

FORT BEND SUBSIDENCE DISTRICT

Annual Financial Report

Year Ended December 31, 2023

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 Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of Fort Bend Subsidence District ("the District"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material

if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 -7 and the general fund budgetary comparison information on pages 26 – 28 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Whitley Penn LLP

Houston, Texas
May 22, 2024

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, 2023.

Financial Highlights

The assets of the Fort Bend Subsidence District exceeded its liabilities at the close of the most recent year by \$3.23 million (net position). Of this amount, \$2.87 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 \$3.15 million, an increase of \$326 thousand from the prior year. The increase in the fund balance was due to a renewal of disincentive permit fee in the science and research fund, as a newly constructed power plant required substantially more water than the maximum allocation provided by the regulatory plan. As such, their disincentive permit fee was once again over \$100 thousand.

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 \$3.23 million at December 31, 2023. Of this amount, \$2.87 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, 2023 and 2022

Table A-1

	Governmental Activities	
	2023	2022
Current and other assets	\$ 3,265,820	\$ 2,970,845
Capital assets, net	74,750	
Total assets	3,340,570	2,970,845
Current liabilities	112,541	143,993
Net Position:		
Investment in capital assets	74,750	
Restricted for water conservation	278,942	214,579
Unrestricted	2,874,337	2,612,273
Total Net Position	\$ 3,228,029	\$ 2,826,852

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

The government's net position increased by \$401 thousand during the current year. The following table summarizes the changes in net position for the District for the year ended December 31, 2023:

Fort Bend Subsidence District *Table A-2*
Schedule of Changes in Net Position
For the Years Ended December 31, 2023 and 2022

	Governmental Activities	
	2023	2022
Charges for Services:		
Groundwater Management	\$ 948,488	\$ 896,232
Science and Research	135,947	114,484
Water Conservation Program	237,838	184,254
General revenues	61,574	9,751
Total Revenues	<u>1,383,847</u>	<u>1,204,721</u>
Expenses:		
Groundwater Management	809,195	758,821
Water Conservation Program	173,475	220,185
Total Expenses	<u>982,670</u>	<u>979,006</u>
Change in net position	401,177	225,715
Net Position - beginning	<u>2,826,852</u>	<u>2,601,137</u>
Net Position - ending	<u>\$ 3,228,029</u>	<u>\$ 2,826,852</u>

Governmental Activities. Governmental activities increased the District's net position by \$401 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, 2023 and 2022

	<u>Expenses</u>	<u>Program Revenues</u>	<u>2023 Net Revenue (Cost) of Services</u>	<u>2022 Net Revenue (Cost) of Services</u>
Program:				
Groundwater Management	\$ 809,195	\$ 948,488	\$ 139,293	\$ 137,411
Science and Research		135,947	135,947	114,484
Water Conservation Program	173,475	237,838	64,363	(35,931)
	<u>\$ 982,670</u>	<u>\$ 1,322,273</u>	<u>\$ 339,603</u>	<u>\$ 215,964</u>

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 \$3.15 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 \$2.48 million.

General Fund Budgetary Highlights

For the year ended December 31, 2023, total revenues were \$127 thousand more than budgeted amounts. Permit fees accounted for the largest portion of this due to a significant increase compared to the prior year. In addition, investment income increased substantially over the prior year.

Expenditures for the year were under budget by 24%. The District's personnel expenses were significantly under budget due to the ongoing hiring process of a dedicated deputy general manager. These expenditures came in about \$180 thousand under budgeted amount for the year. In addition, consultant contract expenditures came in under budget, as additional consultant work was not required during the year.

Capital Asset Administration

Capital Assets. The Fort Bend Subsidence District's investment in capital assets for its governmental activities as of December 31, 2023, amounts to \$74,750 (net of accumulated depreciation). This investment in capital assets includes machinery and equipment and vehicles. The total increase in the District's investment in capital assets, for the current year, was \$74,750.

A summary of capital assets as of December 31, 2023, is as follows:

Fort Bend Subsidence District
Capital Assets, net of depreciation
December 31, 2023 and 2022

Table A-4

	Governmental Activities	
	2023	2022
Machinery and equipment	\$ 104,315	\$ 22,770
Vehicles	20,389	20,389
Capital Assets, gross	\$ 124,704	\$ 43,159
Accumulated depreciation	(49,954)	(43,159)
Capital Assets, net of depreciation	\$ 74,750	\$

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

	2023 Budget	2024 Budget	Increase (Decrease)
Revenues	\$ 883,500	\$ 892,500	1%
Expenditures	1,162,340	1,023,540	-12%
	<u>\$ (278,840)</u>	<u>\$ (131,040)</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 Finance Director.

