

**FORT BEND COUNTY
DRAINAGE DISTRICT**

**FORT BEND COUNTY, TEXAS
Financial Report**

September 30, 2022

FORT BEND COUNTY DRAINAGE DISTRICT
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COUNTY AUDITOR

Fort Bend County, Texas

Robert Ed Sturdivant
County Auditor

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March 3, 2023

To the Board of Directors of the Fort Bend County Drainage District, Members of the Commissioners Court, and Citizens of Fort Bend County, Texas:

The Fort Bend County Auditor's Office is pleased to present the basic financial statements of the Fort Bend County Drainage District (the "District"), a component unit of Fort Bend County, Texas (the "County"), for the fiscal year ended September 30, 2022. This report is submitted in accordance with Section 114.025 of the Texas Local Government Code and was prepared by the staff of the County Auditor's Office.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Whitley Penn has issued an unmodified ("clean") opinion on the District's financial statements for the year ended September 30, 2022. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis ("MD&A") immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the District

The District was established under Section 59 of Article XVI of the Constitution of Texas, and includes all of the property within Fort Bend County. It was created for the purpose of reclamation and drainage of its lands. The Fort Bend County Commissioners Court acts as the governing body of the District.

Local Economy

Fort Bend County continues to experience an improving local economy for fiscal year 2022. The demand for services regarding the governmental functions performed by the County continues to increase as the population grows. The Commissioners Court and the District continue to use a conservative approach to the allocation of resources to serve the County's needs to ensure that Fort Bend County is prepared as the local economy improves. This ongoing conservative approach will allow the County and the District to meet the service demands of the residents in Fort Bend County. The District has had no material impact to taxable values or operations as a result of the COVID-19 pandemic, therefore revenues are expected to continue at projected growth rates and expenditures continue to perform as forecasted.

Long-Term Financial Planning and Relevant Financial Policies

Budget

The District adopts a one-year budget through its fully coordinated financial planning process. The budget implements strategies, both financial and operational, identified through the strategic and long-range planning process to meet existing challenges and to effectively plan for future needs. The budget is a financial plan for a fiscal year of operations that matches all planned revenues and expenditures with the services provided the citizens of Fort Bend County based on the established budget policy. Decisions are not based solely on current conditions but on the long-term welfare of the community. The budget is developed and resources allocated based on the vision, mission, and goals of the District and County.

Long-Term Comprehensive Plan

The District works with local governments and land developments to address drainage and flood control challenges within Fort Bend County in order to protect people, property and the environment.

Capital Improvement Program

Capital Improvement Projects are larger projects that focus on restoring or improving drainage as well as mitigating flooding. These projects represent a substantial investment of public funds and must pass a rigorous review before construction begins. Projects are first evaluated to ensure they meet technical criteria. Projects are then reviewed using criteria developed specifically for the District. The District's criteria support projects that:

- Promote safety and health of the public
- Reduce or mitigate impacts related to flooding
- Promote/improve habitat to support healthy watersheds
- Promote/improve water quality
- Promote economic health of the County
- Implement all, or a part of, a watershed plan
- Assist the County in meeting federal or state requirements

Debt Policy

The purpose of the County's Debt Policy (which includes the District) is to establish guidelines for the utilization of debt instruments issued by the County and the District whether payable from County taxes or payable from certain revenues of the County or District. This policy is illustrated in the current adopted budget within the "Debt" section. The current budget can be found on the County's website at: <https://www.fortbendcountytexas.gov/government/departments/budget-office/budgets>.

Major Initiatives

The District proposed a bond referendum in November 2019 totaling \$82.9 million for flood mitigation projects with voter approval exceeding 60%. The District issued \$25.4 million of this authorization in permanent improvement bonds on 12/22/2020 and has expended \$13.3 million of this issuance as of 09/30/2022. The use of this bond authorization will be complimented with federal matching funds of over \$100 million over the next five years. The District is focused on allowing development to continue within the County, while maintaining, or reducing, flood risks. The District's development guidelines require individual developments to mitigate impacts to existing floodplains as well as maintain/improve drainage in their vicinity. The District also upgrades existing drainage systems to reduce flood risks. Initiatives completed or ongoing this year included:

- Completed major restudy of the Brazos River flows and floodplain
- Completed most of the erosion repair projects on erosion caused by Harvey and FEMA finally started their project with the Drainage District on Flatbank Creek diversion channel
- Near completion of phase 1 of our Drainage Criteria Manual update to Atlas 14 rainfall rates

Acknowledgements

The preparation of this report could not be achieved without the efficient and dedicated services of the staff of the County Auditor's Office and Whitley Penn, our independent auditor.

Respectfully submitted,



Robert E. Sturdivant, CPA
County Auditor
Fort Bend County, Texas



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Fort Bend County Drainage District
Fort Bend County, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Drainage District (the "District"), a component unit of Fort Bend County, Texas, as of and for the year ended September 30, 2022, 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 each major fund, as of September 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements 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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events 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.

To the Board of Directors
Fort Bend County Drainage District
Fort Bend County, Texas

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government 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 GAAS and *Government 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, 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.

To the Board of Directors
Fort Bend County Drainage District
Fort Bend County, Texas

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, comprised of the Texas Supplementary Information section, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary 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. Such 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Houston, Texas
March 3, 2023



FORT BEND COUNTY DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Fort Bend County Drainage District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended September 30, 2022.

Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$61,845,667 (net position). Of this amount, there is a deficit of (\$11,260,579) in unrestricted net position due to the liability for other post-employment benefits ("OPEB") which now totals \$22,079,360.
- At the close of the current fiscal year, the District's General Fund reported a fund balance of \$16,335,393 a slight increase of \$370,345 from the prior fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows, 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 is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements report on the function of the District that is principally supported by general revenues.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Governmental 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District presents individual governmental funds on the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance.

FORT BEND COUNTY DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The governmental funds are used to account for essentially the same function reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental funds and *governmental activities*.

The District maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The basic governmental fund financial statements can be found starting on page 14 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the governmental fund financial statements in this report.

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$61,845,667 at year end. Below is a condensed schedule of net position for the District as of September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 39,407,759	\$ 42,996,044
Net pension asset	645,974	-
Capital assets, net	85,508,731	84,259,157
Total Assets	<u>125,562,464</u>	<u>127,255,201</u>
Deferred outflows of resources	<u>5,208,303</u>	<u>6,071,084</u>
Current liabilities	6,491,869	7,807,462
Long-term liabilities		
Other long-term liabilities	28,845,060	30,315,362
Net pension liability	-	1,576,929
Total OPEB liability	22,079,360	29,408,433
Total Liabilities	<u>57,416,289</u>	<u>69,108,186</u>
Deferred inflows of resources	<u>11,508,811</u>	<u>3,063,836</u>
Net Position:		
Net investment in capital assets	69,264,176	69,391,246
Restricted	3,908,169	3,721,609
Unrestricted	(11,326,678)	(11,958,592)
Total Net Position	<u>\$ 61,845,667</u>	<u>\$ 61,154,263</u>

FORT BEND COUNTY DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

By far, the largest portion of the District's net position reflects its investment in capital assets (land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The District uses these assets to provide a variety of services to its citizens; consequently, these assets are not available for future spending. A portion of the net position is restricted for debt service. The deficit balance for unrestricted net position of (\$11,260,579) is primarily due to the OPEB payable which now totals \$22,079,360.

