

**ROCKWALL COUNTY MUNICIPAL
UTILITY DISTRICT NO. 7**

ROCKWALL COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

AUGUST 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rockwall County Municipal Utility District No. 7
Rockwall County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Rockwall County Municipal Utility District No. 7 (the "District"), as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Rockwall County Municipal Utility
District No. 7

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of August 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

November 17, 2020

**ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2020**

Management's discussion and analysis of Rockwall County Municipal Utility District No. 7's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2020. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2020

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$6,391,272 as of August 31, 2020.

The following is a comparative analysis of government-wide changes in net position:

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2020	2019	Change Positive (Negative)
Total Assets	\$ 403,730	\$ 9,882	\$ 393,848
Due to Developers	\$ 4,190,283	\$ 3,855,190	\$ (335,093)
Long - Term Liabilities	2,565,061		(2,565,061)
Other Liabilities	39,658	4,844	(34,814)
Total Liabilities	\$ 6,795,002	\$ 3,860,034	\$ (2,934,968)
Net Position:			
Net Investment in Capital Assets	\$ (6,521,697)	\$	\$ (6,521,697)
Restricted	57,338		57,338
Unrestricted	73,087	(3,850,152)	3,923,239
Total Net Position	\$ (6,391,272)	\$ (3,850,152)	\$ (2,541,120)

The following table provides a summary of the District's operations for the year ended August 31, 2020 and August 31, 2019. The District's net position decreased by \$2,541,120.

	Summary of Changes in the Statement of Activities		
	2020	2019	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 132,123	\$ 42,705	\$ 89,418
Other Revenues	2,646	845	1,801
Total Revenues	\$ 134,769	\$ 43,550	\$ 91,219
Expenses for Services	2,675,889	3,763,209	1,087,320
Change in Net Position	\$ (2,541,120)	\$ (3,719,659)	\$ 1,178,539
Net Position, Beginning of Year	(3,850,152)	(130,493)	(3,719,659)
Net Position, End of Year	\$ (6,391,272)	\$ (3,850,152)	\$ (2,541,120)

**ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of August 31, 2020, were \$394,615, an increase of \$389,577 from the prior year.

The General Fund fund balance increased by \$68,049, primarily due to property tax revenues and developer advances exceeding operating costs.

The Debt Service Fund fund balance increased by \$87,881, primarily due to the structure of the District's outstanding debt and the proceeds from the Series 2019 Road bond sale.

The Capital Projects Fund fund balance increased by \$233,647 primarily due to issuance of the Series 2019 Road bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$3,791 more than budgeted revenues. Actual expenditures were \$22,605 more than budgeted.

CAPITAL ASSETS

The District operates in contractual conjunction with the City of Fate, Texas (the "City"). In this arrangement, the facilities constructed by the District are conveyed to the City. The City maintains the facilities and operates the facilities for the benefit of the residents of the District. During the fiscal year ending August 31, 2020, the District recorded \$2,159,513 in transfers to the City in relation to assets that have been conveyed to the City. As of August 31, 2020, a total of \$5,871,888 in assets have been conveyed to the City.

LONG-TERM DEBT ACTIVITY

As of August 31, 2020, the District had total debt payable of \$2,575,000. The changes of the debt position of the District during fiscal year ended August 31, 2020, are summarized as follows:

Bond Debt Payable, September 1, 2019	\$	- 0 -
Add: Bond Sale - Series 2019		<u>2,575,000</u>
Bond Debt Payable, August 31, 2020	\$	<u>2,575,000</u>

The District's Series 2019 Road Bonds do not carry an underlying rating or insured rating.

**ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2020**

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Rockwall County Municipal Utility District No. 7 c/o Winstead PC, 2728 N. Harwood Street, Suite 500, Dallas, Texas 75201.