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BASIC FINANCIAL STATEMENTS

FORT BEND SUBSIDENCE DISTRICT
STATEMENT OF NET POSITION
December 31, 2023

Exhibit 1

	Governmental Activities
Assets	
Cash and equivalents	\$ 1,520,976
Certificates of deposit	1,609,000
Receivables	238,235
Allowance for doubtful accounts	(105,300)
Prepaid items	2,909
Capital assets:	
Equipment and vehicles, net of depreciation	74,750
Total Assets	3,340,570
Liabilities	
Accounts payable	56,016
Unearned revenues	56,525
Total Liabilities	112,541
Net Position	
Net investment in capital assets	74,750
Restricted for water conservation	278,942
Unrestricted	2,874,337
Total Net Position	\$ 3,228,029

See Notes to the Basic Financial Statements.

FORT BEND SUBSIDENCE DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023

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	\$ 809,195	\$ 948,488	\$ 139,293
Science and research		135,947	135,947
Water conservation program	173,475	237,838	64,363
Total Primary Government	\$ 982,670	\$ 1,322,273	339,603
	General Revenues:		
	Miscellaneous		61,574
	Total general revenues		61,574
	Change in Net Position		401,177
	Net Position - beginning		2,826,852
	Net Position - ending		\$ 3,228,029

See Notes to the Basic Financial Statements.

FORT BEND SUBSIDENCE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2023

Exhibit 3

	<u>General Fund</u>	<u>Water Conservation Program</u>	<u>Science and Research</u>	<u>Total</u>
Assets				
Cash and equivalents	\$ 853,761	\$ 288,704	\$ 378,511	\$ 1,520,976
Certificates of deposit	1,609,000			1,609,000
Prepaid items	2,909			2,909
Receivables	118,793	3,268	116,174	238,235
Allowance for doubtful accounts			(105,300)	(105,300)
Total Assets	<u>\$ 2,584,463</u>	<u>\$ 291,972</u>	<u>\$ 389,385</u>	<u>\$ 3,265,820</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 42,986	\$ 13,030	\$	\$ 56,016
Unearned revenue	56,525			56,525
Total Liabilities	<u>99,511</u>	<u>13,030</u>		<u>112,541</u>
Fund Balances:				
Nonspendable	2,909			2,909
Restricted for water conservation		278,942		278,942
Committed for science and research			389,385	389,385
Unassigned	2,482,043			2,482,043
Total fund balances	<u>2,484,952</u>	<u>278,942</u>	<u>389,385</u>	<u>3,153,279</u>
Total Liabilities and Fund Balances	<u>\$ 2,584,463</u>	<u>\$ 291,972</u>	<u>\$ 389,385</u>	<u>\$ 3,265,820</u>

See Notes to the Basic Financial Statements.

FORT BEND SUBSIDENCE DISTRICT

Exhibit 4

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
December 31, 2023**

Total fund balances, governmental funds	<u>\$ 3,153,279</u>
Amounts reported for governmental activities in the Statement of Net Position are not different because capital assets are fully depreciated	
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.	<u>74,750</u>
Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$ 3,228,029</u></u>

See Notes to the Basic 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, 2023

	<u>General Fund</u>	<u>Water Conservation Program</u>	<u>Science and Research</u>	<u>Total</u>
Revenues				
Fees:				
Permit fees, net of refunds	\$ 836,572	\$	\$	\$ 836,572
Application fees, net of refunds	85,600			85,600
Compromise & settlement income	26,316			26,316
Water conservation program		235,334		235,334
Disincentive Fee			133,345	133,345
Interest	61,574	2,504	2,602	66,680
Total Revenues	<u>1,010,062</u>	<u>237,838</u>	<u>135,947</u>	<u>1,383,847</u>
Expenditures				
Current:				
Interlocal agreement	302,200	34,900		337,100
Personnel	185,192			185,192
Board of directors	37,399			37,399
Office supplies	40,404			40,404
Building and operations	7,070			7,070
Contract services	311,680	5,000		316,680
Water conservation program kits		133,575		133,575
Total Expenditures	<u>883,945</u>	<u>173,475</u>	<u>135,947</u>	<u>1,057,420</u>
Revenues Over (Under) Expenditures	126,117	64,363	135,947	326,427
Fund Balances - Beginning	2,358,835	214,579	253,438	2,826,852
Fund Balances - Ending	<u>\$ 2,484,952</u>	<u>\$ 278,942</u>	<u>\$ 389,385</u>	<u>\$ 3,153,279</u>