The following table is a condensed schedule of changes in net position for the years ended September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Revenues		
Program revenues:		
Operating grants and contributions	\$ -	\$ 559,868
Capital grants and contributions	2,544,036	25,497,426
General revenues:		
Property taxes	11,447,677	12,832,124
Earnings on investments	317,422	41,152
Other	35,466	48,046
Total Revenues	<u>14,344,601</u>	<u>38,978,616</u>
Expenses		
Construction and maintenance	13,278,093	13,101,753
Interest on long-term debt	375,104	799,588
Total Expenses	<u>13,653,197</u>	<u>13,901,341</u>
Change in Net Position	691,404	25,077,275
Net Position, Beginning	61,154,263	36,076,988
Net Position, Ending	<u>\$ 61,845,667</u>	<u>\$ 61,154,263</u>

In 2022, capital grants and contributions decreased dramatically due to large payments received in 2021 from grant funded projects repairing hurricane Harvey related damages. The District's grant and property tax revenues were sufficient to cover expenses incurred during the year ended September 30, 2022, resulting in a \$691,404 increase in net position.

Fund Financial Analysis

As of September 30, 2022, the District's governmental funds reported an ending fund balance of \$32,675,331. Traditionally, the District's main source of revenue is property taxes, which totaled \$11,451,205 for the year ended September 30, 2022 a decrease of \$1.4 million over the prior year due to a decrease in the total property tax rate. The District saw decreases in total fund balances of (\$2,271,352) primarily driven by a \$2.8 million decrease in capital projects fund balances related to the spend down of previous year's bond proceeds for drainage infrastructure.

The General and Debt Service funds maintained stable fund balance levels with slight increases.

FORT BEND COUNTY DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

General Fund Budgetary Highlights

Ending budgetary fund balance in the General Fund ended the year \$968,063 higher than expected due to savings in operational costs and salaries in fiscal year 2022.

Capital Assets

At the end of fiscal year 2022, the District had \$85,508,731 invested in capital assets, as reflected in the following schedule. This represents an increase of \$1,249,574 from the previous year.

	<u>2022</u>	<u>2021</u>
Non-Depreciable Capital Assets		
Land	\$ 2,677,318	\$ 2,677,318
Construction in progress	1,910,043	9,274,533
 Depreciable Capital Assets, Net		
Infrastructure-drainage improvements	73,026,303	64,469,842
Vehicles	563,400	678,995
Office furniture and equipment	20,948	46,197
Machinery and equipment	6,927,595	6,679,412
Buildings and facilities	383,124	432,860
Total Capital Assets	<u>\$ 85,508,731</u>	<u>\$ 84,259,157</u>

Additional information on the District's capital assets can be found in Note 4 of this report.

Long-Term Debt

During the fiscal year ended September 30, 2021, the District issued \$25.4 million in general obligation bonds to fund various drainage projects. During fiscal year 2022, the District retired \$875,000. More debt information is presented in Note 5 to this report.

	<u>2022</u>	<u>2021</u>
Permanent Improvement Bonds, Series 2020	<u>\$ 24,530,000</u>	<u>\$ 25,405,000</u>

FORT BEND COUNTY DRAINAGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Economic Factors

The County continues to enjoy growth in various demographic areas as the economy improves.

The population of the County is estimated at 883,240 in 2022 and is expected to grow to 960,690 by 2025.

The number of households has increased to 270,130 in 2022 and is expected to grow to 298,830 by 2025. Mean household income for 2022 is \$213,676 and is estimated to rise to \$264,344 by 2025. Income per capita is currently at \$71,181 and is expected to grow to \$82,098 by 2025.

Drainage improvements continue to be a demand from the residents of Fort Bend County as further indicated by the authorization of the Flood Mitigation Bonds by the voters on November 5, 2019. The District is proceeding with these projects to address the comprehensive needs of the County's flood control and drainage system.

Contacting the District's Management and Obtaining Financial Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mark Vogler, Fort Bend County Drainage District, 1004 Blume Rd., P.O. Box 1028, Rosenberg, Texas 77471.



BASIC FINANCIAL STATEMENTS

FORT BEND COUNTY DRAINAGE DISTRICT
STATEMENT OF NET POSITION
September 30, 2022

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 39,083,503
Receivables:	
Property taxes, net	318,742
Miscellaneous	5,514
Net pension asset	645,974
Capital assets, not subject to depreciation	4,587,361
Capital assets, net of accumulated depreciation	80,921,370
Total Assets	125,562,464
Deferred Outflows of Resources	
Deferred outflows related to pension and OPEB activities	5,208,303
Total Deferred Outflows of Resources	5,208,303
Liabilities	
Retainage payable	66,100
Accrued interest payable	78,183
Due to primary government	6,347,586
Long-term Liabilities:	
Long-term liabilities due within one-year	974,767
Long-term liabilities due in more than one-year	27,870,293
Total OPEB liability	22,079,360
Total Liabilities	57,416,289
Deferred Inflows of Resources	
Deferred inflows related to pension and OPEB activities	11,508,811
Total Deferred Inflows of Resources	11,508,811
Net Position	
Net investment in capital assets	69,264,176
Restricted for debt service	3,908,169
Unrestricted	(11,326,678)
Total Net Position	\$ 61,845,667

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY DRAINAGE DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2022

	Governmental Activities
Program Expenses	
Flood control-maintenance	\$ 13,278,093
Interest on long-term debt	375,104
Total Program Expenses	<u>13,653,197</u>
Program Revenues	
Capital grants and contributions	2,544,036
Total Program Revenues	<u>2,544,036</u>
General Revenues	
Property taxes	11,447,677
Earnings on investments	317,422
Miscellaneous	35,466
Total General Revenues	<u>11,800,565</u>
Increase(Decrease) in Net Position	691,404
Net Position, Beginning	<u>61,154,263</u>
Net Position, Ending	<u><u>\$ 61,845,667</u></u>

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY DRAINAGE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2022

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 17,928,104	\$ 17,177,848	\$ 3,977,551	\$ 39,083,503
Property taxes receivable, net	310,892	-	7,850	318,742
Miscellaneous receivable	4,563	-	951	5,514
Total Assets	<u>18,243,559</u>	<u>17,177,848</u>	<u>3,986,352</u>	<u>39,407,759</u>
Liabilities				
Retainage payable	-	66,100	-	66,100
Due to primary government	1,597,274	4,750,312	-	6,347,586
Total Liabilities	<u>1,597,274</u>	<u>4,816,412</u>	<u>-</u>	<u>6,413,686</u>
Deferred Inflow of Resources				
Unavailable revenue - property taxes	310,892	-	7,850	318,742
Total Deferred Inflow of Resources	<u>310,892</u>	<u>-</u>	<u>7,850</u>	<u>318,742</u>
Fund Balance				
Restricted for capital projects	-	12,361,436	-	12,361,436
Restricted for debt service	-	-	3,978,502	3,978,502
Unassigned	16,335,393	-	-	16,335,393
Total Fund Balance	<u>16,335,393</u>	<u>12,361,436</u>	<u>3,978,502</u>	<u>32,675,331</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balance	<u>\$ 18,243,559</u>	<u>\$ 17,177,848</u>	<u>\$ 3,986,352</u>	<u>\$ 39,407,759</u>

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY DRAINAGE DISTRICT
RECONCILIATION OF THE BALANCE SHEET (GOVERNMENTAL FUNDS)
TO THE STATEMENT OF NET POSITION
September 30, 2022

Fund Balance - Governmental Funds	\$ 32,675,331
Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund.	85,508,731
Other long-term assets (property taxes receivable, including penalties and interest on delinquent taxes) are not available to pay for current period expenditures and are therefore deferred in the governmental fund.	318,742
Some liabilities are not due and payable in the current period and are not included in the fund financials, but are reported in the governmental activities of the Statement of Net Position	
Bonds payable	(24,530,000)
Premium on long term debt	(4,075,991)
Accrued interest payable on bonds	(78,183)
Long-term liabilities and related deferred outflows and inflows of resources are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	
Deferred outflows related to pension and OPEB activities	5,208,303
Accrued compensated absences	(239,069)
Total other post-employment benefits ("OPEB")	(22,079,360)
Net pension asset	645,974
Deferred inflows related to pension and OPEB activities	(11,508,811)
Net Position of Governmental Activities	\$ 61,845,667

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY DRAINAGE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2022

