,686,000
Less: Bond Principal Paid	<u>104,000</u>
Bond Debt Payable, September 30, 2020	<u><u>\$ 8,582,000</u></u>

The District's bonds are considered private placement bonds and are not rated.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Fort Bend County Fresh Water Supply District No. 2, c/o Sechrist-Duckers LLP, 6300 West Loop South, Suite 415, Bellaire, TX 77401.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2020**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 178,333	\$
Investments	5,825,271	274,411
Cash with Tax Assessor	1,121	
Receivables:		
Property Taxes	174,018	
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of \$5,000)	247,397	
Accrued Interest	11,606	
Prepaid Costs	1,970	
Advance for Water Plant Operations	36,747	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 6,476,463</b>	<b>\$ 274,411</b>

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



<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 101	\$ 178,434	\$	\$ 178,434
103	6,099,785		6,099,785
	1,121		1,121
	174,018		174,018
		74,665	74,665
	247,397		247,397
	11,606		11,606
	1,970		1,970
	36,747		36,747
		442,379	442,379
		618,314	618,314
		<u>18,526,302</u>	<u>18,526,302</u>
<u>\$ 204</u>	<u>\$ 6,751,078</u>	<u>\$ 19,661,660</u>	<u>\$ 26,412,738</u>

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

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2020**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 477,407	\$
Accrued Interest Payable		
Security Deposits	189,343	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	\$ 666,750	\$ -0-
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 174,018	\$ -0-
<b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 1,970	\$
For Water Plant Operations	36,747	
Restricted for Authorized Construction		
Restricted for Debt Service		274,411
Committed for Construction	98,594	
Assigned to 2021 Budget Deficit	997,595	
Unassigned	4,500,789	
<b>TOTAL FUND BALANCES</b>	\$ 5,635,695	\$ 274,411
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	\$ 6,476,463	\$ 274,411
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 477,407	\$	\$ 477,407
	189,343	78,513	78,513
		105,000	105,000
		<u>8,477,000</u>	<u>8,477,000</u>
<u>\$ -0-</u>	<u>\$ 666,750</u>	<u>\$ 8,660,513</u>	<u>\$ 9,327,263</u>
<u>\$ -0-</u>	<u>\$ 174,018</u>	<u>\$ (174,018)</u>	<u>\$ -0-</u>
\$	\$ 1,970	\$ (1,970)	\$
	36,747	(36,747)	
204	204	(204)	
	274,411	(274,411)	
	98,594	(98,594)	
	997,595	(997,595)	
	<u>4,500,789</u>	<u>(4,500,789)</u>	
<u>\$ 204</u>	<u>\$ 5,910,310</u>	<u>\$ (5,910,310)</u>	<u>\$ - 0 -</u>
<u>\$ 204</u>	<u>\$ 6,751,078</u>		
		\$ 11,005,199	\$ 11,005,199
		274,411	274,411
		<u>5,805,865</u>	<u>5,805,865</u>
		<u>\$ 17,085,475</u>	<u>\$ 17,085,475</u>

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

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2020**

Total Fund Balances - Governmental Funds	\$	5,910,310
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		19,586,995
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District.		248,683
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

Accrued Interest Payable	\$ (78,513)	
Bonds Payable	<u>(8,582,000)</u>	<u>(8,660,513)</u>

Total Net Position - Governmental Activities	\$	<u>17,085,475</u>
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The accompanying notes to the financial statements are an integral part of this report.

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**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 952,689	\$
Water Service	429,567	
Wastewater Service	362,104	
Surface Water Assessments	215,455	
Penalty and Interest	103,170	
Tap Connection and Inspection Fees	368,305	
Investment and Miscellaneous Revenues	108,827	3,095
<b>TOTAL REVENUES</b>	<b>\$ 2,540,117</b>	<b>\$ 3,095</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 153,621	\$
Contracted Services	242,739	
Purchased Water Service	266,622	
Purchased Wastewater Service	134,652	
Utilities	21,807	
Groundwater Reduction Plan Fees	41,392	
Repairs and Maintenance	207,417	
Depreciation		
Other	268,696	
Capital Outlay	794,621	
Debt Service:		
Bond Principal	104,000	
Bond Interest	188,203	
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 2,423,770</b>	<b>\$ -0-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES</b>	<b>\$ 116,347</b>	<b>\$ 3,095</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In (Out)	\$ 135,605	\$ 37,000
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 251,952</b>	<b>\$ 40,095</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - OCTOBER 1, 2019</b>	<b>5,383,743</b>	<b>234,316</b>
<b>FUND BALANCES/NET POSITION - SEPTEMBER 30, 2020</b>	<b>\$ 5,635,695</b>	<b>\$ 274,411</b>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 952,689	\$ 11,637	\$ 964,326
	429,567		429,567
	362,104		362,104
	215,455		215,455
	103,170	21,130	124,300
	368,305		368,305
1,846	113,768		113,768
<u>\$ 1,846</u>	<u>\$ 2,545,058</u>	<u>\$ 32,767</u>	<u>\$ 2,577,825</u>
\$	\$ 153,621	\$	\$ 153,621
	242,739		242,739
	266,622		266,622
	134,652		134,652
	21,807		21,807
	41,392		41,392
	207,417		207,417
		504,588	504,588
	268,696		268,696
	794,621	(794,621)	
	104,000	(104,000)	
	188,203	(1,059)	187,144
<u>\$ -0-</u>	<u>\$ 2,423,770</u>	<u>\$ (395,092)</u>	<u>\$ 2,028,678</u>
\$ 1,846	\$ 121,288	\$ 427,859	\$ 549,147
\$ (172,605)	\$ -0-	\$ -0-	\$ -0-
\$ (170,759)	\$ 121,288	\$ (121,288)	\$
		549,147	549,147
170,963	5,789,022	10,747,306	16,536,328
<u>\$ 204</u>	<u>\$ 5,910,310</u>	<u>\$ 11,175,165</u>	<u>\$ 17,085,475</u>

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

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Net Change in Fund Balances - Governmental Funds	\$	121,288
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		11,637
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Governmental funds report penalty and interest revenues on delinquent property taxes when collected. However, in the Statement of Activities, revenues are recorded when penalty and interest are assessed.		21,130
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Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(504,588)
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Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		794,621
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Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		104,000
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Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		1,059
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Change in Net Position - Governmental Activities	\$	<u>549,147</u>
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The accompanying notes to the financial statements are an integral part of this report.



