

**HARRIS-GALVESTON
SUBSIDENCE DISTRICT**

Annual Financial Report

Year Ended December 31, 2024

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 Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harris-Galveston Subsidence District ("the District"), as of and for the year ended December 31, 2024, 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, each major fund, and the aggregate remaining fund information of the District, as of December 31, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 5 - 10 and the general fund budgetary comparison information on pages 34 - 36 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.

To the Board of Directors
Harris-Galveston Subsidence District

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining fund statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Whitley Penn LLP

Houston, Texas
May 8, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 year ended December 31, 2024.

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 and 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 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 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 (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 can be divided into two categories: governmental funds and fiduciary funds.

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.

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

The District maintains three individual governmental funds, all of which are considered major funds. These funds are the General Fund, the Water Conservation Program Fund, and the Science and Research Fund. Information for these funds is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance.

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

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The District maintains two different types of fiduciary funds. The Pension and Other Post-Employment Benefit Trust Funds are used to report resources held in trust for retirees and beneficiaries covered by the District's Qualified Pension Plan 401(a) and the District's Retirement Health Savings Plan. The Custodial fund reports resources held by the District in a custodial capacity for financial administration of the Groundwater Management Area 14.

The fiduciary fund financial statements can be found on pages 18 through 19 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 year by \$15.40 million (Net Position). Of this amount, \$10.17 million (unrestricted net position) may be used to meet the ongoing obligations to creditors.

HARRIS-GALVESTON SUBSIDENCE DISTRICT
Schedule of Net Position
December 31, 2024 and 2023

Table A-1

	2024	2023
Current and other assets	\$ 15,522,818	\$ 15,558,947
Capital assets	1,619,894	1,472,465
Total Assets	17,142,712	17,031,412
Current liabilities	1,504,000	2,586,354
Long-term liabilities	243,698	54,784
Total Liabilities	1,747,698	2,641,138
Net Position		
Net Investment in capital assets	1,593,659	1,472,465
Restricted	3,629,678	3,283,281
Unrestricted	10,171,677	9,634,528
Total Net Position	\$ 15,395,014	\$ 14,390,274

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

The District's net position increased by \$1.18 million during the current year. The following table summarizes the changes in net position for the District for the year ended December 31, 2024 and 2023:

HARRIS-GALVESTON SUBSIDENCE DISTRICT
Schedule of Changes in Net Position
For the years ended December 31, 2024 and 2023

Table A-2

	2024	2023
Revenues		
Program Revenues (Charges for Services):		
Groundwater management	\$ 4,024,378	\$ 4,295,596
Science and research	1,241,017	1,158,735
Water conservation program	1,251,858	1,666,016
General revenues:		
Unrestricted investment earnings	400,737	252,246
Miscellaneous	115,000	66,615
Total Revenues	7,032,990	7,439,208
Expenses		
Groundwater management	4,333,261	4,630,380
Science and research	779,871	348,020
Water conservation program	741,465	1,093,994
Total Expenses	5,854,597	6,072,394
Change in Net Position	1,178,393	1,366,814
Net Position, beginning of year	14,390,274	13,023,460
Restatements	(173,653)	
Net Position - beginning, as restated	14,216,621	13,023,460
Net Position, end of year	\$ 15,395,014	\$ 14,390,274

Explanation for changes in financial revenues and expenses shown in financial analysis on page 8.

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, 2024 and 2023

Table A-3

	Expenses	Program Revenue Charges for Services	2024 Net Revenue (Cost) of Services	2023 Net Revenue (Cost) of Services
Functions/Programs				
Groundwater management	\$ 4,333,261	\$ 4,024,378	\$ (308,883)	\$ (334,784)
Science and research	779,871	1,241,017	461,146	810,715
Water conservation program	741,465	1,251,858	510,393	572,022
	\$ 5,854,597	\$ 6,517,253	\$ 662,656	\$ 1,047,953

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, 2024

Table A-4

	<u>Dollars</u>	<u>Percentage</u>
Charges for services	\$ 6,517,253	92.7%
Unrestricted investment earnings	400,737	5.7%
Miscellaneous	115,000	1.6%
	<u>\$ 7,032,990</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 year.

As of the close of the current year, the District's governmental funds reported combined ending fund balances of \$14.03 million, an increase of \$1.05 million from the prior year.

The increase in fund balance in the science and research fund was due in part to an increase in disincentive permit fee revenue which resulted from a rate increase of 10% from the prior year, as well as an increase in permits billed.

In addition, water conservation expenditures were less than anticipated due to a significant decrease in school program related expenditures, resulting from a decrease in school enrollment, as well as a decrease in grant program expenditures. The increase in fund balance in the general fund was due to a significant increase in interest revenue on the district's investment portfolio.

