

FORT BEND SUBSIDENCE DISTRICT

Annual Financial Report

Year Ended December 31, 2019

FORT BEND SUBSIDENCE DISTRICT
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Independent Auditor's Report

To the Board of Directors
Fort Bend Subsidence District
Richmond, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Fort Bend Subsidence District ("the District") as of and for the year ended December 31, 2019, 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

The District's 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 entity'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.

To the Board of Directors
Fort Bend Subsidence District

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 December 31, 2019, 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 general fund budgetary comparison 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.

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

Houston, Texas
April 13, 2020

FORT BEND SUBSIDENCE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Fort Bend Subsidence District, we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the Fort Bend Subsidence District for the year ended December 31, 2019.

Financial Highlights

The assets of the Fort Bend Subsidence District exceeded its liabilities at the close of the most recent year by \$2.44 million (net position). Of this amount, \$2.32 million (unrestricted net position) may be used to meet ongoing obligations.

As of the close of the current year, the District's governmental funds reported combined ending fund balances of \$2.44 million, an increase of \$233 thousand from the prior year. The increase in the fund balance was due in part to an increase in interest revenue on the District's investment portfolio as well as an increase in compromise and settlement revenue.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fort Bend Subsidence District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two 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 government's net position changed during the most recent 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 periods.

The government-wide financial statements include the Fort Bend Subsidence District itself (known as the primary government) and can be found on pages 10 through 11 of this report.

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 Fort Bend Subsidence District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

FORT BEND SUBSIDENCE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental Funds. Governmental funds are used to account for essentially the same functions 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 year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for 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 financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities and can be found on pages 12 through 15 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Fort Bend Subsidence District, assets exceeded liabilities by \$2.44 million at December 31, 2019. Of this amount, \$2.32 million (unrestricted net position) may be used to meet the ongoing obligations of the District.

Fort Bend Subsidence District
Schedule of Net Position
December 31, 2019 and 2018

Table A-1

	Governmental Activities	
	2019	2018
Current and other assets	\$ 2,560,018	\$ 2,339,965
Capital assets, net	2,753	8,901
Total assets	2,562,771	2,348,866
Current liabilities	122,000	134,936
Net Position:		
Investment in capital assets	2,753	8,901
Restricted for water conservation	120,216	144,994
Unrestricted	2,317,802	2,060,035
Total Net Position	\$ 2,440,771	\$ 2,213,930

FORT BEND SUBSIDENCE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The government's net position increased by \$227 thousand during the current year. The following table summarizes the changes in net position for the District for the year ended December 31, 2019:

Fort Bend Subsidence District **Table A-2**
Schedule of Changes in Net Position
For the Years Ended December 31, 2019 and 2018

	Governmental Activities	
	2019	2018
Charges for Services:		
Groundwater Management	\$ 798,899	\$ 854,219
Science and Research	9,691	1,720
Water Conservation Program	159,883	326,259
General revenues	37,673	6,670
Total Revenues	1,006,146	1,188,868
Expenses:		
Groundwater Management	594,644	566,251
Water Conservation Program	184,661	249,393
Total Expenses	779,305	815,644
Change in net position	226,841	373,224
Net Position - beginning	2,213,930	1,840,706
Net Position - ending	\$ 2,440,771	\$ 2,213,930

Governmental Activities. Governmental activities increased the District's net position by \$227 thousand. A comparison of program expenses to program revenues for governmental activities follows:

Fort Bend Subsidence District **Table A-3**
Expenses, Program Revenues, and Net Cost of Services -
Governmental Activities
For the Years Ended December 31, 2019 and 2018

	Expenses	Program Revenues	2019 Net Revenue (Cost) of Services	2018 Net Revenue (Cost) of Services
Program:				
Groundwater Management	\$ 594,644	\$ 798,899	\$ 204,255	\$ 287,968
Science and Research		9,691	9,691	1,720
Water Conservation Program	184,661	159,883	(24,778)	76,866
	\$ 779,305	\$ 968,473	\$ 189,168	\$ 366,554

FORT BEND SUBSIDENCE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Financial Analysis of the Government's Funds

As noted earlier, the Fort Bend Subsidence District used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Fort Bend Subsidence District's financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the District's governmental funds reported combined ending fund balances of \$2.44 million.