**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 1. CREATION OF DISTRICT**

Fort Bend County Fresh Water Supply District No. 2 was created on January 23, 2001, by order of the Fort Bend County Commissioner's Court in response to a petition for creation and pursuant to the Texas Water Code, Chapters 49 and 53. On August 4, 2009, the District was converted into a municipal utility district and now operates pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code. The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water and the collection, transportation and treatment of wastewater. The District may provide garbage disposal and collection services. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statement as component units.

The District has entered into a joint venture with Kingsbridge Municipal Utility District ("Kingsbridge") for water service through the Kingsbridge water plant. Kingsbridge has oversight responsibility over the water plant. Additional disclosure concerning this joint venture is provided in Note 8. The joint water plant's financial information is included in the financial statements for Kingsbridge. Copies of the financial statements can be obtained from the auditor for Kingsbridge.

The District purchased wastewater treatment capacity from Fort Bend County Municipal Utility District No. 25 ("MUD No. 25") to serve the area in the District known as Four Corners. Additional disclosure concerning this joint venture is provided in Note 12.

The District purchased wastewater treatment capacity from Royal Valley Utilities, Inc. ("RVU") to serve the area in the District known as Rio Brazos. Additional disclosure concerning this joint venture is provided in Note 12.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District’s policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District’s Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Governmental Funds Balance Sheet and a Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds and considers each of them to be major funds.

General Fund - To account for resources not required to be accounted for in another fund, property tax revenues, maintenance and operating costs and general expenditures.

Debt Service Fund – To account for financial resources restricted, committed or assigned for servicing bond debt.

Capital Projects Fund – To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectible within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. During the current fiscal year, the General Fund transferred \$37,000 to the Debt Service Fund to meet the reserve requirement stated in the bond resolutions for the Series 2004, Series 2005, and Series 2013 bonds. The Capital Projects Fund transferred \$172,605 to the General Fund to reimburse for capital outlay expended by the General Fund.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life of over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Water and wastewater facilities are amortized over periods ranging from 10 to 45 years.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that the board directors are considered to be “employees” for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (continued)

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

*Nonspendable*: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted*: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

*Committed*: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District committed \$98,594 of its General Fund fund balance for a utility construction project.

*Assigned*: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District assigned \$997,595 of its General Fund fund balance to offset a 2021 budgeted deficit.

*Unassigned*: all other spendable amounts in the General Fund.

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

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 3. LONG-TERM DEBT**

	<u>Series 2004</u>	<u>Series 2005</u>	<u>Series 2013</u>
Amount Outstanding – September 30, 2020	\$ 708,000	\$ 388,000	\$ 7,486,000
Interest Rates	4.25%	4.25%	1.875%
Maturity Dates - Serially Beginning/Ending	November 1, 2020/2044	November 1, 2020/2044	November 1, 2020/2052
Interest Payment Dates	November 1/ May 1	November 1/ May 1	November 1/ May 1
Callable Dates	November 1, 2011*	November 1, 2011*	November 1, 2017*

\* Or any interest payment date thereafter, at the option of the District, in whole or in part, at par plus accrued interest to the date fixed for redemption.

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2020:

	<u>October 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30, 2020</u>
Bonds Payable	<u>\$ 8,686,000</u>	<u>\$ -0-</u>	<u>\$ 104,000</u>	<u>\$ 8,582,000</u>
		Amount Due Within One Year		\$ 105,000
		Amount Due After One Year		<u>8,477,000</u>
		Bonds Payable		<u>\$ 8,582,000</u>

The Series 2004 and Series 2005 bonds are payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks system as defined in the bond resolutions. The Series 2013 bonds are payable from and secured by a lien on and pledge of net revenues to be received from the operation of the District's sanitary sewer system as defined in the bond resolution. The District's bonds are considered private placement bonds.

Subsequent to the report date, the District anticipates closing on the sale of bonds to the USDA in the amount of \$4,150,000. Proceeds are anticipated to be used for improvements to the District's waterworks system.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 3. LONG-TERM DEBT (Continued)**

As of September 30, 2020, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 105,000	\$ 185,672	\$ 290,672
2022	106,000	183,087	289,087
2023	108,000	180,441	288,441
2024	109,000	177,731	286,731
2025	120,000	174,884	294,884
2026-2030	700,000	826,209	1,526,209
2031-2035	1,141,000	717,873	1,858,873
2036-2040	1,429,000	570,633	1,999,633
2041-2045	1,778,000	385,706	2,163,706
2046-2050	1,840,000	195,704	2,035,704
2051-2053	1,146,000	32,403	1,178,403
	<u>\$ 8,582,000</u>	<u>\$ 3,630,343</u>	<u>\$ 12,212,343</u>

**NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS**

The Series 2004, Series 2005, and Series 2013 bond resolutions state that the District is to create a Reserve Fund in an amount equal to the average annual debt service installment. The Reserve Fund is to be funded through monthly deposits which will accumulate at the rate of one-tenth of the reserve amount each year.

