

**MINUTES
HARRIS-GALVESTON SUBSIDENCE DISTRICT
REGULAR MEETING
OF THE BOARD OF DIRECTORS
April 12, 2017
10:00 A.M.**

MEMBERS OF THE BOARD PRESENT: Susan Baird, Edgar Barlow, Chris Canonico, Pete Côte, James Edwards, Joe Goins, Alberto Gonzalez, Don Johnson, Bill Latimer, Lindall Murff, Alan Petrov, Pam Puckett, Kathy Rogers, Dennis Sander, Kyle Sears, Linn Smyth, and Shaun Theriot-Smith

MEMBERS OF THE BOARD ABSENT: Jason Hayley and Ken Hufstetler

PRESIDING: Alan Petrov, Chairman

Chairman Petrov called the meeting to order at 10:06 a.m. in the Boardroom of the District office and announced the presence of a quorum.

PUBLIC COMMENTS

1. None

ADMINISTER OATH OF OFFICE

2. Ms. Helen Stewart Truscott administered the Oath of Office to Mr. Edgar Barlow and Mr. Shaun Theriot-Smith.

APPROVAL OF THE MINUTES OF THE REGULAR BOARD MEETING

4. Ms. Smyth moved that the minutes of the regular meeting of March 8, 2017, be approved; it was seconded by Ms. Puckett. Chairman Petrov put the question and, after the vote, announced the motion carried.

HEARING EXAMINERS REPORT

5. Ms. Helen Stewart Truscott presented the Hearing Examiner's Report for March 2017, including the testimony and findings for MME Interests.
 - 5.1. Ms. Rogers moved to accept the Hearing Examiner's recommendations; it was seconded by Mr. Gonzalez. Chairman Petrov put the question and after the vote, announced the motion carried. Mr. Sander abstained as to Southwest Harris County MUD 1.

EMERGENCY PERMITS

6. The Board considered the General Manager's actions in granting emergency permits to Ben's Construction, Gustavo Campuzano, CEMEX Construction Materials Houston, L.L.C., Corporate Statue Realty, L.L.C., Gulf Coast Stabilized Materials, L.L.C., Nanaksar Satsang Sabha, Inc., Roberts Development, Arnold Rodriguez, Rush Truck Center of Houston and Connie Villanueva. No appeals were filed and no motions were made to reconsider the actions taken by the General Manager.

CONSIDER A RECOMMENDATION FROM THE FINANCE COMMITTEE TO ACCEPT THE ANNUAL FINANCIAL AUDIT FOR THE FISCAL YEAR ENDING DECEMBER 31, 2016

7. Mr. Turco stated that annually the District engages a third party firm to conduct a financial audit of the District's previous year end financial report, and that staff develops the Annual Financial Audit Report. He then called on the District's Administrative Officer to present a summary of that Report.
 - 7.1. Daniel Newcomb presented a summary of the 2017 Annual Financial Audit for the calendar year ending December 31, 2016 and took questions from the Board.
 - 7.2. Mr. Goins moved to accept the Annual Audit. It was seconded by Mr. Latimer.
 - 7.3. Following Board discussion, Mr. Canonico called for the question; it was seconded by Ms. Puckett. Chairman Petrov put the question and, after the vote, announced the motion carried. (Yea-13 Nay-4 Petrov, Sears, Johnson, and Rogers).
 - 7.4. Chairman Petrov put the question and, after the vote, announced the motion carried unopposed.

CONSIDER A TRADEMARK LICENSING AGREEMENT WITH THE NORTH FORT BEND WATER AUTHORITY FOR THE WATER CONSERVATION PROGRAM

8. Mr. Turco stated that the Water Conservation Committee met recently and was given an overview of the status of the Water Conservation Program, including the start-up of the outdoor irrigation program. The North Fort Bend Water Authority has developed an informational program to promote water conservation, which includes a "mascot" named Larry the Talking Sprinkler Head. By using a Trademark Licensing Agreement with the North Fort Bend Water Authority, the District would be able to use "Larry" and the media materials that support "Larry" for their outdoor irrigation campaign. The cost to the District for this agreement is \$5,000 for the initial one year term, funded by the Conservation Program Fund, and renews automatically in one year increments. The Water Conservation Committee voted unanimously to recommend this agreement to the Board.
 - 8.1. Ms. Smyth moved to approve the Trademark Licensing Agreement; it was seconded by Mr. Murff. Chairman Petrov put the question and after the vote, announced the motion

ITEM D

carried unanimously.

GENERAL MANAGER'S REPORT

9. Mr. Turco submitted the General Manager's Report.

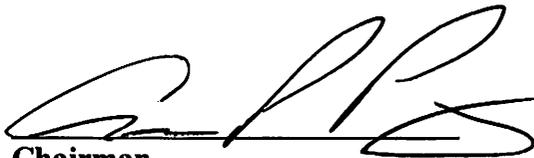
(The General Manager's Report is in full in the official records of the Harris-Galveston Subsidence District as part of the Board's Agenda Packet for this meeting.)