The General Fund is the chief operating fund of Harris-Galveston Subsidence District. At the end of the current year the fund balance of the General Fund was \$5.44 million.

General Fund Budgetary Highlights

The adopted budget for the 2024 year set general fund revenues at \$4.17 million, a \$323 thousand decrease from 2023 actual revenues. Budgeted expenditures in 2024 were set at \$4.82 million, a \$18 thousand increase from 2023 actual.

During the 2024 year, actual revenues were more than budgeted by \$193 thousand. This was due to interest revenue on the District's investment portfolio coming in at \$167 thousand over the budgeted amount.

Total expenditures in 2024 were under budget by \$359 thousand. This is due in part to the District's actual health care premium expenditures coming in at \$180 thousand under the budgeted amount. In addition, actual legal expenditures came in under budget as less permit violations were sent to legal for collections.

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, 2024, amounts to \$1,619,894 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings and improvements, equipment and furniture, vehicles, and right-to-use equipment. The total increase in the District's investment in capital assets, for the current year, was less than 11.0%.

A summary of capital assets, as of December 31, 2024 and 2023, is as follows:

HARRIS-GALVESTON SUBSIDENCE DISTRICT **Table A-5**
CAPITAL ASSETS, NET OF DEPRECIATION/AMORTIZATION WHERE
APPLICABLE
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Land	\$ 225,632	\$ 225,632
Buildings and improvements	935,528	981,848
Equipment and furniture	343,654	229,741
Vehicles	90,680	-
Right-to-use equipment	24,400	35,244
	<u>\$ 1,619,894</u>	<u>\$ 1,472,465</u>

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 November 13, 2024, the District adopted its 2025 budget, which represents a 12% increase in revenues and a 10% increase in expenditures when compared to the 2024 approved budget.

District disincentive fee billing rates for the 2025 year increased when compared with the rates established in the prior year. An increase of 2% was applied to the disincentive fee rate, which is indexed on an annual basis to the City of Houston rate for treated water (TU 91).

Below is a comparison of the 2025 budget with 2024 actual revenues and expenditures:

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

	<u>2024</u>	<u>2025</u>	<u>Increase</u>
	Actual	Budget	(Decrease)
Revenues	\$ 4,360	\$ 4,676	7%
Expenditures	4,465	5,294	19%
Revenues over expenditures	<u>\$ (105)</u>	<u>\$ (618)</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 Finance Director.

FINANCIAL SECTION

HARRIS-GALVESTON SUBSIDENCE DISTRICT
STATEMENT OF NET POSITION
December 31, 2024

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 8,134,249
Investments	5,926,000
Receivables, net of allowance for doubtful accounts	1,338,550
Prepaid items	124,019
Capital assets, net of depreciation/amortization where applicable:	
Land and improvements	225,632
Buildings and improvements	935,528
Equipment and furniture	343,654
Vehicles	90,680
Right-to-use equipment	24,400
Total capital assets	<u>1,619,894</u>
Total Assets	<u>17,142,712</u>
Liabilities	
Accounts payable and accrued expenses	593,145
Unearned revenues	899,558
Due in one year, lease liability	11,297
Due in more than one year	243,698
Total Liabilities	<u>1,747,698</u>
Net Position	
Net Investment in capital assets	1,593,659
Restricted for water conservation program	3,629,678
Unrestricted	10,171,677
Total Net Position	<u>\$ 15,395,014</u>

See accompanying Notes to Financial Statements.

HARRIS-GALVESTON SUBSIDENCE DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Governmental Activities	
Primary government				
Governmental Activities:				
Groundwater management	\$ 4,333,261	\$ 4,024,378		\$ (308,883)
Science and research	779,871	1,241,017		461,146
Water conservation program	741,465	1,251,858		510,393
Total governmental activities	<u>\$ 5,854,597</u>	<u>\$ 6,517,253</u>		<u>662,656</u>
General Revenues:				
				400,737
				115,000
Total general revenues				<u>515,737</u>
				1,178,393
Net Position - beginning, as previously presented				14,390,274
Restatements				(173,653)
Net Position - beginning, as restated				<u>14,216,621</u>
Net Position - ending				<u>\$ 15,395,014</u>

HARRIS-GALVESTON SUBSIDENCE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2024