The Series 2004, Series 2005, and Series 2013 Bond Resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six (6) months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

For the Series 2004, Series 2005, and Series 2013 bond issues, the District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue and will continue each 5<sup>th</sup> year thereafter until the debt is retired.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District’s deposits was \$2,058,434 and the bank balance was \$2,200,872. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2020, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 178,333	\$ 1,880,000	\$ 2,058,333
CAPITAL PROJECTS FUND	101		101
<b>TOTAL DEPOSITS</b>	<b>\$ 178,434</b>	<b>\$ 1,880,000</b>	<b>\$ 2,058,434</b>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors.



**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 5. DEPOSITS AND INVESTMENTS**

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), an external investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

The District records investments in certificates of deposit at acquisition cost.

As of September 30, 2020, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than One Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 3,945,271	\$ 3,945,271
Certificates of Deposit	1,880,000	1,880,000
<u>DEBT SERVICE FUND</u>		
Texas CLASS	274,411	274,411
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	103	103
<b>TOTAL INVESTMENTS</b>	<b>\$ 6,099,785</b>	<b>\$ 6,099,785</b>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2020, the District’s investment in Texas CLASS was rated AAAM by Standard and Poor’s. The District also manages credit risk by investing in certificates of deposit covered by FDIC insurance and pledged collateral.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

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

Restrictions

All cash and investments of the Debt Service Fund are restricted for debt service. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2020 is as follows:

	October 1, 2019	Increases	Decreases	September 30, 2020
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 281,379	\$ 161,000	\$	\$ 442,379
Construction in Progress		633,621	15,307	618,314
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 281,379</b>	<b>\$ 794,621</b>	<b>\$ 15,307</b>	<b>\$ 1,060,693</b>
<b>Capital Assets Subject to Depreciation</b>				
Water System	\$ 5,060,813	\$ 15,307	\$	\$ 5,076,120
Wastewater System	17,310,641			17,310,641
<b>Total Capital Assets Subject to Depreciation</b>	<b>\$ 22,371,454</b>	<b>\$ 15,307</b>	<b>\$ - 0 -</b>	<b>\$ 22,386,761</b>
<b>Accumulated Depreciation</b>				
Water System	\$ 1,240,436	\$ 120,857	\$	\$ 1,361,293
Wastewater System	2,115,435	383,731		2,499,166
<b>Total Accumulated Depreciation</b>	<b>\$ 3,355,871</b>	<b>\$ 504,588</b>	<b>\$ - 0 -</b>	<b>\$ 3,860,459</b>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 19,015,583</b>	<b>\$ (489,281)</b>	<b>\$ - 0 -</b>	<b>\$ 18,526,302</b>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 19,296,962</b>	<b>\$ 305,340</b>	<b>\$ 15,307</b>	<b>\$ 19,586,995</b>

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 7. MAINTENANCE TAX**

The voters of the District originally authorized the levy and collection of a maintenance tax in an amount not to exceed \$0.25 per \$100 of assessed valuation. At an election held May 12, 2007, the voters approved an operation and maintenance tax in an amount not to exceed \$0.85 per \$100 of assessed valuation. During the year ended September 30, 2020, the District levied an ad valorem maintenance tax rate of \$0.5300 per \$100 of assessed valuation, which resulted in a tax levy of \$959,504 on the adjusted taxable valuation of \$180,563,854 for the 2019 tax year.

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

**NOTE 8. WATER SUPPLY AGREEMENT**

On June 29, 2005, the District entered into a contract with Kingsbridge for the purpose of providing water supply capacity to the Four Corners area of the District. This agreement was subsequently amended. Upon receipt of funds from the Rural Utilities Services of the U.S. Department of Agriculture (the “USDA”), the District paid to Kingsbridge \$442,756 for 198,450 gallons-per-day in the water supply plant. Legal title to the water plant remains with Kingsbridge. Each party’s current pro rata share in the water plant is as follows:

	Percentage Ownership
Fort Bend County Fresh Water Supply District No. 2	8.82%
Kingsbridge Municipal Utility District	<u>91.18</u>
Total	<u>100.00%</u>

The District has acquired, and constructed, at its sole cost and expense, the District’s water distribution system, including any water distribution lines necessary to receive water from the Kingsbridge water supply plant at the point of delivery. The interconnect facilities with Kingsbridge were constructed and are maintained by the District.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 8. WATER SUPPLY AGREEMENT**

The District pays for its pro-rata share of the operation and maintenance expenses of the Kingsbridge water supply plant. Kingsbridge has established and maintains a joint operating account and bills each district monthly. Operations and maintenance expense are calculated as follows: surface water fees are calculated based on water usage; maintenance, chemical and utilities costs are calculated based on the number of active connections in each district during the month; and all other costs are calculated based on each district's pro-rata share of ownership in the water plant. During the current fiscal year, the District recorded expenses of \$266,622 related to this agreement. The District also has advanced \$36,747 as an operating reserve with Kingsbridge.

Summary financial information of the plant as of September 30, 2019, and for the fiscal year then ended, which is the most recent information available, is as follows:

Total Assets	\$	431,844
Total Liabilities		15,212
Total Net Position	\$	416,632
Total Operating Revenues	\$	1,648,602
Total Operating Expenses		1,648,602
Change in Net Position	\$	-0-
Net Position - October 1, 2018		416,632
Net Position - September 30, 2019	\$	416,632

**NOTE 9. GROUNDWATER REDUCTION PLAN PARTICIPATION AGREEMENT**

On February 2, 2010, the District entered into a Groundwater Reduction Plan Participation Agreement with the City of Rosenberg (the "City"). The Fort Bend Subsidence District (the "Subsidence District") was created by the Texas Legislature to reduce subsidence by regulating the withdrawal of groundwater within Fort Bend County. The Subsidence District adopted its Regulatory Plan in 2003 to control groundwater withdrawal rights. The City is developing a groundwater reduction plan ("GRP") on behalf of their customers to comply with the Regulatory Plan. The District pays the City a water well pumpage fee, based on the amount of water pumped from all well(s) owned and operated by the District. The District incurred costs of \$41,392 during the current fiscal year in relation to this agreement. The term of this agreement is for as long as the City's Regulatory Plan is in effect.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 10. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (“TML”) to provide property, general liability, automobile, pollution liability, public officials’ liability and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML’s management. As claims arise they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three (3) years.

