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FORT BEND COUNTY
DRAINAGE DISTRICT
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FORT BEND COUNTY, TEXAS
Financial Report

September 30, 2018

FORT BEND COUNTY DRAINAGE DISTRICT
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COUNTY AUDITOR
Fort Bend County, Texas

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March 19, 2018

To the Board of Directors of the Fort Bend County Drainage District, Members of the Commissioners Court, and Citizens of Fort Bend County, Texas:

The Fort Bend County Auditor's Office is pleased to present the basic financial statements of the Fort Bend County Drainage District (the "District"), a component unit of Fort Bend County, Texas (the "County"), for the fiscal year ended September 30, 2018. This report is submitted in accordance with Section 114.025 of the Texas Local Government Code and was prepared by the staff of the County Auditor's Office.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Whitley Penn has issued an unmodified ("clean") opinion on the District's financial statements for the year ended September 30, 2018. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis ("MD&A") immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the District

The District was established under Section 59 of Article XVI of the Constitution of Texas, and includes all of the property within Fort Bend County. It was created for the purpose of reclamation and drainage of its lands. The Fort Bend County Commissioners Court acts as the governing body of the District.

Local Economy

Fort Bend County continues to experience an improving local economy for fiscal year 2018. The demand for services regarding the governmental functions performed by the County continues to increase as the population grows. The Commissioners Court and the District continue to use a conservative approach to the allocation of resources to serve the County's needs to ensure that Fort Bend County is prepared as the local economy improves. This ongoing conservative approach will allow the County and the District to meet the service demands of the residents in Fort Bend County.

Long-Term Financial Planning and Relevant Financial Policies

Budget

The District adopts a one-year budget through its fully coordinated financial planning process. The budget implements strategies, both financial and operational, identified through the strategic and long-range planning process to meet existing challenges and to effectively plan for future needs. The budget is a financial plan for a fiscal year of operations that matches all planned revenues and expenditures with the services provided the citizens of Fort Bend County based on the established budget policy. Decisions are not based solely on current conditions but on the long-term welfare of the community. The budget is developed and resources allocated based on the vision, mission, and goals of the District and County.

Long-Term Comprehensive Plan

The District works with local governments and land developments to address drainage and flood control challenges within Fort Bend County in order to protect people, property and the environment.

Capital Improvement Program

Capital Improvement Projects are larger projects that focus on restoring or improving drainage as well as mitigating flooding. These projects represent a substantial investment of public funds and must pass a rigorous review before construction begins. Projects are first evaluated to ensure they meet technical criteria. Projects are then reviewed using criteria developed specifically for the District. The District's criteria support projects that:

- Promote safety and health of the public
- Reduce or mitigate impacts related to flooding
- Promote/improve habitat to support healthy watersheds
- Promote/improve water quality
- Promote economic health of the County
- Implement all, or a part of, a watershed plan
- Assist the County in meeting federal or state requirements

Debt Policy

The purpose of the County's Debt Policy (which includes the District) is to establish guidelines for the utilization of debt instruments issued by the County and the District whether payable from County taxes or payable from certain revenues of the County or District.

Major Initiatives

The District is focused on allowing development to continue within the County, while maintaining, or reducing, flood risks. The District's development guidelines require individual developments to mitigate impacts to existing floodplains as well as maintain/improve drainage in their vicinity. The District also upgrades existing drainage systems to reduce flood risks. These initiatives include:

- Development of regional detention facilities
- Provide drainage capacity within channels with reimbursements requirements for developments
- Improve major drainage channels for flood risk reduction

Acknowledgements

The preparation of this report could not be achieved without the efficient and dedicated services of the staff of the County Auditor's Office and Whitley Penn, our independent auditor.

Respectfully submitted,

Robert E. Sturdivant, CPA
County Auditor
Fort Bend County, Texas

Independent Auditors' Report

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As management of the Fort Bend County Drainage District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended September 30, 2018.

Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $34,449,885 (net position). Of this amount, there is a deficit of -$34,449,885 in unrestricted net position due to the continuing liability increase for other post-employment benefits ("OPEB") and the implementation of GASB Statement 75 (see explanation on page 5), which now totals that now totals $21,589,184.
- At the close of the current fiscal year, the District's General Fund reported a fund balance of $9,652,451, a decrease of $646,348 from the prior fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

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

The *Statement of Net Position* presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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.

The government-wide financial statements report on the function of the District that is principally supported by general revenues.

The government-wide financial statements can be found on pages 8 and 9 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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District maintains a general fund on the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance.

The General Fund is a governmental fund used to account for essentially the same function 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 the General Fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the General Fund 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 financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and g*overnmental activities*.

The basic governmental fund financial statements can be found on pages 10 and 11 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the governmental fund financial statements in this report.

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $34,449,885 as of September 30, 2018. Below is a condensed schedule of net position for the District as of September 30, 2018 and 2017:

	2018	**2017**
Current assets	$ 10,741,973	$ 12,975,680
Capital assets	34,449,885	34,428,175
Total Assets	45,191,858	47,403,855
Total Deferred Outflows of Resources	457,549	1,006,769
Long-term liabilities	22,601,119	13,981,270
Other liabilities	817,215	2,413,631
Total Liabilities	23,418,334	16,394,901
Total Deferred Inflows of Resources	1,754,360	
Net Position:		
Net investment in capital assets		
Unrestricted	34,449,885	34,428,175
Total Net Position	$ 34,449,885	$ 34,428,175

By far, the largest portion of the District's net position reflects its investment in capital assets (land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The District uses these assets to provide a variety of services to its citizens; consequently, these assets are not available for future spending. The deficit balance for unrestricted net position is primarily due to the continued growth in OPEB payable and the implementation of GASB Statement 75 (see explanation on page 5), which now totals $21,589,184.

The following table is a condensed schedule of changes in net position for the years ended September 30, 2018 and 2017:

	2018	2017
Program Revenues		
Impact fees	$ 277,297	$ 93,603
General Revenues		
Property taxes	10,020,415	9,560,280
Earnings on investments	269,883	142,309
Miscellaneous	58,201	184,960
Total Revenues	10,625,796	9,981,152
Program Expenses		
Flood control-maintenance	11,860,499	11,147,990
Total Expenses	11,860,499	11,147,990
Change in Net Position	(1,234,703)	(1,166,838)
Net Position, Beginning	31,934,214	33,101,052
Change in accounting principles*	(10,408,851)	
Net Position, Ending	$ 20,290,660	$ 31,934,214

The District's revenues are mainly general revenues received from property taxes levied in the District. The District's revenues were not sufficient to cover all expenses incurred during the year ended September 30, 2018, resulting in a $1,234,703 decrease in net position. This decrease is $67,865 more than the previous year's decrease of $1,166,838. The key element of the change in net position is a due to an increase in non-capital project expenses of $1,416,865 for Lower Oyster Creek, Mustang Bayou, Keegans Bayou, and Upper Oyster Creek. There was also a change in accounting principle that resulted in a reduction of $10,408,851 to beginning net position due to the implementation of GASB statement 75 which requires the recognition of the net OPEB (Other Post-Employment Benefits) liability on the government-wide financial statements. Therefore the prior period impact of the recognition of this liability on the government-wide financial statements was required.

Fund Financial Analysis

As of September 30, 2018, the District's governmental fund reported an ending fund balance of $9,652,451. The District's main source of revenue is property taxes, which totaled $10,011,358 for the year ended September 30, 2018. The District's ending fund balance decreased during the fiscal year by $646,348 which is a decrease of $1,483,116 from the previous year's increase of $836,768. This change was primarily due to an increase in non-capital project expenses of $1,416,865 as described in the paragraph above.