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
AUGUST 31, 2020

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 3,956	\$ 609
Investments	74,054	87,272
Prepaid Costs	4,192	
TOTAL ASSETS	\$ 82,202	\$ 87,881
LIABILITIES		
Accounts Payable	\$ 9,115	\$
Accrued Interest Payable		
Due to Developer		
Long-Term Liabilities:		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 9,115	\$ -0-
FUND BALANCES		
Nonspendable: Prepaid Costs	\$ 4,192	\$
Restricted for Authorized Construction		
Restricted for Debt Service		87,881
Assigned to 2021 Budget Deficit	24,068	
Unassigned	44,827	
TOTAL FUND BALANCES	\$ 73,087	\$ 87,881
TOTAL LIABILITIES AND FUND BALANCES	\$ 82,202	\$ 87,881
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 524	\$ 5,089	\$	\$ 5,089
233,123	394,449		394,449
	4,192		4,192
<u>\$ 233,647</u>	<u>\$ 403,730</u>	<u>\$ - 0 -</u>	<u>\$ 403,730</u>
\$	\$ 9,115	\$	\$ 9,115
		30,543	30,543
		4,190,283	4,190,283
		2,565,061	2,565,061
<u>\$ -0-</u>	<u>\$ 9,115</u>	<u>\$ 6,785,887</u>	<u>\$ 6,795,002</u>
\$	\$ 4,192	\$ (4,192)	\$
233,647	233,647	(233,647)	
	87,881	(87,881)	
	24,068	(24,068)	
	44,827	(44,827)	
<u>\$ 233,647</u>	<u>\$ 394,615</u>	<u>\$ (394,615)</u>	<u>\$ - 0 -</u>
<u>\$ 233,647</u>	<u>\$ 403,730</u>		
		\$ (6,521,697)	\$ (6,521,697)
		57,338	57,338
		73,087	73,087
		<u>\$ (6,391,272)</u>	<u>\$ (6,391,272)</u>

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

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2020

Total Fund Balances - Governmental Funds	\$	394,615
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (4,190,283)	
Accrued Interest Payable	(30,543)	
Bonds Payable After One Year	<u>(2,565,061)</u>	<u>(6,785,887)</u>
Total Net Position - Governmental Activities	\$	<u><u>(6,391,272)</u></u>

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

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ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED AUGUST 31, 2020

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 132,123	\$
Investment Revenues	477	300
Miscellaneous Revenues	1,082	
TOTAL REVENUES	\$ 133,682	\$ 300
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 65,341	\$
Contracted Services	11,808	1,400
Other	13,128	
Developer Interest		
Capital Outlay		
Conveyance of Assets		
Debt Service:		
Bond Interest		20,973
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	\$ 90,277	\$ 22,373
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 43,405	\$ (22,073)
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ 109	\$
Long-Term Debt Issued		109,954
Bond Discount		
Developer Advances	24,535	
TOTAL OTHER FINANCING SOURCES (USES)	\$ 24,644	\$ 109,954
NET CHANGE IN FUND BALANCES	\$ 68,049	\$ 87,881
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - SEPTEMBER 1, 2019	5,038	
FUND BALANCES/NET POSITION - AUGUST 31, 2020	\$ 73,087	\$ 87,881

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$ 132,123	\$	\$ 132,123
787	1,564		1,564
	1,082		1,082
<u>\$ 787</u>	<u>\$ 134,769</u>	<u>\$ - 0 -</u>	<u>\$ 134,769</u>
\$	\$ 65,341	\$	\$ 65,341
	13,208		13,208
	13,128		13,128
162,866	162,866		162,866
1,848,955	1,848,955	(1,848,955)	
		2,159,513	2,159,513
	20,973	30,831	51,804
<u>210,029</u>	<u>210,029</u>		<u>210,029</u>
<u>\$ 2,221,850</u>	<u>\$ 2,334,500</u>	<u>\$ 341,389</u>	<u>\$ 2,675,889</u>
<u>\$ (2,221,063)</u>	<u>\$ (2,199,731)</u>	<u>\$ (341,389)</u>	<u>\$ (2,541,120)</u>
\$ (109)	\$	\$	\$
2,465,046	2,575,000	(2,575,000)	
(10,227)	(10,227)	10,227	
	24,535	(24,535)	
<u>\$ 2,454,710</u>	<u>\$ 2,589,308</u>	<u>\$ (2,589,308)</u>	<u>\$ -0-</u>
\$ 233,647	\$ 389,577	\$ (389,577)	\$
		(2,541,120)	(2,541,120)
	5,038	(3,855,190)	(3,850,152)
<u>\$ 233,647</u>	<u>\$ 394,615</u>	<u>\$ (6,785,887)</u>	<u>\$ (6,391,272)</u>