**NOTE 11. EMERGENCY WATER SUPPLY AGREEMENTS**

On July 26, 2010, the District entered into an Emergency Water Supply Agreement with Kingsbridge and Fort Bend County Municipal Utility District No. 134A (“MUD No. 134A”). MUD No. 134A is responsible for all costs associated with construction of the water interconnect facilities to be connected to the District’s system and for maintaining the interconnect line for the term of this agreement. The rates to be charged by each district for emergency water service is \$1.00 per 1,000 gallons plus any pumpage fee that may be imposed on the supplying district by a governmental entity including, but not limited to, the North Fort Bend Water Authority (the “Authority”). The term of this agreement is thirty (30) years from the execution date of the agreement.

On March 7, 2011, the District executed an Emergency Water Supply Contract with Fort Bend County Municipal Utility District No. 41 (“MUD No. 41”). The contract provides that under emergency conditions water can be supplied by the other district for up to fifteen (15) days. The contract calls for payment at the rate of \$1.00 per 1,000 gallons of “average daily usage” for the number of days water is supplied. In the event that the supplying district has converted to use of surface water in whole or in part, or if additional fees are imposed upon the supplying district by a regional water authority, other governmental entity or contractual arrangement relative to conversion of surface water, the rate per 1,000 gallons will be 125% of the actual cost to the supplying district to purchase surface water. The term is thirty (30) years from the date of the contract.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 12. WASTEWATER TREATMENT SERVICE AGREEMENTS**

Royal Valley Utilities, Inc.

On February 15, 2011, RVU and the District entered into an agreement for the District to acquire 48,000 gpd of wastewater treatment capacity in the RVU sewer plant in order to provide wastewater service to the Rio Brazos area within the District. In accordance with the agreement, the District paid RVU \$240,000 for 48,000 gpd in reserved capacity. In addition to the reserved capacity purchase price, the District paid RVU \$64,020 for the purchase of capacity in the portion of RVU's collection system used to convey wastewater from Rio Brazos to the sewer plant. The District also constructed, at its sole cost and expense, the collection system necessary to transport wastewater to RVU's plant. The term of this agreement is fifty (50) years. Service to the District began February 27, 2014. The District incurred \$44,544 for purchased wastewater service costs during the current fiscal year.

Fort Bend County Municipal Utility District No. 25

On June 8, 2010, MUD No. 25 and the District entered into an Amended and Restated Waste Disposal Agreement (the "Restated Agreement") for the District to acquire 329 equivalent single family connections ("ESFC") in MUD No. 25's 500,000 gallon per day wastewater treatment plant (the "MUD No. 25 Plant") in addition to the 200 ESFC acquired by the District pursuant to an agreement with MUD No. 25 dated April 16, 2008. In accordance with the Restated Agreement, the District will pay MUD No. 25 \$4.50 per gallon for the 300 gallons per day allocated to each ESFC. In a prior year, the District paid \$595,350 for 441 ESFCs in the MUD No. 25 Plant. In addition to the reserved capacity purchase price, the District is required to pay to MUD No. 25 31.74% of the monthly operation and maintenance expenses of the MUD No. 25 Plant. The District also constructed, at its sole cost and expense, the collection system necessary to transport wastewater to the MUD No. 25 Plant. The term of the agreement is fifty (50) years. Service to the District began May 2014. The District incurred \$90,108 for purchased wastewater service costs during the current fiscal year.

**NOTE 13. ECONOMIC UNCERTAINTIES**

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, economic uncertainties have arisen which could have an impact on the operations of the District. The District is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2020**





**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Property Taxes	\$ 955,590	\$ 952,689	\$ (2,901)
Water Service	443,900	429,567	(14,333)
Wastewater Service	404,900	362,104	(42,796)
Surface Water Assessments	186,800	215,455	28,655
Penalty and Interest	77,800	103,170	25,370
Tap Connection and Inspection Fees	35,600	368,305	332,705
Investment and Miscellaneous Revenues	<u>116,360</u>	<u>108,827</u>	<u>(7,533)</u>
<b>TOTAL REVENUES</b>	<u>\$2,220,950</u>	<u>\$ 2,540,117</u>	<u>\$ 319,167</u>
<b>EXPENDITURES</b>			
Service Operations:			
Professional Fees	\$ 156,500	\$ 153,621	\$ 2,879
Contracted Services	137,800	242,739	(104,939)
Purchased Water Service	226,100	266,622	(40,522)
Purchased Wastewater Service	127,900	134,652	(6,752)
Utilities	35,400	21,807	13,593
Groundwater Reduction Plan Fees	27,000	41,392	(14,392)
Repairs and Maintenance	164,300	207,417	(43,117)
Other	116,150	268,696	(152,546)
Capital Outlay	900,587	794,621	105,966
Bond Principal	104,000	104,000	
Bond Interest	<u>188,213</u>	<u>188,203</u>	<u>10</u>
<b>TOTAL EXPENDITURES</b>	<u>\$2,183,950</u>	<u>\$ 2,423,770</u>	<u>\$ (239,820)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 37,000</u>	<u>\$ 116,347</u>	<u>\$ 79,347</u>
<b>OTHER FINANCING SOURCES(USES)</b>			
Transfers In (Out)	<u>\$ (37,000)</u>	<u>\$ 135,605</u>	<u>\$ 172,605</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ -0-	\$ 251,952	\$ 251,952
<b>FUND BALANCE - OCTOBER 1, 2019</b>	<u>5,383,743</u>	<u>5,383,743</u>	
<b>FUND BALANCE - SEPTEMBER 30, 2020</b>	<u>\$5,383,743</u>	<u>\$ 5,635,695</u>	<u>\$ 251,952</u>

See accompanying independent auditor's report.