The General fund is the chief operating fund of the Fort Bend Subsidence District. At the end of the current year, the fund balance of the general fund was \$2.30 million.

General Fund Budgetary Highlights

For the year ended December 31, 2019, total revenues were \$16 thousand less than budgeted amounts. Application fees accounted for the largest portion of this due to less applications being processed than originally anticipated during the budgeting process.

Expenditures for the year were under budget by 15%. The District's personnel expenses were under budget due to the absence of a dedicated field technician for six months during the year. In addition, a consultant contract related to the evaluation of projected population and water demands in Fort Bend County was completed under budget.

Capital Asset Administration

Capital Assets. The Fort Bend Subsidence District's investment in capital assets for its governmental activities as of December 31, 2019, amounted to \$2,753 (net of accumulated depreciation). This investment in capital assets includes a GPS receiver, a weather monitoring station, and a District vehicle. The decrease in the District's investment in capital assets for the current year was 69%, due to no purchase of new assets during 2019 and current year depreciation expense on assets.

A summary of capital assets as of December 31, 2019, is as follows:

Fort Bend Subsidence District
Capital Assets, net of depreciation
December 31, 2019 and 2018

Table A-4

	Governmental Activities	
	2019	2018
Machinery and equipment	\$ 1,053	\$ 2,104
Vehicles	1,700	6,797
	<u>\$ 2,753</u>	<u>\$ 8,901</u>

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

FORT BEND SUBSIDENCE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

Economic Factors and Next Year's Budgets and Rates

Fort Bend Subsidence District
General Fund Budget

Table A-5

	2019 Budget	2020 Budget	Increase (Decrease)
Revenues	\$ 852,500	\$ 875,000	3%
Expenditures	692,400	949,900	37%
	<u>\$ 160,100</u>	<u>\$ (74,900)</u>	

Requests for Information

This financial report is designed to provide a general overview of the Fort Bend Subsidence District's finances for all those with an interest in the government's finances. Questions concerning any of the information in this audit or other District financial statements should be directed to either the General Manager or the Administrative Officer.

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BASIC FINANCIAL STATEMENTS

FORT BEND SUBSIDENCE DISTRICT
STATEMENT OF NET POSITION
December 31, 2019

Exhibit 1

	Governmental Activities
Assets	
Cash and equivalents	\$ 907,429
Certificates of deposit	1,525,378
Receivables	126,541
Prepaid items	670
Capital assets:	
Equipment and vehicles, net of depreciation	2,753
Total Assets	2,562,771
Liabilities	
Accounts payable	34,638
Unearned revenues	87,362
Total Liabilities	122,000
Net Position	
Net investment in capital assets	2,753
Restricted for water conservation	120,216
Unrestricted	2,317,802
Total Net Position	\$ 2,440,771

See Notes to the Financial Statements.

FORT BEND SUBSIDENCE DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

Exhibit 2

Functions/Programs	Expenses	Program Revenue	Net Revenue and Changes in Net Position
		Charges for Services	Governmental Activities
Primary Government			
Governmental Activities:			
Groundwater management	\$ 594,644	\$ 798,899	\$ 204,255
Science and research		9,691	9,691
Water conservation program	184,661	159,883	(24,778)
Total Primary Government	\$ 779,305	\$ 968,473	189,168
General Revenues:			
Miscellaneous			37,673
Total general revenues			37,673
Change in Net Position			226,841
Net Position - beginning			2,213,930
Net Position - ending			\$ 2,440,771

See Notes to the Financial Statements.