LEGAL MATTERS

10. Mr. Ellis updated the Board on current items before the 85th Texas Legislature and the status of *City of Conroe et al. vs. Lone Star Groundwater Conservation District*.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, THE MEETING WAS ADJOURNED AT 11:00 A.M.

BY:



Chairman

ATTEST:



Secretary

**HARRIS-GALVESTON
SUBSIDENCE DISTRICT**

Annual Financial Report

Year Ended December 31, 2016

HARRIS-GALVESTON SUBSIDENCE DISTRICT
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Independent Auditor's Report

To the Board of Directors
Harris-Galveston Subsidence District
Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris-Galveston Subsidence District ("the District") as of and for the year ended December 31, 2016, 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
Harris-Galveston 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, 2016, 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 on pages 5 - 10 and the general fund budgetary comparison information on pages 30 - 33 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

March 28, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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HARRIS-GALVESTON SUBSIDENCE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Harris-Galveston Subsidence District, we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the Harris-Galveston Subsidence District for the fiscal year ended December 31, 2016.

Financial Highlights

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Harris-Galveston 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 required 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 Harris-Galveston 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 District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The government-wide financial statements can be found on pages 12 through 13 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 Harris-Galveston 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.

HARRIS-GALVESTON 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 fiscal 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.

The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

Government-wide Financial Analysis

The assets of the Harris-Galveston Subsidence District exceeded its liabilities at the close of the most recent fiscal year by \$7.05 million (Net Position). Of this amount, \$5.62 million (unrestricted net position) may be used to meet the ongoing obligations to creditors.

HARRIS-GALVESTON SUBSIDENCE DISTRICT
Schedule of Net Position
December 31, 2016 and 2015

Table A-1

	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 6,667,533	\$ 6,891,664
Capital assets	1,339,860	1,039,681
Total Assets	<u>8,007,393</u>	<u>7,931,345</u>
Long-term liabilities	18,689	24,392
Other liabilities	940,733	759,844
Total Liabilities	<u>959,422</u>	<u>784,236</u>
Net Position		
Investment in capital assets	1,339,860	1,039,681
Restricted	92,500	249,264
Unrestricted	5,615,611	5,858,164
Total Net Position	<u>\$ 7,047,971</u>	<u>\$ 7,147,109</u>

HARRIS-GALVESTON SUBSIDENCE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The District's net position decreased by \$99 thousand during the current fiscal year. The following table summarizes the changes in net position for the District for the year ended December 31, 2016 and 2015:

HARRIS-GALVESTON SUBSIDENCE DISTRICT
Schedule of Changes in Net Position
For the years ended December 31, 2016 and 2015

Table A-2

	<u>2016</u>	<u>2015</u>
Revenues		
Program Revenues (Charges for Services):		
Groundwater management	\$ 2,737,781	3,038,173
Science and research	363,464	452,652
Water conservation program	1,420,142	2,257,295
General revenues:		
Unrestricted investment earnings	7,748	4,822
Miscellaneous	52,005	84,728
Total Revenues	<u>4,581,140</u>	<u>5,837,670</u>
Expenses		
Groundwater management	3,118,135	2,914,261
Science and research	90,425	
Water conservation program	1,471,718	2,009,511
Total Expenses	<u>4,680,278</u>	<u>4,923,772</u>
Change in Net Position	(99,138)	913,898
Net Position, beginning of year	<u>7,147,109</u>	<u>6,233,211</u>
Net Position, end of year	<u>\$ 7,047,971</u>	<u>\$ 7,147,109</u>

Governmental Activities. A comparison of program expenses to program revenues and revenues by source for governmental activities follows:

HARRIS-GALVESTON SUBSIDENCE DISTRICT
EXPENSES, PROGRAM REVENUES AND NET COST OF SERVICES -
GOVERNMENTAL ACTIVITIES
For the years ended December 31, 2016 and 2015

Table A-3

Functions/Programs	<u>Expenses</u>	<u>Program Revenue Charges for Services</u>	<u>2016 Net Revenue (Cost) of Services</u>	<u>2015 Net Revenue (Cost) of Services</u>
Groundwater management	\$ 3,118,135	\$ 2,737,781	\$ (380,354)	\$ 123,912
Science and research	90,425	363,464	273,039	452,652
Water conservation program	1,471,718	1,420,142	(51,576)	247,784
	<u>\$ 4,680,278</u>	<u>\$ 4,521,387</u>	<u>\$ (158,891)</u>	<u>\$ 824,348</u>

HARRIS-GALVESTON SUBSIDENCE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Revenue sources for governmental activities were distributed as follows:

HARRIS-GALVESTON SUBSIDENCE DISTRICT
REVENUES BY SOURCE - GOVERNMENTAL
ACTIVITIES
For the year ended December 31, 2016

Table A-4

	<u>Dollars</u>	<u>Percentage</u>
Charges for services	\$ 4,521,387	98.70%
Unrestricted investment earnings	7,748	0.17%
Miscellaneous	52,005	1.14%
	<u>\$ 4,581,140</u>	<u>100%</u>

Financial Analysis of 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 Harris-Galveston Subsidence District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$5.73 million, a decrease of \$405 thousand from the prior year. The decrease in fund balance in the general fund was due in part to the completion of a remodel of the District's office building.