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 9,471,620	\$ -	\$ 1,979,585	\$ 11,451,205
Earnings on investments	150,805	133,897	32,720	317,422
Intergovernmental revenues	1,948,480	-	-	1,948,480
Miscellaneous	155,965	9,000	-	164,965
Total Revenues	<u>11,726,870</u>	<u>142,897</u>	<u>2,012,305</u>	<u>13,882,072</u>
Expenditures				
Current:				
Flood control-maintenance	9,408,045	625,754	-	10,033,799
Capital outlay	1,948,480	2,343,820	-	4,292,300
Debt Service:				
Principal	-	-	875,000	875,000
Interest and fiscal charges	-	-	952,325	952,325
Total Expenditures	<u>11,356,525</u>	<u>2,969,574</u>	<u>1,827,325</u>	<u>16,153,424</u>
Net Change in Fund Balance	370,345	(2,826,677)	184,980	(2,271,352)
Fund Balance, Beginning	<u>15,965,048</u>	<u>15,188,113</u>	<u>3,793,522</u>	<u>34,946,683</u>
Fund Balance, Ending	<u>\$ 16,335,393</u>	<u>\$ 12,361,436</u>	<u>\$ 3,978,502</u>	<u>\$ 32,675,331</u>

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY DRAINAGE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (GOVERNMENTAL FUNDS)
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2022

Net changes in fund balances - total governmental funds \$ (2,271,352)

Adjustments for the Statement of Activities:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which current year capital outlay of \$4,292,300 exceeded depreciation \$3,508,783 in the current period. 783,517

Contributed capital assets during the current fiscal year, which includes the payment of costs for Big Creek from grant funds and maintained by the County. 595,556

The loss on the disposal of capital assets is only reported in the statement of activities, whereas in the governmental funds, the loss from the disposal does not affect current financial resources. Thus, the change in net position differs from the change in fund balance by the carrying value of the disposed capital assets. (129,499)

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental current financial resources funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayments:

Principal repayments 875,000

Pension contributions made during the year, are treated as expenditures in the governmental funds but are treated as a reduction in pension liability in government wide financial statements. 529,129

OPEB contributions made during the year, are treated as expenditures in the governmental funds but are treated as a reduction in OPEB liability in government wide financial statements. 700,667

Revenues that do not provide current financial resources are not reported as revenues in the governmental funds. This adjustment reflects the net change in property taxes receivable and penalties and interest receivable on delinquent taxes on the accrual basis of accounting. (3,528)

Long-term liabilities (compensated absences and other post-employment benefits) are not due and payable in the current period and, therefore, are not reported in the fund financial statements. This adjustment reflects the net change on the accrual basis of accounting.

Accrued compensated absences 20,269

Amortization of bond premiums 575,033

Interest expense 2,188

Pension expense for the pension plan measurement year (79,885)

OPEB expense for the OPEB plan measurement year (905,691)

Change in Net Position of Governmental Activities \$ 691,404

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

These financial statements include all of the funds and activities of the Fort Bend County Drainage District (the “District”), which is a component unit of Fort Bend County, Texas (the “County”). Financial statements of the District are included as a blended component unit in the County’s financial statements.

The District was established under Section 59 of Article XVI of the Constitution of Texas and includes all of the property within Fort Bend County. The District was created for the purpose of reclamation and drainage of its lands. The primary criteria for the inclusion of the District in the County's reporting entity, is that of financial accountability. The Commissioners Court, the elected governing body of the County, acts as the governing body of the District.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information about the District as a whole and include all activities of the District. The effect of interfund activity has been eliminated from the government-wide statements. All of the District’s activities are reported as governmental activities, which normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the statement of net position.

The governmental fund financial statements are presented on a *current financial resources measurement focus* and *modified accrual basis of accounting*. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile fund-based financial statements with the governmental column of the government-wide presentation.

In the fund financial statements, the accounts of the District are organized on a fund basis, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Following is a description of the District's funds:

Major Funds:

General Fund

The General Fund is used to account for all revenues and expenditures, relating to general operations.

Capital Projects Fund

The Capital Projects fund is used to account for the proceeds of general obligation debt issues and the corresponding expenditures of these proceeds for various drainage projects.

Debt Service Fund

The Debt Service Fund is used to account for property taxes levied and collected for the purpose of servicing the District's bonded debt.

D. Budgets

The Board of Directors adopts an annual budget for the District's General and Debt Service Funds.

E. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, balances in privately managed local government investment pools and short-term investments with original maturities of three months or less from the date of acquisition. The County's local government investment pools are recorded at amortized cost, which approximates fair value.

F. Capital Assets

Capital assets used in governmental fund types of the government are recorded as expenditures in the General Fund and as assets in the government-wide financial statements to the extent the District's capitalization threshold is met, currently \$10,000. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their acquisition value on the date of donation.

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

The infrastructure of the District was originally financed and constructed by the former Fort Bend Flood Control Water Supply Corporation (the "Corporation"). Any infrastructure that has been constructed, as well as any land or easements purchased by the Corporation during the projects, have been conveyed to and maintained by the District. The District is responsible for maintaining these projects, and records these capital assets in its annual financial statements. The District also funds capital assets from general revenues through the annual budget process.

The costs of normal maintenance and repairs that do not add to the value of assets or materially extend assets' lives are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

The District applies a half-year convention for depreciation on all assets. Therefore, one half of a year of depreciation is charged to operations the first and last year that an asset is in service. Depreciation has been provided for plant and equipment using the straight-line method over the following estimated useful life for the type of assets as follows:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	5 to 7 years
Office furniture and equipment	5 to 7 years
Machinery and equipment	7 to 15 years
Buildings and facilities	5 to 39 years
Infrastructure-drainage improvements	20 to 40 years

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category Reported only in the government-wide financial statement of net position:

- Deferred outflows of resources for pension and OPEB activities - These deferred outflows results from the following circumstances:
 - 1) Pension plan contributions made after the measurement date of the net pension liability recognized as a reduction of the net pension liability in the next fiscal year;
 - 2) Differences between expected and actual experience of the pension plan and
 - 3) Changes in assumptions in both the pension and OPEB plans.

The results of the last two circumstances will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions (5.0 years) and OPEB (8.2 years) for the last measurement year through the respective District plans.

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for pension and OPEB activities – Reported only in the government-wide financial statement of net position, These deferred inflows results from the following circumstances:
 - 1) Differences between projected and actual earnings on pension plan investments which will be amortized over five years;
 - 2) Difference between expected and actual experience for pension related items and
 - 3) Changes in assumptions in the pension plan.

The results of the last two circumstances will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions (5.0 years) and OPEB (8.2 years) for the last measurement year through the respective District plans.

H. Net Position and Fund Balances

Net Position Classifications

Net position in government-wide financial statements are classified in three categories: 1) Net investment in capital assets, 2) Restricted net position and 3) Unrestricted net position.

Fund Balance Classifications

Governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of September 30, 2022, fund balance for the various funds are made up of the following:

Restricted Fund Balance – includes amounts that are restricted by statute or third party agreements and includes amounts accumulated in both the Capital Projects and Debt Service Funds.

Unassigned Fund Balance – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

The District's policy is to budget to maintain a minimum fund balance of 15% of the District's General Fund annual operating expenditures. If the actual fund balance drops below 15%, it shall be budgeted for recovery the following year. This policy is reviewed annually.

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

I. 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 and disclosure of contingent assets and liabilities at the date of the financial statements. In addition, these estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Date of Managements' Review

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through March 3, 2023, the date that the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

A. Authorization for Deposits and Investments

The Texas Public Funds Investment Act ("PFIA"), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the District.

In accordance with applicable statutes, the District has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the District incurs for banking services received. The District may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent. District policy requires the collateralization level to be at least 110% of market value of principal.

Commissioners' Court has adopted a written investment policy regarding the investment of District funds as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code). Investments made by the District are in compliance with the District's investment policy. The District's investment policy is more restrictive than the PFIA requires. It is the District's policy to restrict its direct investments to obligations of the U.S. Government or U.S. Government Agencies, fully collateralized certificates of deposit, and local government investment pools. The maximum maturity allowed is three years from the date of purchase.