FORT BEND SUBSIDENCE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2019

Exhibit 3

	General Fund	Water Conservation Program	Science and Research	Total
Assets				
Cash and equivalents	\$ 773,687	\$ 118,706	\$ 15,036	\$ 907,429
Certificates of deposit	1,525,378			1,525,378
Prepaid items	670			670
Receivables	106,097	20,272	172	126,541
Total Assets	\$ 2,405,832	\$ 138,978	\$ 15,208	\$ 2,560,018
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 15,876	\$ 18,762	\$	\$ 34,638
Unearned revenue	87,362			87,362
Total Liabilities	103,238	18,762		122,000
Fund Balances:				
Nonspendable	670			670
Restricted for water conservation		120,216		120,216
Committed for science and research			15,208	15,208
Unassigned	2,301,924			2,301,924
Total fund balances	2,302,594	120,216	15,208	2,438,018
Total Liabilities and Fund Balances	\$ 2,405,832	\$ 138,978	\$ 15,208	\$ 2,560,018

See Notes to the Financial Statements.

FORT BEND SUBSIDENCE DISTRICT**Exhibit 4****RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION****December 31, 2019**

Total fund balances, governmental funds	\$	2,438,018
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

2,753**Net Position of Governmental Activities in the Statement of Net Position**

\$ 2,440,771

See Notes to the Financial Statements.

FORT BEND SUBSIDENCE DISTRICT

Exhibit 5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2019

	General Fund	Water Conservation Program	Science and Research	Total
Revenues				
Fees:				
Permit fees, net of refunds	\$ 720,620	\$	\$	\$ 720,620
Application fees, net of refunds	63,950			63,950
Compromise & settlement income	14,329			14,329
Water conservation program		159,622		159,622
Disincentive Fee			9,675	9,675
Interest	37,673	261	16	37,950
Total Revenues	<u>836,572</u>	<u>159,883</u>	<u>9,691</u>	<u>1,006,146</u>
Expenditures				
Current:				
Interlocal agreement	227,500	47,300		274,800
Personnel	113,913			113,913
Board of directors	29,161			29,161
Office supplies	26,472			26,472
Building and operations	7,155			7,155
Contract services	184,295	5,000		189,295
Capital outlay				
Water conservation program kits		132,361		132,361
Total Expenditures	<u>588,496</u>	<u>184,661</u>		<u>773,157</u>
Revenues Over (Under) Expenditures	248,076	(24,778)	9,691	232,989
Fund Balances - Beginning	<u>2,054,518</u>	<u>144,994</u>	<u>5,517</u>	<u>2,205,029</u>
Fund Balances - Ending	<u>\$ 2,302,594</u>	<u>\$ 120,216</u>	<u>\$ 15,208</u>	<u>\$ 2,438,018</u>

See Notes to the Financial Statements.

FORT BEND SUBSIDENCE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

Exhibit 6

Net change in fund balances - total governmental funds:	\$ 232,989
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period: This is the amount of depreciation in the current period	<u>(6,148)</u>
Change in Net Position of governmental activities	<u><u>\$ 226,841</u></u>

See Notes to the Financial Statements.

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Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The District was created under Article 16, Section 59 of the Texas Constitution, as passed by the Texas Legislature, House Bill 2819 ("the Act") in 1989 and began operations September 1, 1989. The Act provides that the District is responsible for the regulation of the withdrawal of groundwater within the boundaries of Fort Bend County for the purpose of ending subsidence in those areas. Persons or entities operating or drilling water wells are required by the Act to apply for a permit.

The District's Board of Directors is responsible for the approval and issuance of permits and the rate of permit fees. Fees are based on the permit term and the maximum annual amount of groundwater authorized to be withdrawn from the well.

Permit fees collected by the District are used to cover the costs of issuing permits and performing other regulatory functions under the Act.

The District considers water conservation education to be an important component to fulfilling its mission and accordingly administers a water conservation program.

The District is governed by an appointed board and is considered a primary government. As required by generally accepted accounting principles, these general purpose financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the District's financial reporting entity. No other entities, organizations or functions have been included in the District's financial reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the District's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are: that it has a separate governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additional prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow users of financial reports to assess a government's operational accountability. The GASB model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

Note 1 - Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information about the District as a whole. These statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are 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 segment.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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 related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose the government considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

The *General Fund* is the District's operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund. The principal source of revenue of the General Fund is permit fees. Expenditures are for administrative costs.