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

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

Net Change in Fund Balances - Governmental Funds \$ 389,577

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report bond discounts as other financing uses in the year paid. However, in the Statement of Net Position, bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities. 10,227

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end. (30,831)

Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position. (2,575,000)

Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances, net any amount paid to the developer, are recorded as a liability. (24,535)

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected. 1,848,955

Conveyance of assets to others is recorded as an expense in the Statement of Activities. (2,159,513)

Change in Net Position - Governmental Activities \$ (2,541,120)

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

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 1. CREATION OF DISTRICT

Rockwall County Municipal Utility District No. 7 (the “District”) was created by Senate Bill 1855, passed by the 79th Legislature, Regular Session, of the State of Texas, operating pursuant to Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution and by a confirmation election held within the District on November 7, 2006. The District operates under Chapters 49 and 54 of the Texas Water Code and other general laws of the State of Texas applicable to municipal utility districts. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water, among other things. The District may also provide solid waste collection and disposal service and operate and maintain recreational facilities. Currently the District’s water and wastewater are provided by contract with the City of Fate, Texas (the “City”) as described under “Special District Agreements,” see Note 6. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate and/or maintain a fire department. The District is subject to the continuing supervision of the TCEQ and is located exclusively within the corporate limits of the City. The District held its organizational meeting on October 18, 2005.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

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

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

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

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

Government-Wide Financial Statements

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

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

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

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

Debt Service Fund – To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

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

Basis of Accounting

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

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

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. During the current fiscal year, the Capital Projects Fund recorded a transfer to the General Fund in the amount of \$109 for bond issuance costs paid in the prior fiscal year.

Capital Assets

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

The District chose to early implement GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

To date, all capital assets constructed by the District have been conveyed to the City of Fate, Texas for operations and maintenance.

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Budgeting

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

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

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

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

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

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

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and has assigned \$24,068 of its General Fund fund balance to be used for a budgeted General Fund deficit during the year ended August 31, 2021.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Road Series 2019
Amount Outstanding – August 31, 2020	\$ 2,575,000
Interest Rates	1.75% - 3.25%
Maturity Dates – Serially Beginning/Ending	October 1, 2021/2044
Interest Payment Dates	October 1/April 1
Callable Dates	October 1, 2024*

* In whole or in part, or any date thereafter at par plus unpaid accrued interest. Series 2019 Road term bonds maturing October 1, 2033, October 1, 2035, October 1, 2037, October 1, 2040, and October 1, 2044 are subject to mandatory redemption beginning October 1, 2032, October 1, 2034, October 1, 2036, October 1, 2038 and October 1, 2041, respectively.

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended August 31, 2020:

	September 1, 2019	Additions	Retirements	August 31, 2020
Bonds Payable	\$	\$ 2,575,000	\$	\$ 2,575,000
Unamortized Discounts		(10,227)	(288)	(9,939)
Bonds Payable, Net	\$ -0-	\$ 2,564,773	\$ (288)	\$ 2,565,061
		Amount Due Within One Year		\$ -0-
		Amount Due After One Year		2,565,061
		Bonds Payable, Net		\$ 2,565,061

As of August 31, 2020, the District had authorized but unissued bonds in the amount of \$9,800,000 for water, sanitary sewer and drainage bonds, \$21,010,000 for refunding bonds and \$6,725,000 for road bonds.