The General Fund is the chief operating fund of Harris-Galveston Subsidence District. At the end of the current fiscal year the fund balance of the General Fund was \$3.50 million.

General Fund Budgetary Highlights

The adopted budget for fiscal year 2016 set general fund revenues at \$3.12 million, a \$7 thousand decrease from 2015 actual revenues. Budgeted expenditures in 2016 were set at \$3.87 million, a \$755 thousand increase from 2015 actual.

During the year 2016, actual revenues were less than budgeted by \$326 thousand. This is due in part to actual permit fee revenues being less than budgeted as multiple permittees were consolidated into regional water authorities.

Total expenditures in 2016 were under budget by \$449 thousand. This is due in part to a project budgeted in 2016 which will extend into 2017 and 2018. The development of the permit tracking system was negotiated to be completed in 2018, as the discovery phase was completed in 2016 with development and implementation phases to be conducted over the next two years.

HARRIS-GALVESTON SUBSIDENCE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Capital Asset Administration

Capital Assets. Harris-Galveston Subsidence District's investment in capital assets for its governmental activities, as of December 31, 2016, amounts to \$1,339,860 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, machinery, vehicles, office equipment, and furniture. The total increase in the District's investment in capital assets, for the current fiscal year, was approximately 29% percent.

A summary of capital assets, as of December 31, 2016 and 2015, is as follows:

HARRIS-GALVESTON SUBSIDENCE DISTRICT *Table A-5*
CAPITAL ASSETS, NET OF DEPRECIATION WHERE
APPLICABLE
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Land	\$ 225,632	\$ 225,632
Construction in progress		261,033
Intangible assets, software	76,377	126,280
Buildings and improvements	842,413	295,483
Equipment and furniture	139,974	96,794
Vehicles	55,464	34,459
	<u>\$ 1,339,860</u>	<u>\$ 1,039,681</u>

Major capital asset events during the current fiscal year included the remodeling of the District's office building.

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

Economic Factors and Next Year's Budgets and Rates

On December 14, 2016, the District adopted its 2017 budget, which represents an increase in revenues of 9% and a decrease in expenditures of 14% when compared to the 2016 approved budget.

District billing rates for the 2017 fiscal year increased when compared with the rates established in the prior year. An increase of 10% was applied to the permit fee rate and new well application fee, while a 20% increase was applied to the renewal well application fee and the disincentive fee rate.

Below is a comparison of the 2017 budget with 2016 actual revenues and expenditures:

HARRIS-GALVESTON SUBSIDENCE DISTRICT *Table A-6*
General Fund Budget (in thousands)

	2016 Actual	2017 Budget	Increase (Decrease)
Revenues	\$ 2,794	\$ 3,409	22%
Expenditures	3,424	3,348	(2%)
Revenues over expenditures	<u>\$ (630)</u>	<u>\$ 61</u>	

HARRIS-GALVESTON SUBSIDENCE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Requests for Information

This financial report is designed to provide a general overview of the Harris-Galveston 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.

FINANCIAL SECTION

HARRIS-GALVESTON SUBSIDENCE DISTRICT
STATEMENT OF NET POSITION
December 31, 2016

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,259,744
Certificates of deposit	4,000,000
Receivables, net of allowance for doubtful accounts	407,789
Capital assets, net of depreciation/amortization where applicable:	
Land and improvements	225,632
Intangible assets, software	76,377
Buildings and improvements	842,413
Equipment and furniture	139,974
Vehicles	55,464
Total capital assets	<u>1,339,860</u>
Total Assets	<u>8,007,393</u>
Liabilities	
Accounts payable and accrued expenses	803,354
Unearned revenues	137,379
Long-term liabilities:	
Due in more than one year	18,689
Total Liabilities	<u>959,422</u>
Net Position	
Investment in capital assets	1,339,860
Restricted for water conservation program	92,500
Unrestricted	5,615,611
Total Net Position	<u>\$ 7,047,971</u>

See accompanying Notes to Financial Statements.