The *Water Conservation Program Fund* accounts for revenue sources that are restricted to expenditures for specific purposes. The District utilizes a Special Revenue Fund to account for interlocal agreements with business and governmental entities which participate in the water conservation project.

The *Science and Research Fund* accounts for revenue sources that are generated from fees applied to permitted groundwater withdrawals that exceed designated percentages of a permittees total water demand and for permittees who fail to meet regulatory requirements in Regulatory Areas A, B and R-R Sub-area.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Budget

The budget is prepared using the same method of accounting as for financial reporting. An annual appropriations budget for the General Fund is prepared and approved by the Board. Amendments to the budget require Board approval.

Amounts budgeted for projects but not spent in the current year are considered to be carried forward to the next year.

E. Cash and Investments (Cash Equivalents)

The District's cash and investments consist of petty cash, checking accounts and amounts in demand deposits and short-term investments with a maturity date within two years of the date acquired by the District.

Investments are recorded at fair value in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs

F. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The amount estimated to be uncollectible is shown on the financials as an allowance line item below the associated receivable balance.

G. Capital Assets

Capital assets are reported in the governmental column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of at least \$5,000 and an estimated useful life in excess of three years. All purchased fixed assets are valued at cost where historical records exist. Donated fixed assets are valued at their estimated fair value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements and equipment are capitalized.

H. Unearned Revenues

Unearned revenues in the general fund include prepaid permit fees and permit fees assessed for the 2020 year.

Note 1 - Summary of Significant Accounting Policies (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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

J. Fund Balance Flow Assumptions

The District's fund balances are classified as follows:

- Nonspendable – includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
- Restricted - includes amounts restricted by external sources or by constitutional provision or enabling legislation. The amount reported as restricted at December 31, 2019 is for the water conservation project due to contractual obligations related to the sponsor interlocal agreement.
- Committed – amounts that can be set aside for a specific purpose if set by Board policy. The amount reported as committed at December 31, 2019 is for projects specifically related to science and research efforts of the District.
- Assigned – amounts than can be intended for a specific purpose that do not meet the definition of committed or restricted. Per the Board policy, amounts can be assigned by the General Manager.
- Unassigned – includes amounts that have not been assigned to the other funds or restricted or committed to a specific purpose within the General Fund.

It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of committed, assigned, unassigned fund balance.

K. Net Position Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

L. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Note 2 - Cash and Investments

Cash and investments consist of checking and time deposit accounts and certificates of deposit.

At December 31, 2019, cash and investments consisted of the following:

	Governmental Activities	W.A.M. (Days)	Percentage of Total Deposits
Cash			
Checking accounts	\$ 907,025		37.28%
Petty Cash	404		0.02%
Total Cash	<u>907,429</u>		<u>37.30%</u>
Investments			
Certificates of Deposits	<u>1,525,378</u>	<u>165.8</u>	<u>62.70%</u>
Total Investments	<u>1,525,378</u>		<u>62.70%</u>
Total Cash and Investments	<u>\$ 2,432,807</u>		<u>100.00%</u>

Certificates of deposit fall under the level 1 input category of the Fair Value Assessment.

Investment Policies

The District is authorized by state statutes to invest in the following: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certificates of deposit obtained through a depository institution that has its main office or branch office in Texas and that contractually agrees to place the funds in federally insured depository institutions in accordance with the conditions prescribed in Section 2256.01(a) and (b) of the Public Funds Investment Act (PFIA), and (4) certain qualified local government investment pools.

As of December 31, 2019, the District's investments consist of certificates of deposits only.

Deposits

Custodial Credit Risk: In the case of deposits, custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. State statutes require that all amounts deposited in financial institutions be covered by federal depository insurance and, if necessary, pledged collateral. The types of collateral to be pledged to secure District funds are stated in state statutes. The District's deposits at December 31, 2019 were secured by depository insurance and thus were not exposed to custodial credit risk. The District's total deposits at December 31, 2019 were \$2,432,807.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates may adversely affect the value of investments. The District addresses interest rate risk by limiting investments to a maturity of two years or less. All of the District's time deposits at December 31, 2019 will mature within the next two years.