As of August 31, 2020, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2021	\$	\$ 73,302	\$ 73,302
2022	70,000	72,690	142,690
2023	75,000	71,365	146,365
2024	75,000	69,902	144,902
2025	80,000	68,312	148,312
2026-2030	430,000	312,956	742,956
2031-2035	510,000	250,418	760,418
2036-2040	610,000	165,645	775,645
2041-2045	725,000	60,451	785,451
	\$ 2,575,000	\$ 1,145,041	\$ 3,720,041

The bonds are payable from the proceeds of an ad valorem tax upon all property subject to taxation within the District, without limitation as to rate or amount. During the current fiscal year, no debt service tax was levied.

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

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond order states that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

For the bonds sold, the District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds be rebated to the federal government, within the meaning of Section 148(f) of the Internal Revenue Code.

In accordance with the Series 2019 Road bond order, a portion of the bond proceeds was deposited into the Debt Service Fund and restricted for the payment of bond interest. Transactions for the current year are summarized as follows:

Restricted - Bond Interest – September 1, 2019	\$	-0-
Add: Bond Interest		109,954
Less: Interest Paid		<u>20,973</u>
Restricted - Bond Interest – August 31, 2020	\$	<u>88,981</u>

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$5,089 and the bank balance was \$11,653. The bank balance was fully covered by federal depository insurance.

	<u>Cash</u>
GENERAL FUND	\$ 3,956
DEBT SERVICE FUND	609
CAPITAL PROJECTS FUND	<u>524</u>
TOTAL DEPOSITS	<u>\$ 5,089</u>

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

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

The District invests in LOGIC (Local Government Investment Cooperative), an external public fund investment pool that is not SEC-registered. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the participants. Hilltop Securities, Inc. and J.P. Morgan Investment Management, Inc. serve as co-administrators of the pool. LOGIC measures all of its portfolio assets at amortized cost for financial reporting purposes and, therefore, the District measures its investments in LOGIC at amortized cost. There are no limitations or restrictions on withdrawals from LOGIC.

As of August 31, 2020, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years		
		Less Than 1	1-5	6-10
<u>GENERAL FUND</u>				
LOGIC	\$ 74,054	\$ 74,054	\$	\$
<u>DEBT SERVICE FUND</u>				
LOGIC	87,272	87,272		
<u>CAPITAL PROJECTS FUND</u>				
LOGIC	233,123	233,123		
TOTAL INVESTMENTS	\$ 394,449	\$ 394,449	\$ - 0 -	\$ - 0 -

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As of August 31, 2020, the District's investment in LOGIC was rated AAAM by Standard and Poor's.

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

Restrictions

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

NOTE 6. CAPITAL ASSETS

The District operates in contractual conjunction with the City of Fate, Texas (the "City"). In this arrangement, the facilities constructed by the District are conveyed to the City. The City maintains the facilities and operates the facilities for the benefit of the residents of the District. During the fiscal year ending August 31, 2020, the District recorded \$2,159,513 in transfers to the City in relation to assets that have been conveyed to the City. As of August 31, 2020, a total of \$5,871,888 in assets have been conveyed to the City.

NOTE 7. MAINTENANCE TAX

On November 7, 2006, the voters of the District approved the levy and collection of a maintenance tax in an unlimited amount per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater systems. During the current fiscal year, the District levied an ad valorem maintenance tax at the rate of \$0.75 per \$100 of assessed valuation, which resulted in a tax levy of \$132,123 on the adjusted taxable valuation of \$17,616,001 for the 2019 tax year.

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 8. SPECIAL DISTRICT AGREEMENT

Rockwall County Consolidated Municipal Utility District No. 1 (District No. 1), Rockwall County Consolidated Municipal Utility District No. 2 (District No. 2), the City of Fate, Texas (the “City”) and PRA/Fate Development Corp., the Developer within the District, have entered into the Special District Agreement dated December 1, 2003. Pursuant to the terms of the agreement, the City agrees to provide retail water capacity to 1,300 residential units and sewer capacity to 700 residential units within the districts. The City agrees to own, operate and maintain the facilities and charge user fees equal to those charged others within its boundaries. Under the agreement, the Developer agrees to finance and construct on behalf of the districts the internal water, sewer and drainage facilities.