HARRIS-GALVESTON SUBSIDENCE DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenue Charges for Services	Net (Expense) Revenue and Changes in Net Position
Primary government			
Governmental Activities:			
Groundwater management	\$ 3,118,135	\$ 2,737,781	\$ (380,354)
Science and research	90,425	363,464	273,039
Water conservation program	1,471,718	1,420,142	(51,576)
Total governmental activities	\$ 4,680,278	\$ 4,521,387	(158,891)
		General Revenues:	
		Unrestricted investment earnings	7,748
		Miscellaneous income	52,005
		Total general revenues	59,753
		Change in Net Position	(99,138)
		Net Position - beginning	7,147,109
		Net Position - ending	\$ 7,047,971

See accompanying Notes to Financial Statements.

HARRIS-GALVESTON SUBSIDENCE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2016

	General	Water Conservation Program	Science and Research	Total
Assets				
Cash and cash equivalents	\$ 202,683	\$ 604,613	\$ 1,452,448	\$ 2,259,744
Certificates of deposit	3,400,000		600,000	4,000,000
Receivables, net of allowance for doubtful accounts	150,604	74,800	182,385	407,789
Total Assets	\$ 3,753,287	\$ 679,413	\$ 2,234,833	\$ 6,667,533
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued expenditures	\$ 135,816	\$ 586,913	\$ 80,625	\$ 803,354
Unearned revenue	114,022		23,357	137,379
Total Liabilities	249,838	586,913	103,982	940,733
Fund Balances:				
Restricted for water conservation program	\$	\$ 92,500	\$	\$ 92,500
Committed for science and research			2,130,851	2,130,851
Unassigned	3,503,449			3,503,449
Total Fund Balances	3,503,449	92,500	2,130,851	5,726,800
Total Liabilities and Fund Balances	\$ 3,753,287	\$ 679,413	\$ 2,234,833	\$ 6,667,533

See accompanying Notes to Financial Statements.

HARRIS-GALVESTON SUBSIDENCE DISTRICT

***RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION***

December 31, 2016

Total fund balances, governmental funds \$ 5,726,800

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 the fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 1,339,860

Long-term liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

Compensated Absences (18,689)

Net Position of Governmental Activities in the Statement of Net Position \$ 7,047,971

See accompanying Notes to Financial Statements.

HARRIS-GALVESTON SUBSIDENCE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	<u>General</u>	<u>Water Conservation Program</u>	<u>Science and Research</u>	<u>Total</u>
Revenues				
Permit fees, net of refunds	\$ 1,797,684	\$	\$	\$ 1,797,684
Application fees, net of refunds	395,700			395,700
Compromise and settlement	161,903		78,825	240,728
Interlocal agreement	382,494			382,494
Water conservation program		1,420,142		1,420,142
Disincentive fee			284,639	284,639
Interest	3,767	913	3,068	7,748
Other	52,005			52,005
Total Revenues	<u>2,793,553</u>	<u>1,421,055</u>	<u>366,532</u>	<u>4,581,140</u>
Expenditures				
Current:				
Personnel	1,685,583			1,685,583
Board of directors	111,239			111,239
Office supplies	221,163	1,745		222,908
Information and education	30,747	1,445,195		1,475,942
Building operations	97,210			97,210
Transportation	29,496	2,834		32,330
Contract services	804,805	4,500	90,425	899,730
Capital Outlay	<u>443,774</u>	<u>17,444</u>		<u>461,218</u>
Total Expenditures	<u>3,424,017</u>	<u>1,471,718</u>	<u>90,425</u>	<u>4,986,160</u>
Revenues Over (Under) Expenditures	(630,464)	(50,663)	276,107	(405,020)
Other Financing Sources (Uses)				
Transfers In	106,101			106,101
Transfers Out		(106,101)		(106,101)
Total other financing sources and uses	<u>106,101</u>	<u>(106,101)</u>		
Net change in fund balance	(524,363)	(156,764)	276,107	(405,020)
Fund balances at beginning of year	<u>4,027,812</u>	<u>249,264</u>	<u>1,854,744</u>	<u>6,131,820</u>
Fund Balances at end of year	<u>\$ 3,503,449</u>	<u>\$ 92,500</u>	<u>\$ 2,130,851</u>	<u>\$ 5,726,800</u>

See accompanying Notes to Financial Statements.

HARRIS-GALVESTON 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, 2016

Net change in fund balances - total governmental funds: \$ (405,020)

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.

Capital outlay in the current period	461,218
Depreciation in the current period	(161,039)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued compensated absences	<u>5,703</u>
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Change in Net Position of governmental activities	<u><u>\$ (99,138)</u></u>
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See accompanying Notes to Financial Statements.

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HARRIS-GALVESTON SUBSIDENCE DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The District was created by a special act of the Texas Legislature under Article 16, Section 59 of the Texas Constitution (the “Act”). The Act provides that the District is responsible for the regulation of the withdrawal of groundwater within the boundaries of Harris and Galveston Counties 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 basic 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 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 financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The governmental accounting standards board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District’s significant accounting policies are described in the following notes.