General Fund Budgetary Highlights

During fiscal year 2018, expenditures of $73,376 and $36,086 were incurred in the Big Creek and Upper Oyster Creek projects, respectively from the General Fund. All expenditures were capitalized at the end of fiscal year 2018, leaving no construction in progress at the end of fiscal year on any of these projects. The unexpended/unencumbered balances as of September 30, 2018 totaling $10,161,092 are shown in the following schedule:

Project		Commitments
Lower Oyster Creek	$	978
Stafford Run		2,746,321
Jones Creek Watershed		59,975
Remodel		57,699
2017 Drainage Projects		685,909
Closed Circuit TV System		697
Meadows Place Slope Paving		170,000
Brazos River Erosion		230,000
Equipment		51,430
Keegans Bayou		58,750
Watershed Study		3,138,300
Big Creek		5,131,351
Upper Oyster Creek		1,518,606
Total	$	13,850,016

Capital Assets

At the end of fiscal year 2018, the District had $34,449,885 invested in capital assets, as reflected in the following schedule. This represents a decrease of $21,710 from the previous year.

		2018		2017
Non-Depreciable Capital Assets				
Land	$	2,430,770	$	2,430,770
Other Capital Assets, Net				
Infrastucture-drainage improvements		25,585,186		26,532,342
Vehicles		469,862		477,646
Office furniture and equipment		91,225		36,784
Machinery and equipment		5,290,776		4,318,832
Buildings and facilities		582,066		631,801
Total Capital Assets	$	34,449,885	$	34,428,175

Although there was no additional activity recognized in construction in progress for the committed projects outlined under “General Fund Budgetary highlights” on this page, these projects are all ongoing.

Economic Factors

The County continues to enjoy growth in various demographic areas as the economy improves.

The population of the County is estimated at 764,828 in 2018 and is expected to grow to 824,340 by 2020.

The number of households has increased to 241,130 in 2018 and is expected to grow to 259,760 by 2020. Mean household income for 2017 is $221,899 and is estimated to rise to $204,735 by 2020. Income per capita is currently at $61,692 and is expected to grow to $64,840 by 2020.

Drainage improvements continue to be a demand from the residents of Fort Bend County. The District is proceeding with several drainage projects that will enhance and compliment the County’s flood control and drainage system.

Contacting the District's Management and Obtaining Financial Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mark Vogler, Fort Bend County Drainage District, 1004 Blume Rd., P.O. Box 1028, Rosenberg, Texas 77471.

BASIC FINANCIAL STATEMENTS

FORT BEND COUNTY DRAINAGE DISTRICT

STATEMENT OF NET POSITION

September 30, 2018

		Governmental Activities
Assets		
Cash and cash equivalents	$	10,393,681
Receivables:		
Property taxes, net		272,307
Miscellaneous		75,985
Capital assets, not subject to depreciation		2,430,770
Capital assets, net of accumulated depreciation		32,019,115
Total Assets		45,191,858
Deferred Outflows of Resources		
Deferred outflows related to pension activities		457,549
Total Deferred Outflows of Resources		457,549
Liabilities		
Due to primary government		817,215
Long-term Liabilities:		
Long-term liabilities due within one year		46,125
Long-term liabilities due in more than one year		21,727,558
Net pension liability		827,436
Total Liabilities		23,418,334
Deferred Inflows of Resources		
Deferred inflows related to OPEB activities		1,754,360
Deferred inflows related to pension activities		186,053
Total Deferred Inflows of Resources		1,940,413
Net Position		
Net investment in capital assets		34,449,885
Unrestricted		(14,159,225)
Total Net Position	$	20,290,660

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY DRAINAGE DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

		Governmental Activities
Program Expenses		
Flood control-maintenance	$	11,860,499
Total Program Expenses		11,860,499
Program Revenues		
Impact fees		277,297
Total Program Revenues		277,297
General Revenues		
Property taxes		10,020,415
Earnings on investments		269,883
Miscellaneous		58,201
Total General Revenues		10,348,499
Increase(Decrease) in Net Position		(1,234,703)
Net Position, Beginning		31,934,214
Prior period adjustments		(10,408,851)
Net Position, Ending	$	20,290,660