As of September 30, 2022, the District reported deposits in the amount of \$326,467. The District's collateral requirement, in accordance with its investment policy is 110%. Of the bank balance, the entire amount was covered by federal depository insurance or by collateral held by the County's agent in the County's name as of year-end.

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

B. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than 3 years. At year-end, the District’s cash and investments balances and the weighted average maturity of these investments were as follows:

	<u>Fair Value/ Amortized Cost</u>	<u>Weighted Average Maturity</u>
Demand Deposits	\$ 326,467	1
Investment Pools:		
Texas CLASS	30,773,358	31
Texas Range	357	21
LOGIC	<u>7,983,321</u>	19
Total Fair Value	<u>\$ 39,083,503</u>	
Portfolio weighted average maturity (days)	<u>28</u>	

Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, Texas Government Code, and the PFIA. Texas CLASS was established in 1996. Pursuant to the Trust Agreement, Texas CLASS is supervised by a Board of Trustees who are elected by the Participants. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian and the Program Administrator. Cutwater Investor Services Corp. serves as Program Administrator. Cutwater Investor Services Corp. is a subsidiary of Cutwater Asset Management. It maintains a net asset value of approximately \$1 per share.

The Texas Range Local Government Investment Pool (“Texas Range”) is organized in conformity with the PFIA. It provides for a fixed-rate, fixed-term investment for a period of 60 days to one year and includes TexasDAILY, a portfolio of the Local Government Pool, providing daily access to funds. An Advisory Board composed of participants in Texas Range and other parties who do not participate in the Pool, has responsibility for the overall management of the Pool, including formulation and implementation of its investment and operating policies. PFM Asset Management LLC, a leading national financial and investment advisory firm, is the investment advisor to the pool. It maintains a net asset value of approximately \$1 per share.

Local Government Investment Cooperative (“LOGIC”) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, Texas Government Code, and the PFIA. The Pool was created in April, 1994 through a contract among its participating governmental units, and is governed by a board of directors, to provide for the joint investment of participant's public funds and funds under their control. It maintains a net asset value of approximately \$1 per share.

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

The District’s local government investment pool investments do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

C. Credit Risk

The District’s investment policy does not require investments to hold certain credit ratings issued by nationally recognized statistical rating organizations. As of September 30, 2022, all of the District’s investments were rated “AAAm” by Standard and Poor’s.

D. Concentration of Credit Risk

It is a Countywide policy to diversify its portfolio to eliminate the risk of loss resulting from a concentration of assets of a specific maturity (save and except zero duration funds), a specific issuer or a specific class of investments. Because the County considers the District to be a blended component unit, these concentration considerations do not apply at the District’s level. To achieve this diversification, the County will limit investments in specific types of securities to the following percentages of the total portfolio:

<u>Investment Type</u>	<u>Maximum Investment %</u>
Repurchase Agreements	up to 35%
Certificates of Deposit	up to 50%
U.S. Treasury Bills/Notes	up to 100%
Other U.S. Government Securities	up to 80%
Authorized Local Government Investment Pools	up to 80%
No Load Money Market Mutual Funds	up to 50%
Bankers Acceptances	up to 15%

NOTE 3 – RECEIVABLES

Receivables as of September 30, 2022, consist of property tax receivables, as detailed below:

Delinquent property taxes	\$ 243,511
Less allowance for uncollectibles	(24,352)
Penalties and interest	110,648
Less allowance for uncollectibles	(11,065)
Total net receivables	<u>\$ 318,742</u>

A. Property Taxes

The District's tax year covers the period October 1 through September 30. The District's property taxes are levied annually in October on the basis of the Fort Bend Central Appraisal District's assessed values as of January 1 of that calendar year. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. The District's property taxes are billed and collected by the County's Tax Assessor/Collector.

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 4 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended September 30, 2022, is as follows:

	Balances 9/30/21	Increases	(Decreases)	Balances 9/30/22
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 2,677,318	\$ -	\$ -	\$ 2,677,318
Construction in progress	9,274,533	-	(7,364,490)	1,910,043
Total capital assets not depreciated	11,951,851	-	(7,364,490)	4,587,361
Depreciable capital assets:				
Infrastructure-drainage improvements	74,674,460	10,904,594	-	85,579,054
Vehicles	2,414,773	45,045	(15,799)	2,444,019
Office furniture and equipment	252,760	-	-	252,760
Machinery and equipment	13,091,033	1,302,706	(615,792)	13,777,947
Buildings and facilities	1,801,066	-	-	1,801,066
Total depreciable capital assets	92,234,092	12,252,345	(631,591)	103,854,846
Less accumulated depreciation for:				
Infrastructure-drainage improvements	(10,204,618)	(2,348,133)		(12,552,751)
Vehicles	(1,735,778)	(160,641)	15,800	(1,880,619)
Office furniture and equipment	(206,563)	(25,249)	-	(231,812)
Machinery and equipment	(6,411,621)	(925,024)	486,293	(6,850,352)
Buildings and facilities	(1,368,206)	(49,736)	-	(1,417,942)
Total accumulated depreciation	<u>(19,926,786)</u>	<u>(3,508,783)</u>	<u>502,093</u>	<u>(22,933,476)</u>
Depreciable capital assets, net	72,307,306	8,743,562	(129,498)	80,921,370
Totals	\$ 84,259,157	\$ 8,743,562	\$ (7,493,988)	85,508,731

Construction in progress as of September 30, 2022, consisted of the following projects:

Project	Balances 9/30/21	Increases- Retainage Included	(Decreases- Capitalizations)	Balances 9/30/22
Oyster Creek Damage Survey	\$ 8,406,924	\$ 2,497,670	\$ (10,904,594)	\$ -
Big Creek	499,582	898,884	-	1,398,466
Long Point Creek	259,583	143,550	-	403,133
Cedar Creek Road Bridge	54,222	-	-	54,222
Pecan Creek Road Bridge	54,222	-	-	54,222
Totals	\$ 9,274,533	\$ 3,540,104	\$ (10,904,594)	\$ 1,910,043

FORT BEND COUNTY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 5 – LONG-TERM LIABILITIES

Long-term liabilities applicable to the District’s governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental fund.

A summary of long-term liability transactions of the District for the year ended September 30, 2022, is as follows:

	Balance 10/1/21	Additions	(Retirements)	Balance 9/30/22	Amounts Due Within One Year
General obligation bonds					
- public placement	\$25,405,000	\$ -	\$ (875,000)	\$ 24,530,000	\$ 915,000
Premiums on bonds	4,651,024	-	(575,033)	4,075,991	-
Accrued compensated absences	259,338	232,222	(252,491)	239,069	59,767
Total Long-term Liabilities	\$ 30,315,362	\$ 232,222	\$ (1,702,524)	\$ 28,845,060	\$ 974,767

A description of the bonds outstanding follows:

Original Issue	Description	Interest Rate %	Matures	Debt Outstanding
General Obligation Bonds				
\$ 25,405,000	Permanent Improvement Bonds, Series 2020	3.00 - 5.00	2040	<u>\$ 24,530,000</u>
Total General Obligation Bonds				<u><u>\$ 24,530,000</u></u>

Debt service requirements for the outstanding bonds are as follows:

	Principal	Interest	Totals
2023	\$ 915,000	\$ 915,325	\$ 1,830,325
2024	960,000	868,450	1,828,450
2025	1,010,000	819,200	1,829,200
2026	1,060,000	767,450	1,827,450
2027	1,115,000	713,075	1,828,075
2028-2032	6,470,000	2,662,400	9,132,400
2033-2037	7,755,000	1,382,175	9,137,175
2038-2040	5,245,000	239,175	5,484,175
Totals	<u><u>\$ 24,530,000</u></u>	<u><u>\$ 8,367,250</u></u>	<u><u>\$ 32,897,250</u></u>

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM

General Information about the Pension Plan

A. Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (“TCDRS”). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS in the aggregate issues an annual comprehensive financial report (“ACFR”) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034. Because the District participates in TCDRS as a component unit of the County plan, no distinctly separate actuarial calculations are performed or separate fiduciary net position maintained for the District. As such, the District’s participation in the plan is being reported as a participation in a cost-sharing plan (with the County) in accordance with U.S. generally accepted accounting principles.