Credit Risk: State law limits investments in all categories to top ratings issued by nationally recognized rating agency. The District's policy limits investments to obligations of the United States or its agencies, direct obligations of the State of Texas or its agencies and local government investment pools. At December 31, 2019, the District has no investments exposed to credit risk.

Note 2 - Cash and Investments (continued)

Concentration of credit risk: The District's investment policy calls for diversification of the portfolio, but does not specify limits. At December 31, 2019, time deposits made up approximately 63% of the District's cash and temporary investments.

Note 3 - Receivables

Amounts recorded as receivables as of December 31, 2019, for the government's individual major funds are as follows:

	General	Water Conservation Program	Science and Research	Total
Receivables:				
Permit fees	\$ 89,164	\$	\$	\$ 89,164
Compromise and settlement	6,875		172	7,047
Water conservation program		20,272		20,272
Other	10,058			10,058
Total receivables	<u>\$ 106,097</u>	<u>\$ 20,272</u>	<u>\$ 172</u>	<u>\$ 126,541</u>

As of December 31, 2019, the full amount was considered receivable in both the general and water conservation program funds.

Note 4 - Capital Assets

A summary of activity for capital assets for the year ended December 31, 2019, is as follows:

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
Governmental activities:				
Capital assets being depreciated				
Machinery and equipment	\$ 22,770			\$ 22,770
Vehicles	20,389			20,389
Total capital assets being depreciated	43,159			43,159
Less accumulated depreciation for				
Machinery and equipment	(20,666)	(1,051)		(21,717)
Vehicles	(13,592)	(5,097)		(18,689)
Total accumulated depreciation	<u>(34,258)</u>	<u>(6,148)</u>		<u>(40,406)</u>
Governmental activities capital assets, net	<u>\$ 8,901</u>	<u>\$ (6,148)</u>	<u>\$</u>	<u>\$ 2,753</u>

Depreciation expense for the current year was charged to the groundwater management function.

Note 5 - 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 disasters. The District's risk management program encompasses various means of protecting the District against loss by obtaining property, casualty, and liability coverage through commercial insurance carriers 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 five years. There has not been any significant reduction in insurance coverage from that of the previous year.

Note 6 - Interlocal Agreements

Harris-Galveston Subsidence District

The District has entered into an interlocal agreement with the Harris-Galveston Subsidence District (HGSD). Pursuant to the interlocal agreement, HGSD is responsible for performing substantially all of the administrative functions associated with the conduct of the District's operations. Accordingly, HGSD provides the District with personnel, research services, and billing services.

In exchange for these services, the District paid HGSD \$274,800 and reimbursed dedicated personnel expenditures of \$113,913 for the year ended December 31, 2019.

Water Conservation Project

In August of 2003, the District passed a Resolution approving a "Learning to be Waterwise Water Conservation Program." The District has entered into interlocal agreements with local businesses and governmental entities to participate in the water conservation program. The project is designed to achieve water conservation through the retrofit of plumbing fixtures combined with a strong educational program administered through public schools. The District has agreed to coordinate and administer the project. The entities have agreed to sponsor the program by contributing \$36.46 for each student participating in the project. As the revenue received is restricted to a specific use, the District has established a special revenue fund to record revenue and expenditures related to the water conservation project.