See Notes to the Basic 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, 2023

Exhibit 6

Net change in fund balances - total governmental funds	<u>\$ 326,427</u>
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 capital outlay in the current period This is the amount of depreciation in the current period	81,545 <u>(6,795)</u>
Change in Net Position of governmental activities	<u><u>\$ 401,177</u></u>

See Notes to the Basic 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, Water Conservation Fund, and Science and Research 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 2024 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, 2023 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, 2023 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 1 - Summary of Significant Accounting Policies (continued)

M. Implementation of New Accounting Standards

GASB Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* was issued in March 2020 and is effective for periods beginning after June 15, 2022. This Statement addresses issues related to public-private and public-public partnership arrangements (PPPs). The Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this Statement are effective for periods beginning after June 15, 2022. The District has evaluated the effects of this standard and has determined that it does not impact the financial statements.

GASB Statement No. 96 *Subscription-Based Information Technology Arrangements* (SBITA), was issued in May 2020 and was effective for periods beginning after June 15, 2022. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The District has evaluated the effects of this standard and has determined that it does not impact the financial statements

GASB issued Statement No. 99, *Omnibus 2022* was issued in April 2022. This Statement was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The requirements of this Statement are effective immediately upon issuance, for periods beginning after June 15, 2022 and June 15, 2023, depending on the topical area.

Note 2 - Cash and Investments

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

At December 31, 2023, cash and investments consisted of the following:

	<u>Governmental Activities</u>	<u>W.A.M. (Days)</u>	<u>Percentage of Total Deposits</u>
Cash			
Checking accounts	\$ 1,520,572		48.58%
Petty Cash	404		0.01%
Total Cash	<u>1,520,976</u>		<u>48.59%</u>
Investments			
Certificates of Deposits	<u>1,609,000</u>	<u>285.5</u>	<u>51.41%</u>
Total Investments	<u>1,609,000</u>		<u>51.41%</u>
Total Cash and Investments	<u>\$ 3,129,976</u>		<u>100.00%</u>

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

Note 2 – Cash and Investments (continued)

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, 2023, 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, including certificates of deposit, at December 31, 2023 were secured by depository insurance or by collateral held by a third-party custodian in the District's name, and thus were not exposed to custodial credit risk. The District's total deposits at December 31, 2023 were \$3,190,720. The difference between the District's total deposits of \$3,190,720 and the financial statement amount of \$3,129,976 is due to reconciling items, specifically outstanding checks as of December 31, 2023.

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, 2023 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, 2023, the District has no investments exposed to credit risk.

Concentration of credit risk: The District's investment policy calls for diversification of the portfolio, but does not specify limits. At December 31, 2023, time deposits made up approximately 51% of the District's cash and temporary investments.

Note 3 - Receivables

Amounts recorded as receivables as of December 31, 2023, for the government's individual major funds are as follows:

	<u>General</u>	<u>Water Conservation Program</u>	<u>Science and Research</u>	<u>Total</u>
Receivables:				
Permit fees	\$ 86,794	\$	\$ 111,085	\$ 197,879
Compromise and settlement	10,561		5,089	15,650
Water conservation program		3,268		3,268
Other	21,438			21,438
Gross receivables	<u>118,793</u>	<u>3,268</u>	<u>116,174</u>	<u>238,235</u>
Less: allowance for uncollectibles			(105,300)	(105,300)
Total receivables	<u>\$ 118,793</u>	<u>\$ 3,268</u>	<u>\$ 10,874</u>	<u>\$ 132,935</u>

As of December 31, 2023, 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, 2023, is as follows:

	<u>Balance 12/31/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2023</u>
Governmental activities:				
Capital assets being depreciated				
Machinery and equipment	\$ 22,770	\$ 81,545		\$ 104,315
Vehicles	20,389			20,389
Total capital assets being depreciated	<u>43,159</u>	<u>81,545</u>		<u>124,704</u>
Less accumulated depreciation for				
Machinery and equipment	(22,770)	(6,795)		(29,565)
Vehicles	(20,389)			(20,389)
Total accumulated depreciation	<u>(43,159)</u>	<u>(6,795)</u>		<u>(49,954)</u>
Governmental activities capital assets, net	<u>\$</u>	<u>\$ 74,750</u>	<u>\$</u>	<u>\$ 74,750</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 \$337,100 and reimbursed dedicated personnel expenditures of \$185,192 for the year ended December 31, 2023. The fixed interlocal cost of \$337,100 is paid by the General fund in the amount of \$302,200 and the Water Conservation Program fund in the amount of \$34,900. The reimbursed dedicated personnel expenditures are paid solely by the General fund.