On May 17, 2006, the District, District No. 1, Rockwall County Municipal Utility District’s No. 6, 8 and 9 (District’s No. 6, 8 and 9), the City, and PRA/Fate Development Corp. entered into the Special District Agreement No. 2. This agreement noted that District No. 2 has become dormant and that the District and District’s No. 6, 8 and 9 have been created over land comprising of District No. 2 and are now party to the original agreement in the place of District No. 2. It was also noted that the newly created districts have certain road powers that the District does not have and that the construction and acquisition of roads will be subject to the same rights and obligations as the water, sewer and drainage facilities referenced in the original agreement. Pursuant to the terms of the agreement, the City agrees to provide additional retail water capacity to 1,000 residential units and sewer capacity to 500 residential units with the districts.

Pursuant to the Capacity Allocation Agreement between the District, District No. 1 and District’s No. 6, 8 and 9 approved on September 19, 2006, the districts have agreed that all the water and sewer capacity mentioned in the Special District Agreement and the Special District Agreement No. 2 will be allocated to District No. 1. The districts will cooperate with the Developer and the City for any additional water and sewer capacity that will be needed by any of the districts. PRA/Fate Development Corp., the original developer, has assigned the agreements to Southstar Woodcreek Developer, LLC.

NOTE 9. UNREIMBURSED COSTS

The District has executed development financing agreements with Developers within the District. These agreements call for the Developers to fund costs associated with water, sewer and drainage facilities and to advance monies to fund operations until such time as the District can sell bonds to reimburse the Developers. As reflected in the Statement of Net Position, \$4,190,283 has been recorded as a liability for completed facilities financed by Developers and for developer advances. Reimbursement to the Developers will come from future bond sales.

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 11 WATER AND WASTEWATER CAPACITY

On June 24, 2003, the City and PRA/Fate Development Corp (“PRA/Fate”) entered into an agreement for certain off-site water and sewer improvements to serve the District (the “2003 Agreement”). PRA/Fate agreed to pay the entire cost for the design and construction of the improvements and, as consideration for the construction of the improvements, the City shall provide access, capacity and rights to water and sewer services for PRA/Fate to be used on the property provided by the improvements.

In order to adequately serve the property with sewer service, the City has become a member of the Sabine Creek Wastewater System, which is owned and operated by North Texas Municipal Water District (“NTMWD”). The City’s capacity contracts with NTMWD require annual debt service payments from the City to NTMWD. Any shortfall between the City’s sewer revenue and the debt service payment to NTMWD related to District No. 1 would be paid by PRA/Fate pursuant to the 2003 Agreement.

On November 15, 2010, the 2003 Agreement was amended. On September 24, 2013, PRA/Fate assigned the reimbursement rights to Southstar Woodcreek Developer, LLC (“the Developer”). The City will remain obligated to fully reimburse the Developer for remaining unreimbursed project costs. In consideration for the Developer funding the project costs and project improvements, the City agrees to provide the Developer, and in turn District No. 1, with 2,300 residential units of water capacity and 1,200 residential units of wastewater capacity.

In consideration for the provisions of wastewater service to District No. 1 and reservation of wastewater capacity for District No. 1 the Developer had made and shall make annual payments to the City according to the following schedule; \$400,000, 200,000, and \$152,525 due on November 30, 2010, September 30, 2011 and September 30, 2012 respectively, for the debt service payments to NTMWD. District No. 1 paid these amounts to the City, in lieu of Developer payment or as reimbursement to the Developer for prior payments which are of benefit to District No. 1, in a prior fiscal year. After payment of these amounts, the Developer and District No. 1 have no other obligation to pay such shortfall amounts to the City. The term of the agreement is the earlier of 20 years or satisfaction of all terms and conditions by the parties to the agreement.

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 12. BOND SALE

On December 18, 2019, the District closed on the sale of its Unlimited Tax Road Bonds, Series 2019 in the amount of \$2,575,000. The District used proceeds of the bonds to reimburse the Developer for construction and engineering costs of roads, road improvements and other related costs to serve Reserve at Chamberlain Crossing, Phases 1 & 2. Additional proceeds were used to pay for capitalized interest and issuance costs of the bonds.