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY DRAINAGE DISTRICT

BALANCE SHEET

GOVERNMENTAL FUND

September 30, 2018

		General Fund
Assets		
Cash and cash equivalents	$	10,393,681
Property taxes receivable, net		272,307
Miscellaneous receivable		75,985
Total Assets	$	10,741,973
Liabilities		
Due to primary government		817,215
Total Liabilities		817,215
Deferred Inflow of Resources		
Unavailable revenue - property taxes		272,307
Total Deferred Inflow of Resources		272,307
Fund Balance		
Nonspendable		
Committed		13,850,016
Unassigned		(4,197,565)
Total Fund Balance		9,652,451
Total Liabilities, Deferred Inflow of Resources, and Fund Balance	$	10,741,973
Fund Balance - Governmental Fund	$	9,652,451
Adjustments for the Statement of Net Position:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund.		34,449,885
Other long-term assets (property taxes receivable, including penalties and interest on delinquent taxes) are not available to pay for current period expenditures and are therefore deferred in the governmental fund.		272,307
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the fund financial statements.		
Accrued compensated absences		(184,499)
Other post-employment benefits ("OPEB")		(21,589,184)
Net pension liability and related deferred outflows and inflows do not represent assets or liabilities in the current period and are not recognized in the governmental fund financial statements.		(2,310,300)
Net Position of Governmental Activities	$	20,290,660

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY DRAINAGE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
For the Year Ended September 30, 2018

		General Fund
Revenues		
Property taxes	$	10,011,358
Earnings on investments		269,883
Impact fees		277,297
Miscellaneous		216,617
Total Revenues		10,775,155
Expenditures		
Current operating:		
Flood control-maintenance		9,302,771
Capital outlay		2,118,732
Total Expenditures		11,421,503
Net Change in Fund Balance		(646,348)
Fund Balance, Beginning		10,298,799
Fund Balance, Ending	$	9,652,451
Net Change in Fund Balance - Governmental Fund	$	(646,348)
Adjustments for the Statement of Activities:		
The governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay ($2,118,732) exceeded depreciation expense ($1,938,606) in the current period.		180,126
The gain on the disposal of capital assets is only reported in the statement of activities, whereas in the governmental funds, the loss from the disposal does not affect current financial resources. Thus, the change in net position differs from the change in fund balance by the gain realized on the disposal of capital assets.		(158,416)
Pension contributions made during the year, are treated as expenditures in the governmental funds but are treated as a reduction in pension liability in government wide financial statements.		391,884
Revenues that do not provide current financial resources are not reported as revenues in the governmental funds. This adjustment reflects the net change in property taxes receivable and penalties and interest receivable on delinquent taxes on the accrual basis of accounting.		9,057
Long-term liabilities (compensated absences and other post-employment benefits) are not due and payable in the current period and, therefore, are not reported in the fund financial statements. This adjustment reflects the net change on the accrual basis of accounting.		
Accrued compensated absences		38,190
Pension expense for the pension plan measurement year		(1,776,649)
Other post-employment benefits ("OPEB")		727,453
Change in Net Position of Governmental Activities	$	(1,234,703)

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

These financial statements include all of the funds and activities of the Fort Bend County Drainage District (the "District"), which is a component unit of Fort Bend County, Texas (the "County"). Financial statements of the District are included as a blended component unit in the County's financial statements.

The District was established under Section 59 of Article XVI of the Constitution of Texas and includes all of the property within Fort Bend County. The District was created for the purpose of reclamation and drainage of its lands. The primary criteria for the inclusion of the District in the County's reporting entity, is that of financial accountability. The Commissioners Court, the elected governing body of the County, acts as the governing body of the District.

B. Implementation of New Standards

During the current fiscal year, the District implemented the following new standard. The applicable provisions of this new standard is summarized here. Implementation is reflected in the financial statements and the notes to the financial statements.

- *GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* ("GASB 75"), replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* GSB 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Implementation of GASB 75 is reflected in the County's financial statements.

C. 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 and include all activities of the District. The effect of interfund activity has been eliminated from the government-wide statements. All of the District's activities are reported as governmental activities, which normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

D. 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 the related cash flows. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the statement of net position.

The governmental fund financial statements are presented on a *current financial resources measurement focus* and *modified accrual basis of accounting*. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile fund-based financial statements with the governmental column of the government-wide presentation.