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**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**

**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**SEPTEMBER 30, 2020**



**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

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

**2. RETAIL SERVICE PROVIDERS**

**a. RETAIL RATES FOR A SINGLE FAMILY RESIDENTIAL CUSTOMER:**

Based on the Rate Order effective August 6, 2019.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$35.00	2,000	N	\$1.50 \$1.75 \$2.00 \$2.25 \$2.50 \$2.75	2,001 to 4,000 4,001 to 6,000 6,001 to 8,000 8,001 to 10,000 10,001 to 12,000 12,001 and up
WASTEWATER:	\$35.00	2,000	N	\$1.75	2,001 and up
SURCHARGE:					
Commission					
Regulatory Assessments	Included in rates above				
Surface Water Assessment*					

Total monthly charges per 10,000 gallons usage: Water: \$50.00 Wastewater: \$49.00

\* In addition to the charges set out in the rate schedules listed above, each Customer of the District's System within the Four Corners area is assessed an amount equal to the surface water fees charged to the District by the North Fort Bend Water Authority, plus ten percent (10%).

In addition to the charges set out in the rate schedules listed above, each Customer of the District's System within the Rio Brazos area is assessed an amount equal to the fee charged to the District pursuant to a groundwater reduction plan agreement with the City of Rosenberg, plus ten percent (10%).

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ <sup>3</sup> / <sub>4</sub> "	<u>868</u>	<u>704</u>	x 1.0	<u>704</u>
1"	<u>11</u>	<u>10</u>	x 2.5	<u>25</u>
1½"	<u>3</u>	<u>3</u>	x 5.0	<u>15</u>
2"	<u>30</u>	<u>30</u>	x 8.0	<u>240</u>
3"			x 15.0	
4"	<u>2</u>	<u>2</u>	x 25.0	<u>50</u>
6"	<u>4</u>	<u>4</u>	x 50.0	<u>200</u>
8"	<u>2</u>	<u>2</u>	x 80.0	<u>160</u>
10"			x 115.0	
Total Water Connections	<u><u>920</u></u>	<u><u>755</u></u>		<u><u>1,394</u></u>
Total Wastewater Connections	<u><u>766</u></u>	<u><u>663</u></u>	x 1.0	<u><u>663</u></u>

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

Gallons pumped into system:	16,318,000	Water Accountability Ratio: 86.1% (Gallons billed/Gallons pumped and purchased)
Gallons billed to customers:	60,287,000	
Gallons purchased:	53,700,000	From: <u>Kingsbridge Municipal Utility District</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**4. STANDBY FEES** (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes  No

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes  No

County in which District is located:

Fort Bend County, Texas

Is the District located within a city?

Entirely  Partly  Not at all

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

Entirely  Partly  Not at all

ETJ's in which District is located:

City of Houston, Texas; City of Rosenberg, Texas

Are Board Members appointed by an office outside the District?

Yes  No

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

PROFESSIONAL FEES:	
Auditing	\$ 18,450
Engineering	72,610
Legal	43,349
Delinquent Tax Attorney	<u>19,212</u>
TOTAL PROFESSIONAL FEES	<u>\$ 153,621</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 266,622
Purchased Wastewater Service	<u>134,652</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 401,274</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 5,925
Bookkeeping	38,303
Operations and Billing	100,517
Solid Waste Disposal	97,468
Tax Collector	<u>526</u>
TOTAL CONTRACTED SERVICES	<u>\$ 242,739</u>
UTILITIES:	
Electricity	\$ 18,757
Telephone	<u>3,050</u>
TOTAL UTILITIES	<u>\$ 21,807</u>
REPAIRS AND MAINTENANCE	<u>\$ 207,417</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 12,434
Election Costs	1,873
Insurance	11,581
Office Supplies and Postage	4,347
Website	5,404
Travel and Meetings	1,582
Other	<u>12,641</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 49,862</u>

See accompanying independent auditor's report.



**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

CAPITAL OUTLAY	\$ <u>794,621</u>
TAP CONNECTIONS	\$ <u>182,840</u>
OTHER EXPENDITURES:	
Chemicals	\$ 1,060
Laboratory Fees	9,273
Permit Fees	2,622
Inspection Fees	19,413
Groundwater Reduction Plan Fees	41,392
Regulatory Assessment	<u>3,626</u>
TOTAL OTHER EXPENDITURES	\$ <u>77,386</u>
DEBT SERVICE:	
Bond Principal	\$ 104,000
Bond Interest	<u>188,203</u>
TOTAL DEBT SERVICE	\$ <u>292,203</u>
TOTAL EXPENDITURES	\$ <u>2,423,770</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**INVESTMENTS**  
**SEPTEMBER 30, 2020**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
Texas CLASS	XXXX0001	Varies	Daily	\$ 3,945,271	\$
Certificate of Deposit	XXXX8507	1.15%	01/05/21	240,000	1,535
Certificate of Deposit	XXXX7695	0.70%	04/15/21	200,000	644
Certificate of Deposit	XXXX1715	2.00%	10/15/20	240,000	4,590
Certificate of Deposit	XXXX2233	0.60%	08/20/21	240,000	162
Certificate of Deposit	XXXX1214	0.60%	07/09/21	240,000	327
Certificate of Deposit	XXXX1715	2.60%	06/07/21	240,000	492
Certificate of Deposit	XXXX5581	0.75%	09/16/21	240,000	69
Certificate of Deposit	XXXX1755	1.80%	11/13/20	240,000	3,787
TOTAL GENERAL FUND				<u>\$ 5,825,271</u>	<u>\$ 11,606</u>
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0003	Varies	Daily	\$ 274,411	\$ - 0 -
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX0002	Varies	Daily	\$ 103	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 6,099,785</u>	<u>\$ 11,606</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Maintenance Taxes	
TAXES RECEIVABLE -		
OCTOBER 1, 2019	\$ 162,381	
Adjustments to Beginning		
Balance	4,822	\$ 167,203
Original 2019 Tax Levy	\$ 971,735	
Adjustment to 2019 Tax Levy	(12,231)	959,504
TOTAL TO BE		
ACCOUNTED FOR		\$ 1,126,707
 TAX COLLECTIONS:		
Prior Years	\$ 42,924	
Current Year	909,765	952,689
 TAXES RECEIVABLE -		
SEPTEMBER 30, 2020		\$ 174,018
 TAXES RECEIVABLE BY		
YEAR:		
2019		\$ 49,739
2018		28,314
2017		22,187
2016		16,153
2015		13,582
2014 and prior		44,043
TOTAL		\$ 174,018