NOTE 13. UNCERTAINTIES

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

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**ROCKWALL COUNTY MUNICIPAL
UTILITY DISTRICT NO. 7**

REQUIRED SUPPLEMENTARY INFORMATION

AUGUST 31, 2020

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 129,591	\$ 132,123	\$ 2,532
Investment Revenues	300	477	177
Miscellaneous Revenues	_____	1,082	1,082
TOTAL REVENUES	\$ 129,891	\$ 133,682	\$ 3,791
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 49,080	\$ 65,341	\$ (16,261)
Contracted Services	7,700	11,808	(4,108)
Other	10,892	13,128	(2,236)
TOTAL EXPENDITURES	\$ 67,672	\$ 90,277	\$ (22,605)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 62,219	\$ 43,405	\$ (18,814)
OTHER FINANCING SOURCES(USES)			
Transfers In	\$ _____	\$ 109	\$ 109
Developer Advances	_____	24,535	24,535
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ 24,644	\$ 24,644
NET CHANGE IN FUND BALANCE	\$ 62,219	\$ 68,049	\$ 5,830
FUND BALANCE - SEPTEMBER 1, 2019	5,038	5,038	_____
FUND BALANCE - AUGUST 31, 2020	\$ 67,257	\$ 73,087	\$ 5,830

See accompanying independent auditor's report.

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**ROCKWALL COUNTY MUNICIPAL
UTILITY DISTRICT NO. 7**

**SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

AUGUST 31, 2020

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
SERVICES AND RATES
FOR THE YEAR ENDED AUGUST 31, 2020

5. LOCATION OF DISTRICT: (Continued)

City in which District is located:

City of Fate, Texas

Are Board Members appointed by an office outside the District?

Yes No X

See accompanying independent auditor's report.

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2020

PROFESSIONAL FEES:	
Auditing	\$ 10,250
Engineering	9,532
Legal	<u>45,559</u>
TOTAL PROFESSIONAL FEES	<u>\$ 65,341</u>
CONTRACTED SERVICES:	
Bookkeeping	<u>\$ 11,808</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 6,450
Insurance	4,192
Payroll Taxes	493
Travel and Meetings	591
Other	<u>1,402</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 13,128</u>
TOTAL EXPENDITURES	<u><u>\$ 90,277</u></u>

See accompanying independent auditor's report.

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
INVESTMENTS
AUGUST 31, 2020

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
LOGIC	XXXX0001	Varies	Daily	\$ 74,054	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
LOGIC	XXXX0003	Varies	Daily	\$ 87,272	\$ - 0 -
<u>CAPITAL PROJECTS FUND</u>					
LOGIC	XXXX0002	Varies	Daily	\$ 233,123	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 394,449</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2020

	Maintenance Taxes	
TAXES RECEIVABLE - SEPTEMBER 1, 2019	\$ -0-	
Adjustments to Beginning Balance	_____	\$ -0-
Original 2019 Tax Levy	\$ 136,411	
Adjustment to 2019 Tax Levy	(4,288)	132,123
TOTAL TO BE ACCOUNTED FOR		\$ 132,123
TAX COLLECTIONS:		
Prior Years	\$	
Current Year	132,123	132,123
TAXES RECEIVABLE - AUGUST 31, 2020		\$ -0-

See accompanying independent auditor's report.

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2020

	2019	2018
PROPERTY VALUATIONS:		
Land	\$ 9,537,060	\$ 7,291,610
Improvements	11,920,449	4,007,082
Personal Property	18,490	5,830
Exemptions	(3,859,998)	(3,493,010)
TOTAL PROPERTY VALUATIONS	\$ 17,616,001	\$ 7,811,512
TAX RATES PER \$100 VALUATION:		
Debt Service	\$ 0.00	\$ 0.00
Maintenance	0.75	0.75
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.75	\$ 0.75
ADJUSTED TAX LEVY*	\$ 132,123	\$ 42,705
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	100.00 %	100.00 %

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

Maintenance Tax – Maximum tax rate of unlimited amount per \$100 of assessed valuation approved by voters on November 7, 2006.