B. Benefits Provided

The plan provisions are adopted by the governing body of the employer for the benefit of all full-time employees of the County, within the options available in the Texas state statutes governing TCDRS (“TCDRS Act”). Members can retire at ages 60 and above with eight or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

All employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal two times the employee’s final full-year salary. An employee who leaves County service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms provide for annual cost-of-living adjustments to each employee’s retirement allowance subsequent to the employee’s retirement date. The annual adjustments are one-half of the change in the Consumer Price Index, limited to a maximum increase in retirement allowance of 2 percent for general employees and 3 percent for public safety employees. The Commissioners Court considers

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

providing an additional cost-of-living adjustment after the employee's retirement date beyond the terms of the plan during the budget process if sufficient funds are available.

C. Employees Covered by Benefit Terms

As of September 30, 2022, 74 active employees were covered under the plan.

D. Contributions

The employer has elected the annually determined contribution rate ("ADCR") plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. It was 12.33% for calendar year 2021 and 13.45% for calendar year 2022. The contribution rate payable by the employee members is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

The County's total payroll in fiscal year 2022 was approximately \$192.5 million and the County's contributions were based on a payroll of approximately \$190.1 million. Contributions made by employees totaled \$13.3 million and the County made contributions of \$25.0 million during the fiscal year ended September 30, 2022, of which \$553,665 was attributable to the District.

E. Actuarial Assumptions

The total pension asset in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age (level percent of pay)
Actuarial Cost Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.50%

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

Salary Increases	3.00%
Investment Rate of Return	7.50%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Fort Bend County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Mortality	
Depositing members	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and non-depositing members	135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

F. Discount Rate

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability ("UAAL") shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension asset of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for

GASB 68 purposes. Therefore, we have used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

FORT BEND COUNTY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

G. Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on April 2020 information for a 10 year time horizon. Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017.

H. Sensitivity Analysis

The following presents the net pension asset of the District, calculated using the discount rate of 7.60%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
District's proportional share of the net pension liability / (asset)	\$ 1,917,815	\$ (645,974)	\$ (2,780,159)

At September 30, 2022, the District's proportionate share of the County's net pension liability was 2.0%.

I. Deferred Inflows / Outflows of Resources

For the year ended September 30, 2022, the District recognized pension expense of \$79,881. As of the measurement date of December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 71,586	\$ 26,651
Changes of assumptions	635,426	-
Net difference between projected and actual earnings	-	2,099,903
Contributions made subsequent to measurement date	417,297	-
	<u>\$ 1,124,309</u>	<u>\$ 2,126,554</u>

Deferred outflows of resources resulting from contributions subsequent to the measurement date of \$417,297 will be recognized as a reduction of the net pension liability (asset) for the measurement year ending December 31, 2022 (i.e. recognized in the District's financial statements for the year ending September 30, 2023).

FORT BEND COUNTY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the December 31 measurement date, will be recognized in pension expense as follows:

Year ended December 31:		
2022	\$	(223,611)
2023		(473,895)
2024		(279,473)
2025		(442,563)
Total	\$	<u>(1,419,542)</u>

J. Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances as of December 31, 2020	\$ 16,920,105	\$ 15,343,176	\$ 1,576,929
Changes for the year:			
Service cost	552,594	-	552,594
Interest on total pension liability ⁽¹⁾	1,300,882	-	1,300,882
Effect of economic/demographic gains or losses	(33,314)	-	(33,314)
Effect of assumptions changes or inputs	23,237	-	23,237
Refund of contributions	(38,861)	(38,861)	-
Benefit payments	(686,073)	(686,073)	-
Administrative expenses	-	(10,109)	10,109
Member contributions	-	255,223	(255,223)
Net investment income	-	3,367,840	(3,367,840)
Employer contributions	-	449,562	(449,562)
Other ⁽²⁾	-	3,785	(3,785)
Balances as of December 31, 2021	<u>\$ 18,038,570</u>	<u>\$ 18,684,544</u>	<u>\$ (645,974)</u>

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) Relates to allocation of system-wide items.

FORT BEND COUNTY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

K. Pension Income

Pension Expense	Measurement Year 2021
Service cost	\$ 552,594
Interest on total pension liability ⁽¹⁾	1,300,882
Administrative expenses	10,109
Member contributions	(255,223)
Expected investment return net of investment expenses	(1,165,094)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	20,748
Recognition of assumption changes or inputs	212,516
Recognition of investment gains or losses	(592,863)
Other ⁽²⁾	(3,787)
Pension expense / (income)	<u>\$ 79,881</u>

(1) Reflects the change in the liability due to the time value of money. TCERS does not charge fees or interest.

(2) Relates to allocation of system-wide items.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (“OPEB”)

In addition to providing pension benefits through the Texas County and District Retirement System, the County has opted to provide eligible retired employees with the following post-employment benefits:

- Eligible retirees receive the same healthcare benefits as current eligible County employees.
- Eligible retirees may purchase healthcare coverage for eligible dependents at the same subsidized cost to current eligible County employees.

The County is statutorily required to permit retiree participation in the health insurance program on a pooled non-differentiated basis. The County recognizes its share of the costs of providing these benefits when paid, on a “pay-as-you-go” basis. The County has had an actuarial valuation of its post-retirement benefit liability performed as of September 30, 2022. At that date, there were 41 retirees and 26 spouses of retirees receiving benefits and 74 active members not yet receiving benefits.

FORT BEND COUNTY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

A. Changes in OPEB Liability

	Liability Increase (Decrease)
Changes in Total OPEB Liability	
Balance as of September 30, 2021	\$ 29,408,433
Changes for the year:	
Service cost	1,147,754
Interest on total OPEB liability	682,697
Effect of economic/demographic gains or losses	(1,494,017)
Effect of assumptions changes or inputs	(6,964,840)
Benefit payments	(700,667)
Balance as of September 30, 2022	<u>\$ 22,079,360</u>

B. Sensitivity Analysis

The following presents the total OPEB liability of the District, calculated using the discount rate of 4.02%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.02%) or 1 percentage point higher (5.02%) than the current rate.

	1% Decrease 3.02%	Current Discount Rate 4.02%	1% Increase 5.02%
Total OPEB liability	\$ 25,656,301	\$ 22,079,360	\$ 19,177,907

The following presents the total OPEB liability of the District, calculated using the current healthcare cost trends as well as what the District's total OPEB liability would be if it were calculated using trend rates that are 1-percentage-point lower or 1-percentage-higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 18,659,385	\$ 22,079,360	\$ 26,455,278

C. Deferred Inflows / Outflows of Resources

As of the measurement date of September 30, 2022, the District reported deferred inflows and outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,401,607
Changes of assumptions	4,083,994	6,980,650
	<u>\$ 4,083,994</u>	<u>\$ 9,382,257</u>

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

Amounts currently reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year	
2023	\$ (924,760)
2024	(924,760)
2025	(924,760)
2026	(924,760)
2027	(821,565)
Thereafter	(777,658)
Total	<u>\$ (5,298,263)</u>

D. OPEB Expense

For the year ended September 30, 2022, the District recognized OPEB expense of \$905,691.