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	2019	2018	2017	2016
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 93,858,300	\$ 95,157,932	\$ 67,933,015	\$ 42,427,863
Improvements	97,852,443	80,867,793	83,761,818	82,113,940
Personal Property	29,938,376	29,527,460	21,320,520	26,013,710
Exemptions	(41,085,265)	(39,171,903)	(26,602,143)	(32,627,833)
<b>TOTAL PROPERTY VALUATIONS</b>	<b>\$ 180,563,854</b>	<b>\$ 166,381,282</b>	<b>\$ 146,413,210</b>	<b>\$ 117,927,680</b>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.00	\$ 0.0000	\$ 0.0000	\$ 0.0000
Maintenance	0.53	0.5521	0.5521	0.5521
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<b>\$ 0.53</b>	<b>\$ 0.5521</b>	<b>\$ 0.5521</b>	<b>\$ 0.5521</b>
<b>ADJUSTED TAX LEVY*</b>	<b>\$ 959,504</b>	<b>\$ 921,917</b>	<b>\$ 810,303</b>	<b>\$ 651,319</b>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<b>94.82 %</b>	<b>96.93 %</b>	<b>97.26 %</b>	<b>97.52 %</b>

\* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax – Maximum tax rate of \$0.85 per \$100 of assessed valuation approved by voters on May 12, 2007.

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2020**

S E R I E S - 2 0 0 4					
Due During Fiscal Years Ending September 30	Principal Due November 1		Interest Due November 1/ May 1		Total
2021	\$	16,000	\$	29,753	\$ 45,753
2022		17,000		29,051	46,051
2023		18,000		28,308	46,308
2024		19,000		27,522	46,522
2025		19,000		26,715	45,715
2026		20,000		25,886	45,886
2027		21,000		25,015	46,015
2028		22,000		24,101	46,101
2029		23,000		23,145	46,145
2030		24,000		22,147	46,147
2031		25,000		21,106	46,106
2032		26,000		20,022	46,022
2033		27,000		18,896	45,896
2034		28,000		17,728	45,728
2035		30,000		16,495	46,495
2036		31,000		15,199	46,199
2037		32,000		13,861	45,861
2038		33,000		12,479	45,479
2039		35,000		11,035	46,035
2040		36,000		9,527	45,527
2041		38,000		7,955	45,955
2042		39,000		6,319	45,319
2043		41,000		4,618	45,618
2044		43,000		2,826	45,826
2045		45,000		956	45,956
2046					
2047					
2048					
2049					
2050					
2051					
2052					
2053					
	\$	708,000	\$	440,665	\$ 1,148,665

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2020**

S E R I E S - 2 0 0 5					
Due During Fiscal Years Ending September 30	Principal Due November 1		Interest Due November 1/ May 1		Total
2021	\$	9,000	\$	16,301	\$ 25,301
2022		9,000		15,918	24,918
2023		10,000		15,514	25,514
2024		10,000		15,090	25,090
2025		11,000		14,643	25,643
2026		11,000		14,176	25,176
2027		12,000		13,687	25,687
2028		12,000		13,177	25,177
2029		12,000		12,667	24,667
2030		13,000		12,136	25,136
2031		14,000		11,562	25,562
2032		14,000		10,967	24,967
2033		15,000		10,351	25,351
2034		16,000		9,693	25,693
2035		16,000		9,013	25,013
2036		16,000		8,332	24,332
2037		18,000		7,611	25,611
2038		19,000		6,825	25,825
2039		19,000		6,017	25,017
2040		20,000		5,188	25,188
2041		20,000		4,338	24,338
2042		22,000		3,448	25,448
2043		23,000		2,491	25,491
2044		23,000		1,509	24,509
2045		24,000		510	24,510
2046					
2047					
2048					
2049					
2050					
2051					
2052					
2053					
	\$	388,000	\$	241,164	\$ 629,164