HARRIS-GALVESTON SUBSIDENCE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

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 Activities) 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.

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 fiscal period.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

The *General Fund* is used to account for all financial transactions that are not accounted for in another fund. The principal source of revenue of the General Fund is permit fees, net of refunds. Expenditures are for general government purposes.

The *Water Conservation Fund* accounts for revenue sources that are restricted to expenditures for interlocal agreements with business and governmental entities which participate in the water conservation project.

The *Science and Research Fund* accounts for a disincentive fee applied to permitted groundwater withdrawals that exceed designated percentages of a permit holders' total water demand for permit holders who fail to meet the regulatory requirements in Regulatory Areas 1, 2 and 3. The funds will be used to support subsidence related projects aimed to minimize subsidence and ensure the long term viability of all the water resources within the District, as outlined in the Science and Research Plan.

HARRIS-GALVESTON SUBSIDENCE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

D. Cash and temporary investments (Cash Equivalents)

The District’s cash and temporary investments consist of petty cash, checking account and amounts in demand deposits and short-term investments with a maturity date within one year 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.

E. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

F. Due to and from Other Funds

Interfund receivables and payables that arise from interfund transactions are recorded by all funds affected in the period in which the transactions are executed.

G. Capital Assets

Capital assets are reported in the governmental activities column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of \$5,000 or more 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. Capital assets are depreciated over their remaining useful lives using the straight-line method as follows:

Asset	Useful Life
Buildings	20-50 years
Machinery and Equipment	4-10 years
Intangible Assets	5 years

H. Unearned Revenues

Unearned revenues include prepaid permit fees and permit fees assessed for the 2017 fiscal year end.

I. Compensated Absences

Employees earn vacation based on years of service with the District and may accumulate unused time up to a maximum of 40 to 80 hours. In accordance with GAAP, the liability for accumulated vacation, as of December 31, 2016, has been recorded as a liability in the Government-Wide Statement of Net Position.

HARRIS-GALVESTON SUBSIDENCE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

J. Fund Balance Flow Assumptions

The District's governmental 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.
- Committed – amounts that can be set aside for a specific purpose by formal action taken by the Board.
- Assigned – amounts that can be intended for a specific purpose that do not meet the definition of committed or restricted. Per the Board policy, amounts can be authorized by the General Manager.
- Unassigned – includes amounts that have not been assigned to 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. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual amounts could vary from those estimates.

M. Prepaid Items

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

HARRIS-GALVESTON SUBSIDENCE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Cash and Temporary Investments

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

At December 31, 2016, cash and temporary investments consisted of the following:

	<u>Governmental Activities</u>	<u>W.A.M.</u>	<u>Percentage of Total Deposits</u>
Cash			
Checking accounts	\$ 2,259,384		36.09%
Petty Cash	360		0.01%
Total Cash	<u>2,259,744</u>		<u>36.10%</u>
Investments			
Certificates of Deposits	4,000,000	5.6	63.90%
Total Investments	<u>4,000,000</u>		<u>63.90%</u>
Total Cash and Investments	<u>\$ 6,259,744</u>		<u>100.00%</u>

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, 2016, 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, 2016 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, 2016 were \$6,259,744.

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 one year or less. All of the District's time deposits at December 31, 2016 will mature within the next year.

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, 2016, 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, 2016, time deposits made up approximately 64% of the District's cash and temporary investments.

HARRIS-GALVESTON SUBSIDENCE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 3 – Receivables

Amounts recorded as receivables as of December 31, 2016, for the government’s individual major funds, including the applicable allowance for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water Conservation Program</u>	<u>Science and Research</u>	<u>Total</u>
Receivables				
Permit fees	\$ 88,728	\$	\$ 154,270	\$ 242,998
Compromise and settlement	65,090		592,918	658,008
Water conservation program		74,800		74,800
Accrued interest	1,321		197	1,518
Other	542			542
Gross Receivables	<u>155,681</u>	<u>74,800</u>	<u>747,385</u>	<u>977,866</u>
Less: Allowance for doubtful accounts	<u>(5,077)</u>		<u>(565,000)</u>	<u>(570,077)</u>
Net Receivables	<u>\$ 150,604</u>	<u>\$ 74,800</u>	<u>\$ 182,385</u>	<u>\$ 407,789</u>

As of December 31, 2016, an allowance of \$5,077 has been recorded for compromise and settlement permit fee receivables in the General Fund. An allowance of \$545,000 and \$20,000 has been recorded in the Science and Research Fund for disincentive permit fee receivables and disincentive compromise and settlement fee receivables, respectively.