REQUIRED SUPPLEMENTARY INFORMATION

FORT BEND SUBSIDENCE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - (GAAP BASIS)
GENERAL FUND

Exhibit 8
Page 1 of 2

For the Year Ended December 31, 2019
with Comparative Actual Information for the Year Ended December 31, 2018

	Final Budget	2019 Actual	Variance Positive (Negative)	2018 Actual
Revenues				
Permit fees, net				
Permit fees	\$ 713,000	\$ 779,832	\$ 66,832	\$ 817,134
Permit fee refunds		(59,212)	(59,212)	(44,141)
	<u>713,000</u>	<u>720,620</u>	<u>7,620</u>	<u>772,993</u>
Application fees, net				
Application fees	122,000	60,050	(61,950)	65,650
Emergency approval fees		4,000	4,000	3,500
Application fee refunds		(100)	(100)	(200)
	<u>122,000</u>	<u>63,950</u>	<u>(58,050)</u>	<u>68,950</u>
Compromise and settlements	<u>7,500</u>	<u>14,329</u>	<u>6,829</u>	<u>12,276</u>
Interest Revenue	<u>10,000</u>	<u>37,673</u>	<u>27,673</u>	<u>6,670</u>
Total Revenues	<u>\$ 852,500</u>	<u>\$ 836,572</u>	<u>\$ (15,928)</u>	<u>\$ 860,889</u>

FORT BEND SUBSIDENCE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - (GAAP BASIS)
GENERAL FUND
For the Year Ended December 31, 2019
with Comparative Actual Information for the Year Ended December 31, 2018

Exhibit 8
Page 2 of 2

	Final Budget	2019 Actual	Variance Positive (Negative)	2018 Actual
Expenditures				
Interlocal agreement	\$ 227,500	\$ 227,500	\$	\$ 258,800
Personnel	151,200	113,913	37,287	140,319
Board of directors				
Director per diem	35,000	22,200	12,800	23,250
Board travel and expense	6,000	5,262	738	4,202
Board FICA	2,000	1,699	301	1,779
	<u>43,000</u>	<u>29,161</u>	<u>13,839</u>	<u>29,231</u>
Supplies				
Membership/Dues/Subscriptions	4,000	3,108	892	3,669
Conferences and meetings	3,000	1,502	1,498	875
Insurance and bonds	4,500	3,444	1,056	3,407
Office supplies	2,000	1,640	360	1,019
Postage and mail	2,300	5,349	(3,049)	2,020
Office equipment and maintenance	5,000	5,314	(314)	5,008
Transportation	6,000	3,105	2,895	5,732
Legal notices	2,000	2,810	(810)	2,054
Miscellaneous supplies and equipment	2,000	200	1,800	745
Computer software and support	2,500		2,500	
	<u>33,300</u>	<u>26,472</u>	<u>6,828</u>	<u>24,529</u>
Building and operations				
Telephone	5,000	4,155	845	4,105
Rent	3,000	3,000		3,000
	<u>8,000</u>	<u>7,155</u>	<u>845</u>	<u>7,105</u>
Contract services				
Legal	18,500	16,717	1,783	17,088
Legislative Affairs	18,000	18,000		12,000
Management Services	1,000	339	661	826
Audit	10,500	10,250	250	10,250
USGS - data collection	43,000	41,040	1,960	41,040
GPS Project - Releveling	15,000	6,619	8,381	3,445
Hearing Examiner	6,000	6,000		6,000
Consultant Contract	97,400	66,330	31,070	6,470
GMA 14	20,000	19,000	1,000	3,000
	<u>229,400</u>	<u>184,295</u>	<u>45,105</u>	<u>100,119</u>
Total Expenditures	<u>\$ 692,400</u>	<u>\$ 588,496</u>	<u>\$ 103,904</u>	<u>\$ 560,103</u>
Revenues Over (Under) Expenditures	160,100	248,076	87,976	300,786
Other Financing Sources (Uses)				
Transfers In (from WCP)				46,100
Total Other Financing Sources (Uses)				<u>46,100</u>
Change in fund balances	160,100	248,076	87,976	346,886
Fund balances at beginning of year	<u>2,054,518</u>	<u>2,054,518</u>		<u>1,707,632</u>
Fund balances at end of year	<u>\$ 2,214,618</u>	<u>\$ 2,302,594</u>	<u>\$ 87,976</u>	<u>\$ 2,054,518</u>

General Fund Budget Policies

The budget is prepared using the same method of accounting as for financial reporting. An annual appropriations budget for the General Fund is prepared and approved by the Board of Directors. Amendments to the budget require Board of Directors approval. There were no budget amendments in 2019.