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2020**

S E R I E S - 2 0 1 3			
Due During Fiscal Years Ending September 30	Principal Due November 1	Interest Due November 1/ May 1	Total
2021	80,000	139,618	\$ 219,618
2022	80,000	138,118	218,118
2023	80,000	136,619	216,619
2024	80,000	135,119	215,119
2025	90,000	133,526	223,526
2026	90,000	131,838	221,838
2027	100,000	130,057	230,057
2028	100,000	128,183	228,183
2029	120,000	126,122	246,122
2030	120,000	123,872	243,872
2031	160,000	121,249	281,249
2032	180,000	118,064	298,064
2033	190,000	114,596	304,596
2034	200,000	110,941	310,941
2035	200,000	107,190	307,190
2036	200,000	103,440	303,440
2037	220,000	99,505	319,505
2038	240,000	95,193	335,193
2039	250,000	90,601	340,601
2040	260,000	85,820	345,820
2041	270,000	80,852	350,852
2042	280,000	75,696	355,696
2043	290,000	70,353	360,353
2044	300,000	64,823	364,823
2045	320,000	59,012	379,012
2046	340,000	52,826	392,826
2047	360,000	46,265	406,265
2048	380,000	39,330	419,330
2049	380,000	32,204	412,204
2050	380,000	25,079	405,079
2051	380,000	17,954	397,954
2052	380,000	10,830	390,830
2053	386,000	3,619	389,619
	\$ 7,486,000	\$ 2,948,514	\$ 10,434,514

See accompanying independent auditor's report.

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**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2020**

Due During Fiscal Years Ending September 30	ANNUAL REQUIREMENTS FOR ALL SERIES		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 105,000	\$ 185,672	\$ 290,672
2022	106,000	183,087	289,087
2023	108,000	180,441	288,441
2024	109,000	177,731	286,731
2025	120,000	174,884	294,884
2026	121,000	171,900	292,900
2027	133,000	168,759	301,759
2028	134,000	165,461	299,461
2029	155,000	161,934	316,934
2030	157,000	158,155	315,155
2031	199,000	153,917	352,917
2032	220,000	149,053	369,053
2033	232,000	143,843	375,843
2034	244,000	138,362	382,362
2035	246,000	132,698	378,698
2036	247,000	126,971	373,971
2037	270,000	120,977	390,977
2038	292,000	114,497	406,497
2039	304,000	107,653	411,653
2040	316,000	100,535	416,535
2041	328,000	93,145	421,145
2042	341,000	85,463	426,463
2043	354,000	77,462	431,462
2044	366,000	69,158	435,158
2045	389,000	60,478	449,478
2046	340,000	52,826	392,826
2047	360,000	46,265	406,265
2048	380,000	39,330	419,330
2049	380,000	32,204	412,204
2050	380,000	25,079	405,079
2051	380,000	17,954	397,954
2052	380,000	10,830	390,830
2053	386,000	3,619	389,619
	\$ 8,582,000	\$ 3,630,343	\$ 12,212,343

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**CHANGES IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2019
Fort Bend County Fresh Water Supply District No. 2 Waterworks System Revenue Bonds - Series 2004	\$ 870,000	\$ 724,000
Fort Bend County Fresh Water Supply District No. 2 Waterworks System Revenue Bonds - Series 2005	476,000	396,000
Fort Bend County Fresh Water Supply District No. 2 Sewer System Revenue Bonds - Series 2013	<u>7,806,000</u>	<u>7,566,000</u>
<b>TOTAL</b>	<b><u>\$ 9,152,000</u></b>	<b><u>\$ 8,686,000</u></b>

(2)

Bond Authority:	<u>Revenue Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 8,000,000	\$ 12,000,000
Amount Issued	<u>8,000,000</u>	<u>                    </u>
Remaining to be Issued	<u>\$ - 0 -</u>	<u>\$ 12,000,000</u>

(1)

Debt Service Fund cash balance as of September 30, 2020: \$ 274,411

Average annual debt service payment (principal and interest) for remaining term  
of all debt: \$ 370,071

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

(1) Voters have authorized the issuance of refunding bonds in the amount of 1½ times the amount of original bonds issued.

(2) The District was a fresh water supply district when it issued its Series 2004 and Series 2005 bonds. Fresh water supply districts are statutorily required to obtain voter approval before issuing revenue bonds. On August 4, 2009, the District converted to a municipal utility district. Pursuant to Section 54.505 of the Texas Water Code, municipal utility districts may issue bonds payable solely from revenues by resolution or order of the board without an election.

See accompanying independent auditor's report.

<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2020</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 16,000	\$ 30,430	\$ 708,000	Wells Fargo Bank N.A. Houston, TX
	8,000	16,660	388,000	Wells Fargo Bank N.A. Houston, TX
	80,000	141,113	7,486,000	U.S. Bank N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 104,000</u>	<u>\$ 188,203</u>	<u>\$ 8,582,000</u>	