In the fund financial statements, the accounts of the District are organized on a fund basis, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Following is a description of the District fund:

General Fund

The General Fund is used to account for all revenues and expenditures, relating to general operations.

E. Budgets

The Board of Directors adopts an annual budget for the District.

F. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, balances in privately managed local government investment pools and short-term investments with original maturities of three months or less from the date of acquisition. The County's local government investment pools are recorded at amortized cost, which approximates fair value, as permitted by GASB Statement No. 79, Certain Investment Pools and Pool Participants. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturities of three months or less when purchased to be cash equivalents.

G. Capital Assets

Capital assets used in governmental fund types of the government are recorded as expenditures in the General Fund and as assets in the government-wide financial statements to the extent the District's capitalization threshold is met, currently $10,000. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair value on the date of donation.

The Fort Bend Flood Control Water Supply Corporation (the "Corporation") was formed for the purpose of financing and constructing flood control projects and improvements, and any infrastructure that has been constructed, as well as any land or easements purchased by the Corporation during the projects, are conveyed to and maintained by the District. The District is responsible for maintaining these projects, and records these capital assets in its annual financial statements. The District also funds capital assets from general revenues through the annual budget process.

The costs of normal maintenance and repairs that do not add to the value of assets or materially extend assets' lives are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

The District applies a half-year convention for depreciation on all assets. Therefore, one half of a year of depreciation is charged to operations the first and last year that an asset is in service. Depreciation has been provided for plant and equipment using the straight-line method over the following estimated useful life for the type of assets as follows:

Asset Description	Estimated Useful Life
Vehicles	5 to 7 years
Office furniture and equipment	5 to 7 years
Machinery and equipment	7 to 15 years
Buildings and facilities	5 to 39 years
Infrastructure-drainage improvements	20 to 40 years

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category:

- Deferred outflows of resources for pension items - This deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently 6 years for the District plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two items that qualifies for reporting in this category:

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

- Deferred inflows of resources for pension – Reported by the District in the government-wide financial statement of net position, these deferred inflows result primarily from of differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.

I. Net Position and Fund Balances

<u>Net Position Classifications</u>

Net position in government-wide financial statements are classified in three categories: 1) Net investment in capital assets, 2) Restricted net position, and 3) Unrestricted net position. Net position is shown as restricted if constraints placed on use are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation. The Corporation's net position is all restricted for capital projects. It is the Corporation's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

<u>Fund Balance Classifications</u>

Governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of September 30, 2018, fund balance for the government fund is made up of the following:

Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the District's Board. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally.

Assigned Fund Balance – comprises amounts intended to be used by the District for specific purposes that are neither restricted nor committed. *Intent* is expressed by (1) the District's Board or (b) a body (for example: a budget or finance committee) or official to which the District's Board has delegated the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

GASB 54 requires disclosure of any formally adopted minimum fund balance policies. The District's policy is to budget to maintain a minimum fund balance of 15% of the District's General Fund annual operating expenditures. If the actual fund balance drops below 15%, it shall be budgeted for recovery the following year. This policy is reviewed annually.

Fund balance for the District as of September 30, 2018, is comprised of commitments in the amount of $13,850,016 for capital projects, with the remaining deficit balance of $4,197,565 classified as unassigned.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. In addition, these estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. Date of Managements' Review

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through March 19, 2018, the date that the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

A. Authorization for Deposits and Investments

The Texas Public Funds Investment Act ("PFIA"), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the District.

In accordance with applicable statutes, the District has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the District incurs for banking services received. The District may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent. District policy requires the collateralization level to be at least 110% of market value of principal.

Commissioners' Court has adopted a written investment policy regarding the investment of District funds as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code). Investments made by the District are in compliance with the District's investment policy.

The District's investment policy is more restrictive than the PFIA requires. It is the District's policy to restrict its direct investments to obligations of the U.S. Government or U.S. Government Agencies, fully collateralized certificates of deposit, and local government investment pools. The maximum maturity allowed is three years from the date of purchase.