OPEB Expense	Measurement Year
	2022
Service cost	\$ 1,147,754
Interest on total OPEB liability	682,697
Recognition of economic/demographic gains or losses	(401,530)
Recognition of assumption changes or inputs	(523,230)
OPEB expense	<u>\$ 905,691</u>

E. Key Actuarial Methods and Assumptions

Valuation Date	October 1, 2022
Measurement Date	September 30, 2022
Discount Rate	4.02%
	Based on the Bond Buyer General Obligation 20-Bond Municipal Index
Actuarial cost method	Entry Age Normal
Inflation	2.40%
Medical Trend Rate	5.60% - 3.80% Pre-65 year 5.70% - 3.80% Post-65 year
Salary increases including inflation	4.75% - 0.60%

NOTE 8 – CONTINGENT LIABILITIES

The District is contingently liable for lawsuits and other claims arising in the ordinary course of its operations. The settlement of such contingencies under the budgetary process would not materially affect the financial position of the District as of September 30, 2022.

FORT BEND COUNTY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disaster. The County's risk management program, which covers the District, encompasses various means of protecting the District against loss by obtaining property, casualty and liability coverage through commercial insurance carriers, self-insurance and from participation in a risk pool. The participation of the District in the risk pool is limited to the payment of premiums. Settled claims have not exceeded insurance coverage in any of the previous three fiscal years. There has not been any significant reduction in insurance coverage from that of the previous year.

REQUIRED SUPPLEMENTARY INFORMATION

FORT BEND COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DRAINAGE DISTRICT GENERAL FUND - BUDGETARY BASIS
For the Year Ended September 30, 2022

	Original Budget	Amended Budget	Actual Amounts Budgetary Basis	Variance from Final Positive (Negative)
Revenues				
Property taxes	\$ 9,605,254	\$ 9,605,254	\$ 9,471,620	\$ (133,634)
Earnings on investments	15,000	15,000	150,809	135,809
Miscellaneous	220,000	220,000	155,965	(64,035)
Total Revenues	<u>9,840,254</u>	<u>9,840,254</u>	<u>9,778,394</u>	<u>(61,860)</u>
Expenditures				
Current:				
Salaries and personnel costs	6,966,471	6,966,471	6,471,951	494,520
Operating costs	3,091,531	3,087,831	2,576,737	511,094
Information technology costs	5,850	9,550	9,476	74
Capital acquisitions	55,580	55,580	31,345	24,235
Total Expenditures	<u>10,119,432</u>	<u>10,119,432</u>	<u>9,089,509</u>	<u>1,029,923</u>
Net Change in Fund Balances - Budgetary Basis	(279,178)	(279,178)	688,885	968,063
Net Adjustment to Reflect Operations in Accordance with GAAP ^(a)	-	-	(318,540)	-
Fund Balances, Beginning of Year	15,965,048	15,965,048	15,965,048	-
Fund Balances, End of Period	<u>\$ 15,685,870</u>	<u>\$ 15,685,870</u>	<u>\$ 16,335,393</u>	<u>\$ 649,523</u>

(a) See reconciliation in notes to budgetary required supplementary information

FORT BEND COUNTY DRAINAGE DISTRICT
NOTES TO BUDGETARY REQUIRED SUPPLEMENTARY INFORMATION

Budgets

The Board adopts an annual appropriations budget for the General Fund using the same basis of accounting as for financial reporting. All annual appropriations lapse at fiscal year-end. The County Budget Officer prepares the proposed budget, using revenue estimates furnished by the County Auditor and submits the data to the Board. The Board holds a public hearing on the budget. Before determining the final budget, the Board may increase or decrease the amounts requested by District management. In the final budget, appropriations for the General Fund cannot exceed the estimated available budgetary fund balance in such funds at October 1, plus the estimate of revenues for the ensuing year. During the year, the Board may increase budgeted revenues and expenditures for unexpected revenues or beginning fund balance in excess of budget estimates, provided the Board rules that a state of emergency exists. The District may transfer amounts among individual budget line items within major expenditure categories during the year, but the Board must approve any budget transfers between major expenditure categories. However, no such transfer may increase the overall total of the budget.

The General Fund includes a multi-year budget that is not confined to the fiscal year ending September 30. This multi-year budget is primarily used to account for capital projects. The funding for these multi-year budgets originates from a prior and/or current fiscal year budget allocation within the General Fund. These annual budgetary allocations are transferred to the multi-year budgets within the General Fund. The residual balances of these budgets are reconsidered by the Board annually during the budget process described in the preceding paragraph. The schedule below shows a reconciliation of the GAAP Basis activity in the General Fund for the fiscal year and multi-year budgetary basis to determine the actual net change in fund balance.

	Actual Amounts Budgetary Basis	Actual Multi-Year	Actual Amounts GAAP Basis
Revenues	\$ 9,778,394	\$ 1,948,476	\$ 11,726,870
Expenditures	<u>9,089,509</u>	<u>2,267,016</u>	<u>11,356,525</u>
Net Change in Fund Balance	688,885	(318,540)	370,345
Fund Balance, Beginning of Year			15,965,048
Fund Balance, End of Period			<u><u>\$ 16,335,393</u></u>

Budget variances

For the year ended September 30, 2022, there were negative variances in revenues. These negative revenue results have not materially impacted the District’s budget due to expenditures falling short of the total budget by an amount greater than the revenue budget deficiencies.

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (UNAUDITED)

*Schedule of the District's Proportionate Share of the Net Pension Liability/(Asset) and Related Ratios
For the Last Eight Measurement Years ended December 31*

Page 1 of 2

	2021	2020	2019	2018
District's proportion of the net pension liability	2.00%	2.00%	2.00%	2.00%
District's proportional share of the net pension liability (asset)	\$ (645,974)	\$ 1,576,929	\$ 958,830	\$ 1,926,852
District's covered employee payroll	\$ 3,886,798	\$ 3,790,611	\$ 3,845,234	\$ 3,755,343
District's proportional share of the net pension liability (asset) as a percentage of it's covered payroll	-16.62%	41.60%	24.94%	51.31%
Plan's fiduciary net position as a percentage of total pension liability per Fort Bend County ACFR	103.58%	90.68%	93.52%	85.99%
Plan's net pension liability (asset) as a percentage of its covered payroll per Fort Bend County ACFR	-17.72%	42.91%	28.30%	60.25%

Note: GASB 68 requires 10 years of net pension liability and related ratios information. This information is not available and has not been calculated prior to the first measurement year ended December 31, 2014. In the future, such information will be used to populate this schedule as it becomes available.

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (UNAUDITED)

*Schedule of the District's Proportionate Share of the Net Pension Liability/(Asset) and Related Ratios
For the Last Eight Measurement Years ended December 31*

Page 2 of 2

	2017	2016	2015	2014
District's proportion of the net pension liability	2.00%	2.00%	2.50%	2.65%
District's proportional share of the net pension liability (asset)	\$ 827,436	\$ 1,463,206	\$ 1,764,725	\$ 922,272
District's covered employee payroll	\$ 3,641,344	\$ 3,603,729	\$ 3,323,453	\$ 3,167,115
District's proportional share of the net pension liability (asset) as a percentage of it's covered payroll	22.72%	40.60%	53.10%	29.12%
Plan's fiduciary net position as a percentage of total pension liability per Fort Bend County ACFR	93.51%	87.56%	87.06%	93.16%
Plan's net pension liability (asset) as a percentage of its covered payroll per Fort Bend County ACFR	27.06%	52.58%	55.29%	29.12%

Note: GASB 68 requires 10 years of net pension liability and related ratios information. This information is not available and has not been calculated prior to the first measurement year ended December 31, 2014. In the future, such information will be used to populate this schedule as it becomes available.