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 \$38.00 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, 2023
with Comparative Actual Information for the Year Ended December 31, 2022

	Final Budget	2023 Actual	Variance Positive (Negative)	2022 Actual
Revenues				
Permit fees, net				
Permit fees	\$ 753,000	\$ 878,601	\$ 125,601	\$ 869,164
Permit fee refunds		(42,029)	(42,029)	(105,162)
	<u>753,000</u>	<u>836,572</u>	<u>83,572</u>	<u>764,002</u>
Application fees, net				
Application fees	83,000	71,175	(11,825)	80,667
Emergency approval fees		14,500	14,500	7,000
Application fee refunds		(75)	(75)	(200)
	<u>83,000</u>	<u>85,600</u>	<u>2,600</u>	<u>87,467</u>
Compromise and settlements	<u>35,000</u>	<u>26,316</u>	<u>(8,684)</u>	<u>44,763</u>
Interest Revenue	<u>12,500</u>	<u>61,574</u>	<u>49,074</u>	<u>9,751</u>
Total Revenues	<u>\$ 883,500</u>	<u>\$ 1,010,062</u>	<u>\$ 126,562</u>	<u>\$ 905,983</u>

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

Exhibit 8
Page 2 of 2

GENERAL FUND

For the Year Ended December 31, 2023

with Comparative Actual Information for the Year Ended December 31, 2022

	Final Budget	2023 Actual	Variance Positive (Negative)	2022 Actual
Expenditures				
Interlocal agreement	\$ 302,200	\$ 302,200	\$	\$ 256,600
Personnel	366,000	185,192	180,808	181,494
Board of directors				
Director per diem	41,000	30,900	10,100	38,700
Board travel and expense	6,800	4,135	2,665	4,072
Board FICA	2,900	2,364	536	2,961
	<u>50,700</u>	<u>37,399</u>	<u>13,301</u>	<u>45,733</u>
Supplies				
Membership/Dues/Subscriptions	4,000	4,779	(779)	4,665
Conferences and meetings	3,000	1,963	1,037	990
Insurance and bonds	5,100	3,628	1,472	3,182
Office supplies	2,500	3,303	(803)	3,252
Postage and mail	5,500	5,778	(278)	5,374
Office equipment and maintenance	7,500	7,169	331	7,159
Transportation	8,750	6,731	2,019	9,479
Legal notices	5,000	2,909	2,091	2,922
Miscellaneous supplies and equipment	2,000	1,696	304	378
Computer software and support	3,000	2,448	552	417
	<u>46,350</u>	<u>40,404</u>	<u>5,946</u>	<u>37,818</u>
Building and operations				
Telephone	5,000	4,070	930	3,905
Rent	3,000	3,000		3,000
	<u>8,000</u>	<u>7,070</u>	<u>930</u>	<u>6,905</u>
Contract services				
Legal	18,500	17,541	959	18,366
Legislative Affairs	26,500	22,100	4,400	26,500
Management Services	1,500	2,238	(738)	1,340
Audit	11,000	11,000		10,250
USGS - data collection	40,090	40,090		40,090
Regulatory Plan Consulting	111,500	106,280	5,220	108,252
GPS Project - Releveling	110,000	94,801	15,199	7,473
Hearing Examiner	6,000	6,000		6,000
Consultant Contract	62,000		62,000	12,000
Grants and scholarships	2,000	2,000		
Bad debt expense		9,630	(9,630)	
	<u>389,090</u>	<u>311,680</u>	<u>77,410</u>	<u>230,271</u>
Total Expenditures	<u>\$ 1,162,340</u>	<u>\$ 883,945</u>	<u>\$ 278,395</u>	<u>\$ 758,821</u>
Change in fund balances	(278,840)	126,117	404,957	147,162
Fund balances at beginning of year	<u>2,358,835</u>	<u>2,358,835</u>		<u>2,211,673</u>
Fund balances at end of year	<u>\$ 2,079,995</u>	<u>\$ 2,484,952</u>	<u>\$ 404,957</u>	<u>\$ 2,358,835</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 2023.