As of September 30, 2018, the District reported deposits in the amount of $9,647,480. The District's collateral requirement, in accordance with its investment policy is 110%. Of the bank balance, the entire amount was covered by federal depository insurance or by collateral held by the County's agent in the County's name as of September 30, 2018.

B. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than 3 years. At year-end, the District's cash and investments balances and the weighted average maturity of these investments were as follows:

	Fair Value/ Amortized Cost	Weighted Average Maturity
Demand Deposits	$ 9,647,480	1
Investment Pools:		
Texas CLASS	744,815	52
Texas TERM	343	35
LOGIC	1,043	42
Total Fair Value	$ 10,393,681	
Portfolio weighted average maturity (days)	5	

Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS") is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, Texas Government Code, and the PFIA. Texas CLASS was established in 1996. Pursuant to the Trust Agreement, Texas CLASS is supervised by a Board of Trustees who are elected by the Participants. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian and the Program Administrator. Cutwater Investor Services Corp. serves as Program Administrator. Cutwater Investor Services Corp. is a subsidiary of Cutwater Asset Management. It maintains a Net Asset Value of approximately $1 per share.

The TexasTERM Local Government Investment Pool ("TexasTERM") is organized in conformity with the PFIA. It provides for a fixed-rate, fixed-term investment for a period of 60 days to one year and includes TexasDAILY, a portfolio of the Local Government Pool, providing daily access to funds. An Advisory Board composed of participants in TexasTERM and other parties who do not participate in the Pool, has responsibility for the overall management of the Pool, including formulation and implementation of its investment and operating policies. PFM Asset Management LLC, a leading national financial and investment advisory firm, is the investment advisor to the pool. It maintains a Net Asset Value of approximately $1 per share.

Local Government Investment Cooperative ("LOGIC") is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, Texas Government Code, and the PFIA. The Pool was created in April, 1994 through a contract among its participating governmental units, and is governed by a board of directors, to provide for the joint investment of participant's public funds and funds under their control. It maintains a Net Asset Value of approximately $1 per share.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

C. Credit Risk

The District's investment policy does not require investments to hold certain credit ratings issued by nationally recognized statistical rating organizations. As of September 30, 2018, all of the District's investments were rated "AAAm" by Standard and Poor's.

D. Concentration of Credit Risk

It is the County's policy to diversify its portfolio to eliminate the risk of loss resulting from a concentration of assets of a specific maturity (save and except zero duration funds), a specific issuer or a specific class of investments. To achieve this diversification, the County will limit investments in specific types of securities to the following percentages of the total portfolio:

Investment Type	Maximum Investment %
Repurchase Agreements	up to 35%
Certificates of Deposit	up to 50%
U.S. Treasury Bills/Notes	up to 100%
Other U.S. Government Securities	up to 80%
Authorized Local Government Investment Pools	up to 80%
No Load Money Market Mutual Funds	up to 50%
Bankers Acceptances	up to 15%

As of September 30, 2018, $9,647,480 of the District's cash and cash equivalents are contained in demand deposit accounts.

NOTE 3 – RECEIVABLES

Receivables as of September 30, 2018, consist primarily of property tax receivables, as detailed below:

Delinquent property taxes	$	202,645
Less allowance for uncollectibles		(20,265)
Penalties and interest		99,919
Less allowance for uncollectibles		(9,992)
Total net receivables	$	272,307

A. Property Taxes

The District's tax year covers the period October 1 through September 30. The District's property taxes are levied annually in October on the basis of the Fort Bend County Appraisal District's assessed values as of January 1 of that calendar year. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. The District's property taxes are billed and collected by the County's Tax Assessor/Collector.