	General	Water Conservation Program	Science and Research	Total
Assets				
Cash and cash equivalents	\$ 1,307,395	\$ 3,629,983	\$ 3,196,871	\$ 8,134,249
Investments	4,144,700		1,781,300	5,926,000
Prepaid items	124,019			124,019
Receivables, net of allowance for doubtful accounts	695,294	165,756	477,500	1,338,550
Total Assets	\$ 6,271,408	\$ 3,795,739	\$ 5,455,671	\$ 15,522,818
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued expenditures	\$ 241,273	\$ 166,061	\$ 185,811	\$ 593,145
Unearned revenue	585,647		313,911	899,558
Total Liabilities	826,920	166,061	499,722	1,492,703
Fund Balances:				
Nonspendable	\$ 124,019	\$	\$	\$ 124,019
Restricted for water conservation program		3,629,678		3,629,678
Committed for science and research			4,955,949	4,955,949
Assigned for capital assets and improvements	185,000			185,000
Assigned for regulatory planning	1,700,000			1,700,000
Unassigned	3,435,469			3,435,469
Total Fund Balances	5,444,488	3,629,678	4,955,949	14,030,115
Total Liabilities and Fund Balances	\$ 6,271,408	\$ 3,795,739	\$ 5,455,671	\$ 15,522,818

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, 2024

Total fund balances, governmental funds	\$	14,030,115
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	1,619,894
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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	(228,760)
Leases Payable	<u>(26,235)</u>

Net Position of Governmental Activities in the Statement of Net Position	\$	<u>15,395,014</u>
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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, 2024

	General	Water Conservation Program	Science and Research	Total
Revenues				
Permit fees, net of refunds	\$ 2,892,796	\$	\$	\$ 2,892,796
Application fees, net of refunds	479,215			479,215
Compromise and settlement	87,499		344,940	432,439
Interlocal agreement	564,868			564,868
Water conservation program		1,251,858		1,251,858
Disincentive fee			896,077	896,077
Interest	220,966	48,959	130,812	400,737
Other	115,000			115,000
Total Revenues	4,360,344	1,300,817	1,371,829	7,032,990
Expenditures				
Current:				
Personnel	2,490,693			2,490,693
Board of directors	127,366			127,366
Office supplies	332,777	59,131		391,908
Information and education	57,134	508,778		565,912
Building operations	136,585			136,585
Transportation	36,710	689		37,399
Contract services	1,118,587	52,500	622,398	1,793,485
Grant program		120,367		120,367
Capital Outlay	165,027		157,473	322,500
Total Expenditures	4,464,879	741,465	779,871	5,986,215
Revenues Over (Under) Expenditures	(104,535)	559,352	591,958	1,046,775
Other Financing Sources (Uses)				
Transfers In	290,998			290,998
Transfers Out		(212,955)	(78,043)	(290,998)
Total other financing sources and uses	290,998	(212,955)	(78,043)	
Net change in fund balance	186,463	346,397	513,915	1,046,775
Fund balances at beginning of year	5,258,025	3,283,281	4,442,034	12,983,340
Fund Balances at end of year	\$ 5,444,488	\$ 3,629,678	\$ 4,955,949	\$ 14,030,115

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, 2024

Net change in fund balances - total governmental funds:	\$ 1,046,775
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Repayment of debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position.	10,747
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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/amortization expense for the period.

Capital outlay in the current period	322,500
Depreciation/amortization in the current period	(175,071)

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>(26,558)</u>
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Change in Net Position of governmental activities	<u>\$ 1,178,393</u>
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See accompanying Notes to Financial Statements.

HARRIS-GALVESTON SUBSIDENCE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2024

	Pension (and Other Employee Benefit) Trust Funds	Custodial Fund	Total
Assets			
Cash and cash equivalents	\$	\$ 8,050	\$ 8,050
Investments at fair value			
Stable value/cash management	2,965,569		2,965,569
Bond	38,474		38,474
Balanced/asset allocation	3,622,479		3,622,479
U.S. stock	2,689,667		2,689,667
International/global stock	40,327		40,327
Specialty	7,693		7,693
Total Assets	\$ 9,364,209	\$ 8,050	\$ 9,372,259
Net Position			
Restricted for:			
Pensions	7,739,193		7,739,193
Other post-employment benefits	1,625,016		1,625,016
Individuals, organizations, or other governments		8,050	8,050
Total Net Position	\$ 9,364,209	\$ 8,050	\$ 9,372,259

See accompanying Notes to Financial Statements.

HARRIS-GALVESTON SUBSIDENCE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended December 31, 2024

	Pension (and Other Employee Benefit) Trust Funds	Custodial Fund	Total
Additions			
Contributions			
Employers	\$ 298,464	\$	\$ 298,464
Loan repays (princ. + int.)	33,683		33,683
Forfeiture credits	3,153		3,153
Total contributions	<u>335,300</u>		<u>335,300</u>
Investment earnings			
Net increase in fair value of investments	940,001		940,001
Total investment earnings	<u>940,001</u>		<u>940,001</u>
Less investment costs			
Investment activity costs	<u>1,756</u>		<u>1,756</u>
Net investment earnings	<u>938,245</u>		<u>938,245</u>
Total Additions	<u>1,273,545</u>		<u>1,273,545</u>
Deductions			
Distributions	97,939		97,939
Beneficiary transfers	30,109		30,109
Loan issuances	79,470		79,470
Forfeiture debits	63,126		63,126
Total Deductions	<u>270,644</u>		<u>270,644</u>
Net increase (decrease) in fiduciary net position	1,002,901		1,002,901
Net Position at beginning of year	<u>8,361,308</u>	<u>8,050</u>	<u>8,369,358</u>
Net Position at end of year	<u>\$ 9,364,209</u>	<u>\$ 8,050</u>	<u>\$ 9,372,259</u>

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 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 pension trust fund and the custodial fund are reported using the economic resources measurement and the accrual basis of accounting.