HARRIS-GALVESTON SUBSIDENCE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

Note 4 - Capital Assets

A summary of activity for capital assets, for the year ended December 31, 2016, follows:

	Balance 12/31/2015	Additions / Reclassifications	Retirements / Reclassifications	Balance 12/31/2016
Capital assets not being depreciated				
Land	\$ 225,632	\$	\$	\$ 225,632
Construction in progress	261,033	329,589	(590,622)	
Total capital assets not being depreciated	486,665	329,589	(590,622)	225,632
Intangible assets being amortized				
Software	255,077			255,077
Capital assets being depreciated				
Buildings	793,216	590,622		1,383,838
Machinery and equipment	1,420,328	17,444		1,437,772
Office equipment and furniture	292,846	73,647		366,493
Vehicles	105,659	40,538	(45,511)	100,686
Total capital assets/intangibles being depreciated	2,867,126	722,251	(45,511)	3,543,866
Accumulated amortization				
Software	(128,797)	(49,903)		(178,700)
Accumulated depreciation				
Buildings	(497,733)	(43,692)		(541,425)
Machinery and equipment	(1,409,794)	(8,355)		(1,418,149)
Office equipment and furniture	(206,586)	(39,556)		(246,142)
Vehicles	(71,200)	(19,533)	45,511	(45,222)
Total accumulated depreciation/amortization	(2,314,110)	(161,039)	45,511	(2,429,638)
Total capital assets being depreciated, net	553,016	561,212		1,114,228
Total capital assets, net	\$ 1,039,681	\$ 890,801	\$ (590,622)	\$ 1,339,860

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

Note 5 - Compensated Absences

A liability for earned but unused vacation as of December 31, 2016, for \$18,689 has been recorded in the statement of net position. Compensated absences are liquidated by the general fund. A summary of the change in compensated absences for the period ended December 31, 2016, follows:

Balance, beginning of year	\$ 24,392
Addition	3,225
Reduction	(8,928)
Balance, end of year	\$ 18,689

HARRIS-GALVESTON SUBSIDENCE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

Note 6 - Pension Plan

The District has established the Harris-Galveston Subsidence District Qualified Pension Plan 401(a) (the "Plan"). The Plan covers all employees and board members. The Board of Directors appointed the International City/County Management Association-Retirement Corporation (ICMA-RC) to serve as Plan Administrator and trustee. All employees are eligible to participate in the Plan upon employment. All board members are eligible to participate in the Plan upon appointment to the board.

The Plan provides for a minimum District contribution of 15% of total current covered payroll. Contributions are funded twice a month. Under the terms of the Plan, active participants, as of August 1, 1996, are 100% vested. Participants eligible, after August 1, 1996, become 100% vested on the fifth anniversary of employment. Participants are eligible for payment of benefits upon reaching age 65, becoming disabled or separating from service for any other reason. Benefits are distributed in accordance with the instructions of the participants.

At December 31, 2016, all of the District's employees and board members were members of the Plan. Non-vested contributions are immaterial to total contributions at December 31, 2016. Vested contributions are solely the possession of participating employees.

At December 31, 2016, the total plan assets were \$4,920,723. The assets belong to the Plan and are not included in the financial statements of the District. The assets are self-directed by participants into available investments and were allocated as follows as of year-end:

	Balance	Percent of Assets
Stable Value/Money Market Funds	\$ 670,630	14%
Bond Funds	142,163	3%
Balanced Funds	1,500,127	30%
U.S. Stock Funds	2,536,090	52%
International Stock Funds & Specialty	71,713	1%
	<u>\$ 4,920,723</u>	<u>100%</u>

Total current payroll expenditures for employee salaries and board member per diem was \$1,237,908 and \$49,800 respectively for the year ended December 31, 2016, all of which was covered under the Plan. District contributions to the Plan, for the year ended December 31, 2016 were \$193,156 which represents the required District contribution of 15 percent. In addition, as of December 31, 2016, the Plan forfeiture account amounted to \$5,043.

Note 7 - Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all employees upon employment, and permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan is administered by ICMA-RC.

HARRIS-GALVESTON SUBSIDENCE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Retirement Health Savings Plan

The District offers a Retirement Health Savings Plan (RHS Plan) to provide reasonable security for health needs during retirement. The plan was established on November 8, 2000, by the Board of Directors. Full time employees who are not eligible for retirement health benefits under the District's employee benefit plan are eligible for the retirement health savings plan. Employees are eligible for participation after one year of service. At December 31, 2016, the District had 19 employees, with 16 eligible and participating in the plan.

The RHS Plan provides for a District contribution of \$1,500 plus 1% of previous year's pay for the plan year. The District will also contribute any accrued vacation in excess of two weeks (up to 80 hours) that remains unused at the end of the year. Under the RHS Plan, an employee will be 100% vested on the fifth anniversary of plan participation. A participant is eligible to receive benefits at retirement age of 62.

District contributions to the plan, for the year ended December 31, 2016, were \$42,087, which includes the District's required contribution as well as additional contributions for unused vacation hours.