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
LONG-TERM DEBT SERVICE REQUIREMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

S E R I E S - 2 0 1 9 R O A D

Due During Fiscal Years Ending August 31	Principal Due October 1	Interest Due October 1/ April 1	Total
2021	\$	\$ 73,302	\$ 73,302
2022	70,000	72,690	142,690
2023	75,000	71,365	146,365
2024	75,000	69,902	144,902
2025	80,000	68,312	148,312
2026	80,000	66,592	146,592
2027	85,000	64,735	149,735
2028	85,000	62,738	147,738
2029	90,000	60,593	150,593
2030	90,000	58,298	148,298
2031	95,000	55,845	150,845
2032	100,000	53,162	153,162
2033	100,000	50,262	150,262
2034	105,000	47,187	152,187
2035	110,000	43,962	153,962
2036	115,000	40,587	155,587
2037	120,000	36,987	156,987
2038	120,000	33,237	153,237
2039	125,000	29,409	154,409
2040	130,000	25,425	155,425
2041	135,000	21,285	156,285
2042	140,000	16,901	156,901
2043	145,000	12,270	157,270
2044	150,000	7,476	157,476
2045	155,000	2,519	157,519
	<u>\$ 2,575,000</u>	<u>\$ 1,145,041</u>	<u>\$ 3,720,041</u>

See accompanying independent auditor's report.

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED AUGUST 31, 2020

Description	Original Bonds Issued	Bonds Outstanding September 1, 2019
Rockwall County Municipal Utility No. 7 Unlimited Tax Road Bonds - Series 2019	<u>\$ 2,575,000</u>	<u>\$ - 0 -</u>
Bond Authority:	Water, Sewer and Drainage Bonds	Refunding Bonds*
Amount Authorized by Voters	\$ 9,800,000	\$ 21,010,000
Amount Issued		
Remaining to be Issued	<u>\$ 9,800,000</u>	<u>\$ 21,010,000</u>
Debt Service Fund cash, investments and cash with paying agent balances as of August 31, 2020:		<u>\$ 87,881</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 148,802</u>

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
	<u>Retirements</u>		Bonds Outstanding	
<u>Bonds Sold</u>	<u>Principal</u>	<u>Interest</u>	<u>August 31, 2020</u>	<u>Paying Agent</u>
\$ <u>2,575,000</u>	\$ <u>- 0 -</u>	\$ <u>20,973</u>	\$ <u>2,575,000</u>	Regions Bank Houston, TX
<u>Road Bonds</u>				
\$ 9,300,000				
<u>2,575,000</u>				
<u>\$ 6,725,000</u>				

See accompanying independent auditor's report.

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2020	2019*	2018
REVENUES			
Property Taxes	\$ 132,123	\$ 42,705	\$
Penalty and Interest		219	
Investment Revenues	477	626	
Miscellaneous Revenues	1,082		
TOTAL REVENUES	<u>\$ 133,682</u>	<u>\$ 43,550</u>	<u>\$</u>
EXPENDITURES			
Professional Fees	\$ 65,341	\$ 33,573	\$
Contracted Services	11,808	8,209	
Other	13,128	9,052	
TOTAL EXPENDITURES	<u>\$ 90,277</u>	<u>\$ 50,834</u>	<u>\$</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 43,405</u>	<u>\$ (7,284)</u>	<u>\$</u>
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ 109	\$	\$
Developer Advances	24,535	8,703	
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 24,644</u>	<u>\$ 8,703</u>	<u>\$</u>
NET CHANGE IN FUND BALANCE	\$ 68,049	\$ 1,419	\$
BEGINNING FUND BALANCE	<u>5,038</u>	<u>3,619</u>	
ENDING FUND BALANCE	<u>\$ 73,087</u>	<u>\$ 5,038</u>	<u>N/A</u>