HARRIS-GALVESTON SUBSIDENCE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

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.

Additionally, the District reports the following fund types:

The *Pension and Other Post-Employment Benefit Trust Funds* are used to account for the activities of the District's Qualified Pension Plan 401(a) and the District's Retirement Health Savings Plan, which accumulate resources for pension benefit payments to qualified employees.

The *Custodial Fund* is used to account for the activities of the Groundwater Management Area #14, which is administered by the Harris-Galveston Subsidence District.

D. 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

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

Note 1 - Summary of Significant Accounting Policies (continued)

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. The allowance is based on a review of outstanding receivables at year end and the likelihood of collection on those receivables.

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:

<u>Asset</u>	<u>Useful Life</u>
Buildings	20-50 years
Machinery and Equipment	4-10 years
Intangible Assets	5 years
Right-to-Use Leased Assets	5 years

H. Unearned Revenues

Unearned revenues include prepaid permit fees and permit fees assessed for the 2025 year end.

I. Long Term Liabilities

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, 2023, has been recorded as a liability in the Government-Wide Statement of Net Position.

Leases – The District is lessee for non-cancellable leases, building space and equipment. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. Lease liabilities are recognized with an initial, individual value of \$5,000 or more. At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Thus, the lease asset is amortized on a straight-line basis over its useful life.

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.

N. Implementation of New Accounting Standards

GASB issued Statement No. 100, Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62, in June 2022. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The requirements of this statement were implemented in 2024 and did not have a material impact on the financial statements.

HARRIS-GALVESTON SUBSIDENCE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

GASB issued Implementation Guide 2021-1, Implementation Guidance Update – 2021, in May 2021. The primary objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. The requirements of this Implementation Guide had various effective dates and specific provisions were implemented prior to fiscal year 2024. The remaining requirement, an amendment to Question 7.9.8 in Implementation Guide 2015-1 effective for reporting periods beginning after June 15, 2023, requires governments to capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. The requirements of this statement were implemented in 2024 and did not have a material impact on the financial statements.

GASB issued Implementation Guide 2023-1, Implementation Guidance Update – 2023, in June 2023. The primary objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. This Implementation Guide amends Implementation Guide No. 2019-3, Leases, Question 4.16, and Implementation Guide No. 2021-1, Implementation Guidance Update—2021, Question 4.13. The requirements of this Implementation Guide are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The requirements of this Implementation Guide were implemented in 2024 and did not have a material impact on the financial statements.

GASB issued Statement No. 101, Compensated Absences, in June 2022. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The requirements of this statement were implemented in 2024 and the impact is reflected in the financial statements. See Note 13 for more information.

Note 2 - Cash and Investments

Cash and investments consist of checking and time deposit accounts, certificates of deposits, and government securities. The information presented below is for the primary government of the District. Information for the deposits held in the Pension and Other Post-Employment Benefits Fund can be found in their respective note disclosures. The policies and risks associated with the deposits of \$8,050 in the Custodial Fund do not differ from those of the primary government.

At December 31, 2024, cash and investments consisted of the following:

	Governmental Activities	W.A.M. (Days)	Percentage of Total Deposits
Cash			
Checking accounts	\$ 8,133,889		57.85%
Petty Cash	360		0.01%
Total Cash	<u>8,134,249</u>		<u>57.85%</u>
Investments			
Certificates of Deposits	4,926,000	202.1	35.03%
Government securities	1,000,000	41.1	7.11%
Total Investments	<u>5,926,000</u>		<u>42.15%</u>
Total Cash and Investments	<u>\$ 14,060,249</u>		<u>100.00%</u>

Investments fall under the level 1 input category.

HARRIS-GALVESTON SUBSIDENCE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

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, 2024, the District's investments consist of certificates of deposits and obligations of the United States.

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 investments, at December 31, 2024 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, 2024 were \$14,105,061.