NOTE 4 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended September 30, 2018, is as follows:

	Balances 9/30/17	Increases	(Decreases)	Balances 9/30/18
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 2,430,770	$	$	$ 2,430,770
Construction in progress		109,462	(109,462)	
Total capital assets not depreciated	2,430,770	109,462	(109,462)	2,430,770
Other capital assets:				
Infrastucture-drainage improvements	31,612,242	109,462		31,721,704
Vehicles	1,605,019	129,849	(83,485)	1,651,383
Office furniture and equipment	204,420	74,888	(12,440)	266,868
Machinery and equipment	10,408,690	1,804,533	(1,284,881)	10,928,342
Buildings and facilities	1,801,066			1,801,066
Total other capital assets	45,631,437	2,118,732	(1,380,806)	46,369,363
Less accumulated depreciation for:				
Infrastucture-drainage improvements	(5,079,900)	(1,056,618)		(6,136,518)
Vehicles	(1,127,373)	(137,633)	83,485	(1,181,521)
Office furniture and equipment	(167,636)	(20,447)	12,440	(175,643)
Machinery and equipment	(6,089,858)	(674,174)	1,126,466	(5,637,566)
Buildings and facilities	(1,169,265)	(49,735)		(1,219,000)
Total accumulated depreciation	(13,634,032)	(1,938,607)	1,222,391	(14,350,248)
Other capital assets, net	31,997,405	180,125	(158,415)	32,019,115
Totals	$ 34,428,175	$ 289,587	$ (267,877)	$ 34,449,885

Construction in progress as of September 30, 2018, consisted of the following projects:

Project	Balances 10/1/17	Increases-Retainage Included	(Decreases-Capitalizations)	Balances 9/30/18	Commitments
Willowfork Bayou	$	$	$	$	$ 872,930
Keegans Bayou					58,750
Flood Damage Feasibility					4,963
Big Creek		73,376	(73,376)		
Upper Oyster Creek		36,087	(36,087)		
Totals	$	$ 109,462	$ (109,462)	$	$ 936,643

The capitalization of the construction in progress represents portions of each project that were placed in service during fiscal year 2018. Commitments of $936,643 represent contracts that were still active as of September 30, 2018.

NOTE 5 – LONG-TERM LIABILITIES

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental fund.

A summary of long-term liability transactions of the District for the year ended September 30, 2018, is as follows:

	Balance 10/1/17	Additions	(Retirements)	Balance 9/30/18	Amounts Due Within One Year
Accrued compensated absences	$ 222,689	$ 192,197	$ (230,387)	$ 184,499	$ 46,125
Other post-employment benefits ("OPEB") obligation - restated	22,704,226	1,573,166	(2,688,208)	21,589,184	
Total Long-term Liabilities	$22,926,915	$ 1,765,363	$ (2,918,595)	$ 21,773,683	$ 46,125

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM

General Information about the Pension Plan

A. Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034. Because the District participates in TCDRS as a component unit of the County plan, no distinctly separate actuarial calculations are performed or separate fiduciary net position maintained for the District. As such, the District's participation in the plan is being reported as a participation in a cost-sharing plan (with the County) in accordance with U.S. generally accepted accounting principles.

B. Benefits Provided

The plan provisions are adopted by the governing body of the employer for the benefit of all full-time employees of the County, within the options available in the Texas state statutes governing TCDRS ("TCDRS Act"). Members can retire at ages 60 and above with eight or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

All employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal two times the employee's final full-year salary. An employee who leaves County service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are one-half of the change in the Consumer Price Index, limited to a maximum increase in retirement allowance of 2 percent for general employees and 3 percent for public safety employees. The Commissioners Court considers providing an additional cost-of-living adjustment after the employee's retirement date beyond the terms of the plan during the budget process if sufficient funds are available.

C. Employees Covered by Benefit Terms

As of September 30, 2018, 77 active employees were covered under the plan.

D. Contributions

The employer has elected the annually determined contribution rate ("ADCR") plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. It was 11.95% for calendar year 2017 and 12.12% for calendar year 2018. The contribution rate payable by the employee members is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

The County's total payroll in fiscal year 2018 was approximately $157.6 million and the County's contributions were based on a payroll of approximately $158.0 million. Contributions made by employees totaled $11,057,597 and the County made contributions of $19,079,463 during the fiscal year ended September 30, 2018, of which $456,215 was attributable to the District.

E. Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Actuarial Cost Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	3.25%
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Fort Bend County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Mortality	
Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

F. Discount Rate

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.

2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability ("UAAL") shall be amortized as a level percent of pay over 20-year closed layered periods.