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (UNAUDITED)**Schedule of Contributions****Last Ten Fiscal Years**

Year ended September 30	Actuarially determined contribution	Actual contributions	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
2022	\$ 553,666	\$ 553,666	\$ -	\$ 4,198,246	13.2%
2021	464,146	464,146	-	3,737,159	12.4%
2020	477,556	477,556	-	3,888,366	12.3%
2019	456,215	456,215	-	3,789,759	12.0%
2018	430,277	430,277	-	3,638,514	11.8%
2017	408,623	408,623	-	3,473,747	11.8%
2016	400,381	400,381	-	3,320,561	12.1%
2015	384,271	384,271	-	3,211,408	12.0%
2014	366,550	366,550	-	3,218,501	11.4%
2013	354,025	354,025	-	3,240,408	10.9%

FORT BEND COUNTY DRAINAGE DISTRICT
NOTES TO PENSION REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2022

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age (level percent of pay)
Actuarial Cost Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	7.50%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Fort Bend County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Mortality	
Depositing members	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and non-depositing members	135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

FORT BEND COUNTY DRAINAGE DISTRICT
OTHER POST-EMPLOYMENT BENEFITS (UNAUDITED)
SCHEDULE OF THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
For the Last Five Measurement Years Ended September 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service Cost	\$ 1,147,754	\$ 1,156,802	\$ 1,009,346	\$ 650,109	\$ 733,166
Interest on total OPEB liability	682,697	647,613	756,456	914,565	840,000
Effect of economic/demographic gains or losses	(1,494,017)	-	(1,672,764)	-	-
Effect of assumption changes or inputs	(6,964,840)	(142,179)	1,422,810	5,397,971	(1,960,755)
Benefit payments	<u>(700,667)</u>	<u>(797,259)</u>	<u>(797,259)</u>	<u>(726,962)</u>	<u>(727,453)</u>
Net change in total OPEB liability	(7,329,073)	864,977	718,589	6,235,683	(1,115,042)
Total OPEB Liability, beginning	29,408,433	28,543,456	27,824,867	21,589,184	22,704,226
Total OPEB Liability, ending	<u>\$ 22,079,360</u>	<u>\$ 29,408,433</u>	<u>\$ 28,543,456</u>	<u>\$ 27,824,867</u>	<u>\$ 21,589,184</u>
Covered payroll	\$ 4,173,069	\$ 3,995,521	\$ 3,995,521	\$ 3,595,324	\$ 3,437,213
Total OPEB liability as a % of covered payroll	529.09%	736.04%	714.39%	773.92%	628.10%

Note: GASB 75 requires 10 years of OPEB liability and related ratios information. This information is not available and has not been calculated prior to the first measurement year ended September 30, 2018. In the future, such information will be used to populate this schedule as it becomes available.

FORT BEND COUNTY DRAINAGE DISTRICT
NOTES TO OPEB REQUIRED SUPPLEMENTARY INFORMATION

Other Post-Employment Benefits
Schedule of the District's Key OPEB Actuarial Methods and Assumptions

Valuation Date	October 1, 2022
Measurement Date	September 30, 2022
Discount Rate	4.02%
	Based on the Bond Buyer General Obligation 20-Bond Municipal Index
Actuarial cost method	Entry Age Normal
Inflation	2.40%
Medical Trend Rate	5.60% - 3.80% Pre-65 year 5.70% - 3.80% Post-65 year
Salary increases including inflation	4.75% - 0.60%

TEXAS SUPPLEMENTARY INFORMATION

FORT BEND COUNTY DRAINAGE DISTRICT
GENERAL FUND EXPENDITURES
For the Year Ended September 30, 2022

TSI-2

Salary and Personnel Costs:

Salaries and labor	\$ 4,186,246
Board pay	12,000
Payroll taxes	305,760
Retirement	553,666
Insurance	1,414,276

Operating and Training Costs:

Fees	921,180
Travel	11,602
Supplies and maintenance	1,214,804
Fuel	619,181
Property and casualty	128,508
Property and equipment	31,346

Information Technology Costs

9,476

Capital Acquisition Costs

1,948,480

TOTAL EXPENDITURES

\$ 11,356,525

Number of employees employed by the District:

74

FORT BEND COUNTY DRAINAGE DISTRICT
TAXES LEVIED AND RECEIVABLE
September 30, 2022

TSI-4

	<u>Maintenance</u>	<u>Debt Service</u>	<u>Total</u>		
	<u>Taxes</u>	<u>Taxes</u>	<u>Taxes</u>		
Taxes receivable - Beginning of Year	\$ 241,046	\$ 8,026	\$ 249,072		
Adjustments	(46,733)	(3,983)	(50,716)		
Adjusted receivable	194,313	4,043	198,356		
2021 Tax Levy:					
Original tax levy	9,656,529	2,011,777	11,668,306		
Adjustments and corrections	(107,826)	(34,651)	(142,477)		
Adjusted 2021 tax levy	9,548,703	1,977,126	11,525,829		
Total to be Accounted for	<u>9,743,016</u>	<u>1,981,169</u>	<u>11,724,185</u>		
Tax Collections:					
Current year	9,473,290	1,973,602	11,446,892		
Prior years	32,816	966	33,782		
Total Collections	<u>9,506,106</u>	<u>1,974,568</u>	<u>11,480,674</u>		
Taxes Receivable - End of Year	<u>\$ 236,910</u>	<u>\$ 6,601</u>	<u>\$ 243,511</u>		
Taxes Receivable - By Years:					
2021	\$ 75,413	3,524	\$ 78,937		
2020	39,709	1,855	41,564		
2019	26,150	1,222	27,372		
2018	23,022	-	23,022		
2017	15,037	-	15,037		
2016 and prior	57,579	-	57,579		
Taxes Receivable - End of Year	<u>\$ 236,910</u>	<u>\$ 6,601</u>	<u>\$ 243,511</u>		
Assessed					
Property Valuations:	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land	\$ 24,241,089,121	\$ 23,075,086,780	\$ 22,142,512,730	\$ 21,166,386,128	\$ 19,455,126,860
Improvements	78,319,490,709	71,636,819,539	66,494,065,787	62,650,330,947	58,955,376,633
Personal property	6,870,306,794	6,113,826,326	6,781,441,127	6,223,873,259	5,770,221,320
Less: exemptions	(28,959,810,762)	(26,310,957,908)	(25,362,484,216)	(24,206,554,566)	(22,093,190,416)
	<u>\$ 80,471,075,862</u>	<u>\$ 74,514,774,737</u>	<u>\$ 70,055,535,428</u>	<u>\$ 65,834,035,768</u>	<u>\$ 62,087,534,397</u>
Tax Rates Per \$100					
Valuations					
Maintenance tax rates	\$ 0.012000	\$ 0.013000	\$ 0.013500	\$ 0.019000	\$ 0.016000
Debt service tax rates	0.002500	0.004331	0.001800	-	-
Total Tax Rate per					
\$100 Valuation	<u>\$ 0.014500</u>	<u>\$ 0.017331</u>	<u>\$ 0.015300</u>	<u>\$ 0.019000</u>	<u>\$ 0.016000</u>
Original Tax Levy	<u>\$ 11,668,306</u>	<u>\$ 12,914,156</u>	<u>\$ 10,718,497</u>	<u>\$ 12,508,467</u>	<u>\$ 9,934,006</u>
Percent of Taxes Collected					
to Taxes Levied	<u>99.32%</u>	<u>99.68%</u>	<u>99.74%</u>	<u>99.82%</u>	<u>99.85%</u>
Maximum Tax Rate Approved by Voters:			<u>\$ 0.25</u>	on	<u>6/25/49</u>

FORT BEND COUNTY DRAINAGE DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS
September 30, 2022