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, 2024 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, 2024, 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, 2024, time deposits made up approximately 42% 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, 2024, for the government's individual major funds, including the applicable allowance for uncollectible accounts, are as follows:

	General	Water Conservation Program	Science and Research	Total
Receivables				
Permit fees	\$ 633,869	\$	\$ 426,243	\$ 1,060,112
Compromise and settlement	16,501		208,054	224,555
Water conservation program		165,756		165,756
Accrued interest	42,501		30,488	72,989
Other	7,500			7,500
Gross Receivables	700,371	165,756	664,785	1,530,912
Less: Allowance for doubtful accounts	(5,077)		(187,285)	(192,362)
Net Receivables	<u>\$ 695,294</u>	<u>\$ 165,756</u>	<u>\$ 477,500</u>	<u>\$ 1,338,550</u>

As of December 31, 2024, an allowance of \$5,077 has been recorded for compromise and settlement permit fee receivables in the General Fund. In addition, an allowance of \$187,285 has been recorded in the Science and Research Fund for disincentive permit fee and compromise and settlement fee receivables.

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, 2024, follows:

	Balance 12/31/2023	Additions / Reclassifications	Retirements / Reclassifications	Balance 12/31/2024
Capital assets not being depreciated/amortized				
Land	\$ 225,632	\$	\$	\$ 225,632
Total capital assets not being depreciated/amortized	225,632			225,632
Intangible assets being amortized				
Software	255,077			255,077
Capital assets being depreciated/amortized				
Buildings	1,908,468	24,846		1,933,314
Machinery and equipment	1,432,622	157,473		1,590,095
Office equipment and furniture	392,972	34,021		426,993
Vehicles	130,405	106,160	(57,561)	179,004
Right-to-use equipment	56,932			56,932
Total capital assets/intangibles being depreciated/amortized	4,176,476	322,500	(57,561)	4,441,415
Accumulated amortization				
Software	(255,077)			(255,077)
Accumulated depreciation/amortization				
Buildings	(926,620)	(71,166)		(997,786)
Machinery and equipment	(1,307,136)	(40,354)		(1,347,490)
Office equipment and furniture	(288,717)	(37,227)		(325,944)
Vehicles	(130,405)	(15,480)	57,561	(88,324)
Right-to-use equipment	(21,688)	(10,844)		(32,532)
Total accumulated depreciation/amortization	(2,929,643)	(175,071)	57,561	(3,047,153)
Total capital assets being depreciated/amortized, net	1,246,833	147,429		1,394,262
Total capital assets, net	\$ 1,472,465	\$ 147,429	\$	\$ 1,619,894

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

Note 5 - Compensated Absences

A liability for earned but unused vacation and sick leave as of December 31, 2024, for 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, 2024, follows:

Compensated absences

Balance, beginning of year	\$ 202,202
Addition	35,709
Reduction	(9,151)
Balance, end of year	<u>\$ 228,760</u>

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 MissionSquare Retirement 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 qualifies as a fiduciary activity under GASB 84, *Fiduciary Activities*, due to the District’s control over the funds of the Plan. Control by the District was determined as a portion of the funds are not fully vested until certain requirements are met.

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, 2024, 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, 2024. Vested contributions are solely the possession of participating employees.

At December 31, 2024, the total plan assets were \$7,739,193. The assets belong to the Plan and are included as fiduciary funds 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	\$ 2,475,106	32%
Bond Funds	12,059	0%
Balanced Funds	2,838,346	37%
U.S. Stock Funds	2,367,117	31%
International Stock Funds & Specialty	46,565	1%
	<u>\$ 7,739,193</u>	<u>100%</u>

Total current payroll expenditures for employee salaries and board member per diem was \$1,945,436 and \$55,950 respectively for the year ended December 31, 2024, all of which was covered under the Plan. District contributions to the Plan, for the year ended December 31, 2024 were \$297,500 which represents the required District contribution of 15 percent. In addition, as of December 31, 2024, there was no balance in the Plan forfeiture account.

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 MissionSquare Retirement. The Plan does not qualify as a fiduciary activity under GASB 84, *Fiduciary Activities*, as the District does not have control over the funds deposited into the deferred compensation plan.

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, 2024, the District had 23 employees, with 21 eligible and participating in the plan. The Plan qualifies as a fiduciary activity under GASB 84, *Fiduciary Activities*, due to the District's control over the funds of the Plan. Control by the District was determined as a portion of the funds are not fully vested until certain requirements are met.

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 for employees with over 15 years of service. 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, 2024, were \$48,748, which includes the District's required contribution as well as additional contributions for unused vacation hours.

At December 31, 2024, the total plan assets were \$1,625,016. The assets belong to the Plan and are included as fiduciary funds 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/Cash Management Funds	\$ 490,463	30%
Bond Funds	26,415	2%
Balanced Funds	784,133	48%
U.S. Stock Funds	322,550	20%
International/Global Stock Funds	1,455	0%
	<u>\$ 1,625,016</u>	<u>100%</u>

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 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 \$342,300 and reimbursed expenditures of \$222,568 for the year ended December 31, 2024.