Note 9 - Risk Management

The District is exposed to various risks related to torts: theft of, damage to and destruction of assets; errors and omissions and natural 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 three fiscal years. There has not been any significant reduction in insurance coverage from that of the previous year.

Note 10 - Health Insurance

Employees of the District are covered by a fully insured health care plan. In the current year, the District covered the health insurance premium at a rate of 80 - 90% based on the coverage plan elected with the employee covering the remaining 10 - 20% of the annual premium.

HARRIS-GALVESTON SUBSIDENCE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

Note 11 - Interlocal Agreements

Fort Bend Subsidence District Administration

In September 1989, the Fort Bend Subsidence District (FBSD) was established by Article 16, Section 59 of the Texas Constitution. FBSD is an autonomous legal entity that is responsible for the regulation of ground water withdrawal in Fort Bend County. Pursuant to an interlocal agreement between the FBSD and the District, the District is responsible for performing substantially all of the administrative functions associated with the conduct of FBSD's operations. Accordingly, the District provides FBSD with personnel, research services and billing services.

In exchange for these services, FBSD paid the District \$267,400 and reimbursed expenditures of \$115,094 for the year ended December 31, 2016.

Water Conservation Project

The District has entered into interlocal agreements with local businesses and governmental entities to participate in a water conservation project. 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 \$35.40 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.

The amount reported as restricted at December 31, 2016 is for the water conservation project due to contractual obligations related to the sponsor interlocal agreement.

REQUIRED SUPPLEMENTARY INFORMATION

HARRIS-GALVESTON SUBSIDENCE DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - (GAAP BASIS)
 GENERAL FUND
 For the Year Ended December 31, 2016
 with Comparative Actual Information for the Year Ended December 31, 2015

	2016			Final Budget vs. Actual	2015
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues					
Permit fees, net:					
Permit fees	\$ 2,139,000	\$ 2,139,000	\$ 1,840,241	\$ (298,759)	\$ 2,150,757
Permit fee refunds			(42,557)	(42,557)	(8,956)
	<u>2,139,000</u>	<u>2,139,000</u>	<u>1,797,684</u>	<u>(341,316)</u>	<u>2,141,801</u>
Application fees, net:					
Application fees	375,000	375,000	366,725	(8,275)	367,970
Emergency approval fees			30,500	30,500	29,700
Application fee refunds			(1,525)	(1,525)	(175)
	<u>375,000</u>	<u>375,000</u>	<u>395,700</u>	<u>20,700</u>	<u>397,495</u>
Compromise and settlements:					
Compromise and settlements	175,000	175,000	161,903	(13,097)	158,633
	<u>175,000</u>	<u>175,000</u>	<u>161,903</u>	<u>(13,097)</u>	<u>158,633</u>
Interlocal agreement	<u>408,000</u>	<u>408,000</u>	<u>382,494</u>	<u>(25,506)</u>	<u>340,244</u>
Interest revenue	<u>2,000</u>	<u>2,000</u>	<u>3,767</u>	<u>1,767</u>	<u>3,886</u>
Other:					
Miscellaneous	1,000	1,000	17,714	16,714	7,150
Miscellaneous legal revenue	20,000	20,000	34,291	14,291	77,578
	<u>21,000</u>	<u>21,000</u>	<u>52,005</u>	<u>31,005</u>	<u>84,728</u>
Total Revenues	<u>3,120,000</u>	<u>3,120,000</u>	<u>2,793,553</u>	<u>(326,447)</u>	<u>3,126,787</u>