TSI-5

Fiscal Year Ending Sept.30,	Totals			Permanent Improvement Bonds Series 2020	
	Total	Principal	Interest	Principal	Interest
2023	\$ 1,830,325	\$ 915,000	\$ 915,325	\$ 915,000	\$ 915,325
2024	1,828,450	960,000	868,450	960,000	868,450
2025	1,829,200	1,010,000	819,200	1,010,000	819,200
2026	1,827,450	1,060,000	767,450	1,060,000	767,450
2027	1,828,075	1,115,000	713,075	1,115,000	713,075
2028	1,825,950	1,170,000	655,950	1,170,000	655,950
2029	1,825,950	1,230,000	595,950	1,230,000	595,950
2030	1,827,825	1,295,000	532,825	1,295,000	532,825
2031	1,826,450	1,360,000	466,450	1,360,000	466,450
2032	1,826,225	1,415,000	411,225	1,415,000	411,225
2033	1,828,100	1,460,000	368,100	1,460,000	368,100
2034	1,828,625	1,505,000	323,625	1,505,000	323,625
2035	1,827,800	1,550,000	277,800	1,550,000	277,800
2036	1,825,625	1,595,000	230,625	1,595,000	230,625
2037	1,827,025	1,645,000	182,025	1,645,000	182,025
2038	1,826,925	1,695,000	131,925	1,695,000	131,925
2039	1,830,250	1,750,000	80,250	1,750,000	80,250
2040	1,827,000	1,800,000	27,000	1,800,000	27,000
Totals	\$ 32,897,250	\$ 24,530,000	\$ 8,367,250	\$ 24,530,000	\$ 8,367,250

FORT BEND COUNTY DRAINAGE DISTRICT
CHANGES IN LONG-TERM BONDED DEBT
September 30, 2022

TSI-6

	Permanent Improvement Series 2020
Interest Rates	3.0% - 5.0%
Dates Interest Payable	9/1 - 3/1
Maturity Dates	3/1/2040
Beginning Bonds Outstanding	\$ 25,405,000
Bonds Sold During the Fiscal Year	-
Bonds Retired During the Fiscal Year	<u>(875,000)</u>
Ending Bonds Outstanding	<u>\$ 24,530,000</u>
Interest Paid During the Fiscal Year	<u>\$ 951,325</u>
Paying Agent's Name and City	Amegy Bank, Houston, Texas
Bond Authority:	Tax Bonds
Amount Authorized by Voters	\$ 83,900,000
Amounts Issued	<u>25,405,000</u>
Remaining to be Issued	<u>\$ 58,495,000</u>

FORT BEND COUNTY DRAINAGE DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND
Last Five Fiscal Years

TSI-7a
Page 1 of 2

	Amounts				
	2022	2021	2020	2019	2018
Revenues:					
Property taxes	\$ 9,471,620	\$ 9,603,259	\$ 9,371,021	\$ 12,443,979	\$ 10,011,358
Earnings on investments	150,805	15,456	181,815	403,216	269,883
Impact fees	-	-	161,542	159,939	277,297
Intergovernmental revenues	1,948,480	25,497,426	17,464,482	1,858,185	-
Miscellaneous	155,965	182,515	57,119	231,017	216,617
Total Revenues	11,726,870	35,298,656	27,235,979	15,096,336	10,775,155
Expenditures:					
Current operating:					
Flood control-maintenance	9,408,045	8,172,128	7,956,681	8,764,806	9,302,771
Capital outlay	1,948,480	25,512,006	17,587,610	3,325,145	2,118,732
Total Expenditures	11,356,525	33,684,134	25,544,291	12,089,951	11,421,503
Excess (Deficiency) Revenues Over (Under) Expenditures	\$ 370,345	\$ 1,614,522	\$ 1,691,688	\$ 3,006,385	\$ (646,348)

NOTE 1: The District does not have active retail water or wastewater connections.

FORT BEND COUNTY DRAINAGE DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND
Last Five Fiscal Years

TSI-7a
Page 2 of 2

	Percent of Total Fund Revenues				
	2022	2021	2020	2019	2018
Revenues:					
Property taxes	81%	27%	34%	82%	93%
Earnings on investments	1%	0%	1%	3%	3%
Impact fees			1%	1%	3%
Intergovernmental revenues	17%	72%	64%	12%	
Miscellaneous	1%	1%	0%	2%	2%
Total Revenues	100%	100%	100%	100%	100%
Expenditures:					
Current operating:					
Flood control-maintenance	80%	23%	29%	58%	86%
Capital outlay	17%	72%	65%	22%	20%
Total Expenditures	97%	95%	94%	80%	106%
Excess (Deficiency) Revenues Over (Under) Expenditures	3%	5%	6%	20%	-6%

NOTE 1: The District does not have active retail water or wastewater connections.

FORT BEND COUNTY DRAINAGE DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
DEBT SERVICE FUND
Last Three Fiscal Years

TSI-7b
Page 1 of 2

	Amounts		
	2022	2021	2020
Revenues:			
Property taxes	\$ 1,979,585	\$ 3,199,733	\$ 1,249,154
Earnings on investments	32,720	4,198	7,516
Total Revenues	<u>2,012,305</u>	<u>3,203,931</u>	<u>1,256,670</u>
Expenditures:			
Principal	875,000	-	-
Interest and fiscal charges	952,325	667,078	-
Total Expenditures	<u>1,827,325</u>	<u>667,078</u>	<u>-</u>
Excess (Deficiency) Revenues Over (Under) Expenditures	<u>\$ 184,980</u>	<u>\$ 2,536,853</u>	<u>\$ 1,256,670</u>

NOTE 1: The District does not have active retail water or wastewater connections.

NOTE 2: Prior to fiscal year 2020, the District did not have any debt outstanding nor did the District levy debt service taxes.

FORT BEND COUNTY DRAINAGE DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
DEBT SERVICE FUND
Last Three Fiscal Years

TSI-7b
Page 2 of 2

	Percent of Total Fund Revenues		
	2022	2021	2020
Revenues:			
Property taxes	98%	100%	99%
Earnings on investments	2%	0%	1%
Total Revenues	100%	100%	100%
Expenditures:			
Principal	43%		
Interest and fiscal charges	47%	21%	
Total Expenditures	91%	21%	
Excess (Deficiency) Revenues Over (Under) Expenditures	9%	79%	100%

NOTE 1: The District does not have active retail water or wastewater connections.

NOTE 2: Prior to fiscal year 2020, the District did not have any debt outstanding nor did the District levy debt service taxes.

FORT BEND COUNTY DRAINAGE DISTRICT
BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
For the Year Ended September 30, 2022

TSI-8

Complete District Mailing Address: 1004 Blume Road, PO Box 1028, Rosenberg, TX 77471
 District Business Telephone Number: (281) 342-2863
 Submission date of most recent District Registration Form
 (TWC Sections 36.054 and 49.054): 5/2/11
 Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200
 (Set by Board Resolution - TWC Section 49.6000)

<u>Names:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid * 09/30/22</u>	<u>Expense Reimburse- ments 09/30/22</u>	<u>Title at Year-end</u>
<u>Board Members:</u>				
Kyle George	(Elected) 1/19 - 12/22	\$ 2,400	\$ -	Chairman
Vincent Morales	(Elected) 1/21 - 12/24	2,400	-	Board Member
Grady Prestage	(Elected) 1/19 - 12/22	2,400	-	Board Member
Andy Meyers	(Elected) 1/21 - 12/24	2,400	-	Board Member
Kenneth DeMerchant	(Elected) 1/19 - 12/22	2,400	-	Board Member
<u>Key Administrative Personnel:</u>				
Mark Vogler	1/1/07	\$ 179,453	\$ 1,000	Drainage District Manager/ Chief Engineer
<u>Consultants:</u>				
M & E Consultants		\$ 171,740		Engineering Design
Freese & Nichols, Inc.		76,441		Engineering Consultant
Bio-West, Inc.		45,178		Environmental Consultant
Dunbar, Lawrence GPE		13,500		Engineering Consultant
LJA Engineering and Surveying		25,177		Engineering Design
Halff Associates Inc.		90,410		Engineering Consultant
Whitley Penn, L.L.P.		13,339		Independent Auditor

REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Fort Bend County Drainage District
Fort Bend County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Fort Bend County Drainage District (the "District"), a component unit of Fort Bend County, Texas as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 3, 2023.

Internal Control over Financial Reporting

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

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

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

To the Board of Directors
Fort Bend County Drainage District
Fort Bend County, Texas

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, professional style.

Houston, Texas
March 3, 2023