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 \$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.

The amount reported as restricted at December 31, 2024 is for the water conservation project due to contractual obligations related to the sponsor interlocal agreement.

Groundwater Management Area #14 (GMA-14)

The Texas Water Code, Chapter 36, Section 36.108 requires groundwater management areas to be created and water districts within the groundwater management area to meet at least annually to conduct joint planning, and to review the management plans, the accomplishments of the management area, and proposals to adopt new or amend existing desired future conditions. The District is a participant within the GMA-14. At the GMA-14 meeting held on July 25, 2018, the GMA-14 representatives made a motion to select the District as the contracting entity responsible for entering into a contractual agreement with the consulting engineer in accordance with the scope of work outlined within the interlocal agreement. The motion carried unanimously and the District took over administrative custodial duties of the GMA-14.

Note 12 – Leases

Prior to January 1, 2022, the District entered into a 63 month lease as lessor for the use of equipment. An initial lease payable was recorded in the amount of \$56,932. As of December 31, 2024, the value of the lease liability is \$26,235. The District is required to make monthly fixed payments of \$1,029. The value of the right-to-use equipment as of December 31, 2024 was \$24,400, and the District recognized amortization expense of \$10,844 during the fiscal year related to the use of the leased equipment.

A lease liability as of December 31, 2024, for the right-to-use equipment has been recorded in the statement of net position. The lease liability is liquidated by the general fund. A summary of the change in the lease liability for the period ended December 31, 2024, is as follows:

HARRIS-GALVESTON SUBSIDENCE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

Note 12 – Leases (continued)

Lease Liability

Balance, beginning of year	\$ 36,982
Reduction	\$ (10,747)
Balance, end of year	\$ 26,235

The future principal and interest lease payments as of December 31, 2024, are as follows:

<u>FY</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 11,297	\$ 1,055	\$ 12,352
2026	\$ 11,875	\$ 477	\$ 12,352
2027	\$ 3,063	\$ 26	\$ 3,089
	\$ 26,235	\$ 1,558	\$ 27,793

Note 13 – Adjustments and restatements of beginning balances

During the current year, the Harris-Galveston Subsidence District implemented GASB Statement No. 101, Compensated Absences. In addition to the value of unused vacation time owed to employees upon separation of employment, the Harris-Galveston Subsidence District now recognizes an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences. In 2024, the District restated the compensated absences liability in the amount of \$173,653. This restatement amount is presented on the Statement of Activities for the year ended December 31, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

HARRIS-GALVESTON SUBSIDENCE DISTRICT**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION****HARRIS-GALVESTON SUBSIDENCE DISTRICT****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES***Page 1 of 3***BUDGET AND ACTUAL - (GAAP BASIS)****GENERAL FUND***For the Year Ended December 31, 2024**with Comparative Actual Information for the Year Ended December 31, 2023*

	2024			Final Budget vs. Actual Variance Positive (Negative)	2023
	Original Budget	Final Budget	Actual		Actual
Revenues					
Permit fees, net:					
Permit fees	\$ 2,900,000	\$ 2,900,000	\$ 2,931,876	\$ 31,876	\$ 3,091,648
Permit fee refunds	(30,000)	(30,000)	(39,080)	(9,080)	(34,389)
	<u>2,870,000</u>	<u>2,870,000</u>	<u>2,892,796</u>	<u>22,796</u>	<u>3,057,259</u>
Application fees, net:					
Application fees	495,000	495,000	447,865	(47,135)	523,916
Emergency approval fees			32,500	32,500	33,500
Application fee refunds			(1,150)	(1,150)	(501)
	<u>495,000</u>	<u>495,000</u>	<u>479,215</u>	<u>(15,785)</u>	<u>556,915</u>
Compromise and settlements:					
Compromise and settlements	120,000	120,000	87,499	(32,501)	159,130
	<u>120,000</u>	<u>120,000</u>	<u>87,499</u>	<u>(32,501)</u>	<u>159,130</u>
Interlocal agreement	<u>583,450</u>	<u>583,450</u>	<u>564,868</u>	<u>(18,582)</u>	<u>522,292</u>
Interest revenue	<u>54,000</u>	<u>54,000</u>	<u>220,966</u>	<u>166,966</u>	<u>128,017</u>
Other:					
Miscellaneous	12,000	12,000	23,594	11,594	8,943
Miscellaneous legal revenue	33,000	33,000	91,406	58,406	57,672
	<u>45,000</u>	<u>45,000</u>	<u>115,000</u>	<u>70,000</u>	<u>66,615</u>
Total Revenues	<u>\$ 4,167,450</u>	<u>\$ 4,167,450</u>	<u>\$ 4,360,344</u>	<u>\$ 192,894</u>	<u>\$ 4,490,228</u>