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

GENERAL FUND

For the Year Ended December 31, 2016

with Comparative Actual Information for the Year Ended December 31, 2015

	2016			Final Budget vs. Actual	2015
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
Expenditures					
Personnel					
Salaries	\$ 1,315,490	\$ 1,315,490	\$ 1,237,908	\$ 77,582	\$ 1,190,915
Retirement	191,576	191,576	185,686	5,890	178,637
Group health insurance	240,778	240,778	185,086	55,692	166,557
Retirement health system	42,022	42,022	42,087	(65)	40,452
Life insurance	9,005	9,005	7,624	1,381	7,217
Disability insurance	6,130	6,130	5,636	494	5,392
Medicare - employer	18,519	18,519	15,035	3,484	14,406
Workers' compensation insurance	9,433	9,433	6,521	2,912	4,886
	<u>1,832,953</u>	<u>1,832,953</u>	<u>1,685,583</u>	<u>147,370</u>	<u>1,608,462</u>
Board of directors					
Member per diem	55,000	55,000	49,800	5,200	52,050
Board travel	17,500	17,500	9,521	7,979	8,460
Office and director liability insurance	8,500	8,500	6,000	2,500	7,357
Board FICA	750	750	723	27	755
Board retirement	8,200	8,200	7,470	730	7,808
Other	43,000	43,000	37,725	5,275	37,372
	<u>132,950</u>	<u>132,950</u>	<u>111,239</u>	<u>21,711</u>	<u>113,802</u>
Office supplies					
Supplies	18,000	18,000	11,758	6,242	13,010
Mail and postage	25,000	25,000	24,821	179	22,024
Equipment repair and upgrade	18,000	18,000	12,557	5,443	32,067
Computer software	38,430	38,430	26,862	11,568	33,020
Telephone	49,000	49,000	37,130	11,870	43,974
Legal notices	77,000	77,000	73,937	3,063	76,874
Surety bonds	500	500	404	96	404
Equipment rental	24,000	24,000	26,426	(2,426)	23,401
Miscellaneous supplies and equipment	9,000	9,000	7,268	1,732	7,288
	<u>258,930</u>	<u>258,930</u>	<u>221,163</u>	<u>37,767</u>	<u>252,062</u>
Information and education					
Memberships, dues and subscriptions	8,500	8,500	8,677	(177)	5,128
Conference and meetings	15,500	15,500	7,118	8,382	9,030
Travel	15,000	15,000	6,543	8,457	15,582
Printing and publications					289
Employee training	3,600	8,100	8,409	(309)	923
	<u>42,600</u>	<u>47,100</u>	<u>30,747</u>	<u>16,353</u>	<u>30,952</u>

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

For the Year Ended December 31, 2016

with Comparative Actual Information for the Year Ended December 31, 2015

	2016			Final Budget vs. Actual	2015
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
Building operations					
Utilities	\$ 35,000	\$ 35,000	\$ 36,776	\$ (1,776)	\$ 32,254
Insurance	10,000	10,000	6,259	3,741	7,487
Janitorial	11,700	11,700	11,700		11,700
Building maintenance	36,485	36,485	35,483	1,002	34,698
Grounds maintenance	7,590	7,590	6,992	598	5,157
	<u>100,775</u>	<u>100,775</u>	<u>97,210</u>	<u>3,565</u>	<u>91,296</u>
Transportation					
Operating supplies	12,000	12,000	11,240	760	7,462
Vehicle maintenance	7,500	7,500	2,745	4,755	5,093
Tolls, parking and miscellaneous	4,000	4,000	5,906	(1,906)	5,557
Vehicle insurance	6,000	6,000	4,420	1,580	4,587
Mileage allowances	12,000	12,000	5,185	6,815	6,452
	<u>41,500</u>	<u>41,500</u>	<u>29,496</u>	<u>12,004</u>	<u>29,151</u>
Contract services					
Audit	20,000	20,000	17,420	2,580	18,634
USGS - studies	315,000	315,000	304,200	10,800	284,700
Legal	169,500	169,500	170,796	(1,296)	173,504
Engineering fees	358,000	358,000	223,739	134,261	101,478
Management services	65,000	48,800	42,977	5,823	25,028
Hearing examiner	21,400	21,400	20,400	1,000	20,400
GPS systems	30,000	30,000	25,273	4,727	38,108
NGS Advisor					70,000
	<u>978,900</u>	<u>962,700</u>	<u>804,805</u>	<u>157,895</u>	<u>731,852</u>
Capital outlay					
IT Systems development	10,000	10,000		10,000	2,258
IT Equipment	100,000	100,000	73,647	26,353	30,073
Motor vehicles	50,000	50,000	40,538	9,462	37,592
Building improvements	336,442	336,442	329,589	6,853	191,058
	<u>496,442</u>	<u>496,442</u>	<u>443,774</u>	<u>52,668</u>	<u>260,981</u>
Total Expenditures	<u>3,885,050</u>	<u>3,873,350</u>	<u>3,424,017</u>	<u>449,333</u>	<u>3,118,558</u>
Revenues Over (Under) Expenditures	(765,050)	(753,350)	(630,464)	122,886	8,229
Other Financing Sources (Uses)					
Transfers In (from WCP)			106,101	(106,101)	113,777
Transfers Out (to SRF)					(1,401,838)
Total Other Financing Sources (Uses)			<u>106,101</u>	<u>(106,101)</u>	<u>(1,288,061)</u>
Change in fund balances	(765,050)	(753,350)	(524,363)	228,987	(1,279,832)
Fund balances at beginning of year	<u>4,027,812</u>	<u>4,027,812</u>	<u>4,027,812</u>		<u>5,307,644</u>
Fund Balances at end of Year	<u>\$ 3,262,762</u>	<u>\$ 3,274,462</u>	<u>\$ 3,503,449</u>	<u>\$ 228,987</u>	<u>\$ 4,027,812</u>

HARRIS-GALVESTON SUBSIDENCE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

General 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 2016.

Amounts budgeted for projects but not spent in the current year are considered to be carried forward to the next year. In the current year, there were no budget amounts carried forward.