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**

	Amounts		
	2020	2019	2018
<b>REVENUES</b>			
Property Taxes	\$ 952,689	\$ 896,798	\$ 792,843
Water Service	429,567	424,183	360,470
Wastewater Service	362,104	392,171	326,113
Surface Water Assessments	215,455	169,916	165,973
Penalty and Interest	103,170	78,780	45,072
Tap Connection and Inspection Fees	368,305	127,464	390,656
Investment and Miscellaneous Revenues	108,827	155,051	95,123
<b>TOTAL REVENUES</b>	<b>\$ 2,540,117</b>	<b>\$ 2,244,363</b>	<b>\$ 2,176,250</b>
<b>EXPENDITURES</b>			
Professional Fees	\$ 153,621	\$ 232,700	\$ 148,360
Contracted Services	242,739	143,346	89,439
Purchased Water Service	266,622	211,765	203,621
Purchased Wastewater Service	134,652	115,329	103,935
Utilities	21,807	42,602	29,865
Groundwater Reduction Plan Fees	41,392	27,953	23,507
Repairs and Maintenance	207,417	166,878	60,255
Other	268,696	135,410	221,544
Capital Outlay	794,621		
Debt Service:			
Bond Principal	104,000	83,000	82,000
Bond Interest	188,203	190,514	192,595
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,423,770</b>	<b>\$ 1,349,497</b>	<b>\$ 1,155,121</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 116,347</b>	<b>\$ 894,866</b>	<b>\$ 1,021,129</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In(Out)	\$ 135,605	\$ (31,000)	\$ - 0 -
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 251,952</b>	<b>\$ 863,866</b>	<b>\$ 1,021,129</b>
<b>BEGINNING FUND BALANCE</b>	<b>5,383,743</b>	<b>4,519,877</b>	<b>3,498,748</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 5,635,695</b>	<b>\$ 5,383,743</b>	<b>\$ 4,519,877</b>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 638,497	\$ 613,323	37.5 %	39.9 %	36.3 %	39.5 %	36.8 %
364,006	361,929	16.9	18.9	16.6	22.6	21.8
322,830	330,345	14.3	17.5	15.0	20.0	19.9
147,890	136,085	8.5	7.6	7.6	9.2	8.2
43,034	42,893	4.1	3.5	2.1	2.7	2.6
26,904	66,736	14.4	5.7	18.0	1.7	4.0
68,991	111,144	4.3	6.9	4.4	4.3	6.7
<u>\$ 1,612,152</u>	<u>\$ 1,662,455</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 130,157	\$ 129,936	6.0 %	10.4 %	6.8 %	8.1 %	7.8 %
95,908	94,089	9.6	6.4	4.1	5.9	5.7
179,360	186,114	10.5	9.4	9.4	11.1	11.2
103,826	104,248	5.3	5.1	4.8	6.5	6.4
24,198	24,506	0.9	1.9	1.4	1.5	1.5
22,931	26,086	1.6	1.2	1.1	1.4	1.6
67,050	173,195	8.2	7.4	2.8	4.2	10.4
128,079	136,193	10.6	6.0	10.2	7.9	8.2
		31.3				
82,000	81,000	4.1	3.7	3.8	5.1	4.9
194,655	196,694	7.4	8.5	8.8	12.1	11.8
<u>\$ 1,028,164</u>	<u>\$ 1,152,061</u>	<u>95.5 %</u>	<u>60.0 %</u>	<u>53.2 %</u>	<u>63.8 %</u>	<u>69.5 %</u>
<u>\$ 583,988</u>	<u>\$ 510,394</u>	<u>4.5 %</u>	<u>40.0 %</u>	<u>46.8 %</u>	<u>36.2 %</u>	<u>30.5 %</u>
<u>\$ - 0 -</u>	<u>\$ (4,351)</u>					
\$ 583,988	\$ 506,043					
2,914,760	2,408,717					
<u>\$ 3,498,748</u>	<u>\$ 2,914,760</u>					

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2020	2019	2018
<b>REVENUES</b>			
Investment and Miscellaneous Revenues	\$ 3,095	\$ 2,756	\$ 1,434
<b>EXPENDITURES</b>			
Debt Service Interest and Fees	\$	\$ 126	\$
<b>TOTAL EXPENDITURES</b>	\$ - 0 -	\$ 126	\$ - 0 -
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	\$ 3,095	\$ 2,630	\$ 1,434
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	\$ 37,000	\$ 31,000	\$ - 0 -
<b>NET CHANGE IN FUND BALANCE</b>	\$ 40,095	\$ 33,630	\$ 1,434
<b>BEGINNING FUND BALANCE</b>	234,316	200,686	199,252
<b>ENDING FUND BALANCE</b>	\$ 274,411	\$ 234,316	\$ 200,686
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	755	732	712
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	663	643	620

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2017</u>	<u>2016</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 361	\$ 242	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
\$ 616	\$ 616	0.0 %	4.6 %	0.0 %	170.6 %	254.5 %
\$ 616	\$ 616	0.0 %	4.6 %	0.0 %	170.6 %	254.5 %
\$ (255)	\$ (374)	100.0 %	95.4 %	100.0 %	(70.6) %	(154.5) %
\$ - 0 -	\$ 42,000					
\$ (255)	\$ 41,626					
199,507	157,881					
\$ 199,252	\$ 199,507					
694	697					
668	551					

See accompanying independent auditor's report.

**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2020**

District Mailing Address - Fort Bend County Fresh Water Supply District No. 2  
c/o Sechrist·Duckers LLP  
6300 West Loop South, Suite 415  
Bellaire, TX 77401

District Telephone Number - (713) 395-4200

<b>Board Members</b>	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of Office for the year ended September 30, 2020</u>	<u>Expense Reimbursements for the year ended September 30, 2020</u>	<u>Title</u>
Carmen Martinez	05/20 05/24 (Elected)	\$ 2,550	\$ 1,570	President
Rufus Green	05/18 05/22 (Elected)	\$ 2,250	\$ -0-	First Vice President/ Assistant Secretary
Suntera Scott	05/20 05/24 (Elected)	\$ 2,250	\$ 1,042	Secretary
Alex Arias	05/18 05/22 (Elected)	\$ 2,700	\$ 1,069	2nd Vice President/ Assistant Secretary
Stewart Goldie	05/20 05/24 (Elected)	\$ 1,800	\$ -0-	Assistant Secretary

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

Submission date of most recent District Registration Form: May 5, 2020

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on April 17, 2007. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.



**FORT BEND COUNTY FRESH WATER SUPPLY DISTRICT NO. 2  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2020**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2020</u>	<u>Title</u>
Sechrist-Duckers LLP	11/07/06	\$ 50,609	General Counsel
McCall Gibson Swedlund Barfoot PLLC	02/19/08	\$ 18,450	Auditor/Other Services
Municipal Accounts & Consulting, L.P.	11/06/18	\$ 40,713 \$ -0-	Bookkeeper/ Investment Officer
Sherrington-Humble L.L.C.	06/11/08	\$ 136,351	Engineer
Blitch Associates, Inc.	12/01/09	\$ -0-	Financial Advisor
Environmental Development Partners, LLC	01/01/08	\$ 488,549	Operator

See accompanying independent auditor's report.