HARRIS-GALVESTON SUBSIDENCE DISTRICT**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION****HARRIS-GALVESTON SUBSIDENCE DISTRICT****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES***Page 2 of 3***BUDGET AND ACTUAL - (GAAP BASIS)****GENERAL FUND***For the Year Ended December 31, 2024**with Comparative Actual Information for the Year Ended December 31, 2023*

	2024			Final Budget vs. Actual	2023
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
Expenditures					
Personnel					
Salaries	\$ 1,985,000	\$ 1,985,000	\$ 1,945,436	\$ 39,564	\$ 2,049,558
Retirement	297,800	297,800	289,107	8,693	312,427
Group health insurance	330,300	330,300	149,708	180,592	137,263
Retirement health system	52,500	52,500	48,748	3,752	45,573
Life insurance	14,100	14,100	12,981	1,119	11,079
Disability insurance	10,200	10,200	8,444	1,756	8,289
Medicare - employer	27,700	27,700	28,015	(315)	27,460
Workers' compensation insurance	16,800	16,800	8,254	8,546	9,713
	<u>2,734,400</u>	<u>2,734,400</u>	<u>2,490,693</u>	<u>243,707</u>	<u>2,601,362</u>
Board of directors					
Member per diem	62,500	62,500	55,950	6,550	60,300
Board travel	19,300	19,300	10,518	8,782	14,254
Office and director liability insurance	8,000	8,000	5,196	2,804	2,965
Board FICA	1,100	1,100	812	288	875
Board retirement	9,500	9,500	8,393	1,107	9,045
Other	48,500	48,500	46,497	2,003	45,238
	<u>148,900</u>	<u>148,900</u>	<u>127,366</u>	<u>21,534</u>	<u>132,677</u>
Office supplies					
Supplies	18,000	18,000	11,976	6,024	12,128
Mail and postage	33,000	33,000	38,542	(5,542)	35,030
Equipment repair and upgrade	30,000	30,000	23,479	6,521	25,508
Computer software	83,975	83,975	83,570	405	91,149
Telephone	51,000	51,000	44,301	6,699	47,636
Legal notices	90,000	90,000	73,677	16,323	67,873
Surety bonds	500	500	404	96	404
Equipment rental	40,000	40,000	43,886	(3,886)	46,674
Miscellaneous supplies and equipment	12,500	12,500	12,942	(442)	8,365
	<u>358,975</u>	<u>358,975</u>	<u>332,777</u>	<u>26,198</u>	<u>334,767</u>
Information and education					
Memberships, dues and subscriptions	17,000	17,000	15,457	1,543	13,293
Conference and meetings	19,000	19,000	14,574	4,426	14,828
Travel	32,000	32,000	22,095	9,905	25,053
Employee training	12,500	12,500	5,008	7,492	7,866
	<u>80,500</u>	<u>80,500</u>	<u>57,134</u>	<u>23,366</u>	<u>61,040</u>

HARRIS-GALVESTON SUBSIDENCE DISTRICT**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION****HARRIS-GALVESTON SUBSIDENCE DISTRICT****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