* First audit was for the fiscal year ended August 31, 2019

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2017</u>	<u>2016</u>	<u>2020</u>	<u>2019*</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$	\$	98.7 %	98.0 %	%	%	%
		0.5	0.5			
		0.5	1.5			
		<u>0.8</u>				
\$	\$	100.0 %	100.0 %	%	%	%
\$	\$	48.9 %	77.1 %	%	%	%
		8.8	18.8			
		<u>9.8</u>	<u>20.8</u>			
\$	\$	67.5 %	116.7 %	%	%	%
\$	\$	<u>32.5 %</u>	<u>(16.7) %</u>	<u>N/A %</u>	<u>N/A %</u>	<u>N/A %</u>
\$	\$					
\$	\$					
\$	\$					
<u>N/A</u>	<u>N/A</u>					

See accompanying independent auditor's report.

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2020	2019*	2018
REVENUES			
Investment Revenues	\$ 300	\$	\$
EXPENDITURES			
Tax Collection Expenditures	\$ 1,400	\$	\$
Debt Service Interest and Fees	20,973	_____	_____
TOTAL EXPENDITURES	\$ 22,373	\$	\$
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (22,073)	\$	\$
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$ 109,954	\$	\$
NET CHANGE IN FUND BALANCE	\$ 87,881	\$	\$
BEGINNING FUND BALANCE	_____	_____	_____
ENDING FUND BALANCE	<u>\$ 87,881</u>	<u>N/A</u>	<u>N/A</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

* First audit was for the fiscal year ended August 31, 2019

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019*	2018	2017	2016
\$	\$	100.0 %	%	%	%	%
\$	\$	466.7 %	%	%	%	%
		6,991.0				
\$	\$	7,457.7 %	%	%	%	%
\$	\$	(7,357.7) %	N/A %	N/A %	N/A %	N/A %
\$	\$					
\$	\$					
<u>N/A</u>	<u>N/A</u>					
<u>N/A</u>	<u>N/A</u>					
<u>N/A</u>	<u>N/A</u>					

See accompanying independent auditor's report.

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
AUGUST 31, 2020

District Mailing Address - Rockwall County Municipal Utility District No. 7
c/o Winstead PC
2728 N. Harwood Street, Suite 500
Dallas, TX 75201

District Telephone Number - (214) 745-5400

Board Members:	Term of Office (Elected or Appointed)	Fees of Office for the year ended August 31, 2020	Expense Reimbursements for the year ended August 31, 2020	Title
Larry Christensen	05/2018 05/2022 (Elected)	\$ 1,050	\$ 162	President
Sandy Sinks	05/2018 05/2022 (Elected)	\$ 1,050	\$ 58	Vice President
Michael W. Skinner	05/2020 05/2024 (Elected)	\$ 1,500	\$ 167	Secretary
Terry Jones	05/2020 05/2024 (Elected)	\$ 1,350	\$ 35	Treasurer/ Assistant Secretary
Martha Ann Cook	05/2018 05/2022 (Elected)	\$ 1,500	\$ 170	Assistant Secretary

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

Submission date of most recent District Registration Form: February 6, 2019

The limit on Fees of Office that a Director may receive during a fiscal year is \$3,500 as set by Board Resolution on October 18, 2005. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
AUGUST 31, 2020

Consultants:	<u>Date Hired</u>	<u>Fees / Compensation for the year ended August 31, 2020</u>	<u>Title</u>
Winstead PC	09/22/15	\$ 44,296 \$ 67,950	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	10/22/19	\$ 10,250 \$ 9,800	Auditor Other Services
Dye & Toverly, LLC	02/26/08	\$ 11,823	Bookkeeper
LJA Engineering, Inc.	02/19/19	\$ 27,966	Engineer
Rockwall Central Appraisal District	08/16/16	\$ 1,401	Tax Assessor/ Collector
Robert W. Baird & Co. Incorporated	08/25/15	\$ 56,285	Financial Advisor
Kathi Dye	02/26/08	\$ -0-	Investment Officer

See accompanying independent auditor's report.