Page 3 of 3

BUDGET AND ACTUAL - (GAAP BASIS)**GENERAL FUND**

For the Year Ended December 31, 2024

with Comparative Actual Information for the Year Ended December 31, 2023

	2024			Final Budget vs. Actual Variance Positive (Negative)	2023
	Original Budget	Final Budget	Actual		Actual
Building operations					
Utilities	\$ 35,000	\$ 35,000	\$ 31,513	\$ 3,487	\$ 32,125
Insurance	15,500	15,500	15,956	(456)	9,403
Janitorial	16,000	16,000	17,020	(1,020)	14,760
Building maintenance	41,000	61,000	59,935	1,065	37,386
Grounds maintenance	6,500	6,500	12,161	(5,661)	6,022
	<u>114,000</u>	<u>134,000</u>	<u>136,585</u>	<u>(2,585)</u>	<u>99,696</u>
Transportation					
Operating supplies	17,000	17,000	14,430	2,570	19,894
Vehicle maintenance	10,000	10,000	321	9,679	8,340
Tolls, parking and miscellaneous	8,500	8,500	3,979	4,521	6,496
Vehicle insurance	7,000	7,000	8,284	(1,284)	2,543
Mileage allowances	14,000	14,000	9,696	4,304	13,479
	<u>56,500</u>	<u>56,500</u>	<u>36,710</u>	<u>19,790</u>	<u>50,752</u>
Contract services					
Audit	22,000	22,000	22,000		20,000
USGS - studies	321,900	321,900	321,900		321,900
Legal	381,000	381,000	363,764	17,236	358,625
Engineering fees	325,000	325,000	319,453	5,547	557,674
Management services	60,000	40,000	36,916	3,084	59,442
Hearing examiner	21,000	21,000	20,400	600	20,400
GPS systems	35,000	35,000	34,154	846	27,208
	<u>1,165,900</u>	<u>1,145,900</u>	<u>1,118,587</u>	<u>27,313</u>	<u>1,365,249</u>
Capital outlay					
Office equipment	25,000	25,000	24,846	154	
IT Equipment	35,000	35,000	34,021	979	43,693
Motor vehicles	105,000	105,000	106,160	(1,160)	
Building improvements					117,139
	<u>165,000</u>	<u>165,000</u>	<u>165,027</u>	<u>(27)</u>	<u>160,832</u>
Total Expenditures	<u>4,824,175</u>	<u>4,824,175</u>	<u>4,464,879</u>	<u>359,296</u>	<u>4,806,375</u>
Revenues Over (Under) Expenditures	(656,725)	(656,725)	(104,535)	552,190	(316,147)
Other Financing Sources (Uses)					
Transfers In (from WCP/SRF)	<u>321,250</u>	<u>321,250</u>	<u>290,998</u>	<u>30,252</u>	<u>264,198</u>
Total Other Financing Sources (Uses)	<u>321,250</u>	<u>321,250</u>	<u>290,998</u>	<u>30,252</u>	<u>264,198</u>
Change in fund balances	(335,475)	(335,475)	186,463	521,938	(51,949)
Fund balances at beginning of year	<u>5,258,025</u>	<u>5,258,025</u>	<u>5,258,025</u>		<u>5,309,974</u>
Fund Balances at end of Year	<u>\$ 4,922,550</u>	<u>\$ 4,922,550</u>	<u>\$ 5,444,488</u>	<u>\$ 521,938</u>	<u>\$ 5,258,025</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.

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.

OTHER SUPPLEMENTARY INFORMATION

Pension and Other Post-Employment Benefit Funds

Harris-Galveston Subsidence District's 401 (a) Pension Plan – to account for assets held for retirement benefits for current and retired members of the District's employees and board members. The Plan is administered by MissionSquare Retirement.

Harris-Galveston Subsidence District's Retirement Health Savings Plan – to account for assets held for retirement health benefits for current and retired members of the District's employees and board members. The Plan is administered by MissionSquare Retirement.

HARRIS-GALVESTON SUBSIDENCE DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
Pension and Other Post-Employment Benefit Funds
December 31, 2024

	HGSD 401(a) Pension Fund	HGSD Retirement Health Savings Plan	Total
Assets			
Investments at fair value			
Stable value/cash management	\$ 2,475,106	\$ 490,463	\$ 2,965,569
Bond	12,059	26,415	38,474
Balanced/asset allocation	2,838,346	784,133	3,622,479
U.S. stock	2,367,117	322,550	2,689,667
International/global stock	38,872	1,455	40,327
Specialty	7,693		7,693
Total Assets	\$ 7,739,193	\$ 1,625,016	\$ 9,364,209
Net Position			
Restricted for:			
Pensions	7,739,193		7,739,193
Other post-employment benefits		1,625,016	1,625,016
Total Net Position	\$ 7,739,193	\$ 1,625,016	\$ 9,364,209

HARRIS-GALVESTON SUBSIDENCE DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Pension and Other Post-Employment Benefit Funds
For the Year Ended December 31, 2024

	HGSD 401(a) Pension Fund	HGSD Retirement Health Savings Plan	Total
Additions			
Contributions			
Employers	\$ 251,590	\$ 46,874	\$ 298,464
Loan repays (princ. + int.)	33,683		33,683
Forfeiture credits		3,153	3,153
Total contributions	<u>285,273</u>	<u>50,027</u>	<u>335,300</u>
Investment earnings			
Net increase in fair value of investments	<u>790,443</u>	<u>149,558</u>	<u>940,001</u>
Total investment earnings	790,443	149,558	940,001
Less investment costs			
Investment activity costs	<u>775</u>	<u>981</u>	<u>1,756</u>
Net investment earnings	<u>789,668</u>	<u>148,577</u>	<u>938,245</u>
Total Additions	<u>1,074,941</u>	<u>198,604</u>	<u>1,273,545</u>
Deductions			
Distributions	97,939		97,939
Beneficiary transfers		30,109	30,109
Loan issuances	79,470		79,470
Forfeiture debits	<u>56,509</u>	<u>6,617</u>	<u>63,126</u>
Total Deductions	<u>233,918</u>	<u>36,726</u>	<u>270,644</u>
Net increase (decrease) in fiduciary net position	841,023	161,878	1,002,901
Net Position at beginning of year	<u>6,898,170</u>	<u>1,463,138</u>	<u>8,361,308</u>
Net Position at end of year	<u>\$ 7,739,193</u>	<u>\$ 1,625,016</u>	<u>\$ 9,364,209</u>