2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.

3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.

4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

G. Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 10 year time horizon. Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017.

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected minus Inflation) (2)
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (3)	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
Int'l Equities - Developed Markets	MSCI World Ex USA (net)	11.00%	4.55%
Int'l Equities - Emerging Markets	MSCI EM Standard (net) Index	8.00%	5.55%
Investment-Grade Bonds	Bloomberg Barclays Capital Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index (4)	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnerships ("MLPs")	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (5)	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%

(1) Target asset allocation adopted at the April 2018 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.95%, per Cliffwater's 2018 capital market assumptions.

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

H. Sensitivity Analysis

The following presents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
District's proportional share of the net pension liability / (asset)	$ 2,598,951	$ 827,436	$ (657,617)

At September 30, 2018, the District's proportionate share of the County's net pension liability was 2.0%.

I. Deferred Inflows / Outflows of Resources

For the year ended September 30, 2018, the District recognized pension expense of $409,878. As of the measurement date of December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$ 81,509
Changes of assumptions	113,417	
Net difference between projected and actual earnings	617,948	
Contributions made subsequent to measurement date	275,405	
	$ 1,006,769	$ 81,509

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the December 31 measurement date, will be recognized in pension expense as follows:

Year ended December 31:	
2017	$ 207,128
2018	250,926
2019	182,012
2020	12,585
2021	(2,796)
Total	$ 649,855

J. Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	**Fiduciary Net Position (b)**	**Net Pension Liability (a) – (b)**
Balances as of December 31, 2016	$ 11,758,865	$ 10,295,658	$ 1,463,206
Changes for the year:			
Service cost	403,835		403,835
Interest on total pension liability (1)	967,437		967,437
Effect of plan changes (2)	-		-
Effect of economic/demographic gains or losses	51,279		51,279
Effect of assumptions changes or inputs	20,311		20,311
Refund of contributions	(20,691)	(20,691)	
Benefit payments	(426,068)	(426,068)	
Administrative expenses		(7,932)	7,932
Member contributions		214,517	(214,517)
Net investment income		1,504,948	(1,504,948)
Employer contributions		365,411	(365,411)
Other (3)		1,688	(1,688)
Balances as of December 31, 2016	$ 12,754,969	$ 11,927,533	$ 827,436

(1) Reflects the chang in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) No plan changes valued.

(3) Relates to allocation of system-wide items.

Schedule of Changes in Net Pension Liability and Related Ratios (Last 10 Years)

	Year Ended December 31				
	2017	2016	2015	2014	6 Years Prior
Total Pension Liability					
Service Cost	$ 20,191,736	$ 19,342,565	$ 17,634,188	$ 16,523,133	N/A
Interest on total pension liability	48,371,860	44,158,326	41,231,027	38,158,329	N/A
Effect of plan changes	-	-	(3,757,840)	-	
Effect of assumption changnes or inputs	1,015,574	-	5,221,392	-	N/A
Effect of econmic/demographic (gains) or losses	2,563,971	(838,894)	(4,826,769)	(317,076)	
Benefit payments/refunds of contributions	(22,337,946)	(20,403,336)	(18,596,903)	(16,821,825)	N/A
Net change in total pension liability	49,805,195	42,258,661	36,905,095	37,542,561	N/A
Total pension Liability, beginning	587,943,240	545,684,579	508,779,484	471,236,923	N/A
Total pension Liability,ending (a)	$ 637,748,435	$ 587,943,240	$ 545,684,579	$ 508,779,484	N/A
Fiduciary Net Position					
Employer contribuions	$ 18,270,569	$ 16,407,504	$ 15,499,968	$ 14,592,621	N/A
Member contributions	10,725,864	9,752,784	8,950,888	8,374,898	N/A
Investment income net of investment expenses	75,247,421	35,146,589	(3,695,830)	29,818,164	N/A
Benefit payments/refunds of contributions	(22,337,946)	(20,403,336)	(18,596,903)	(16,821,825)	N/A
Administrative expenses	(396,609)	(382,614)	(341,868)	(351,781)	N/A
Other	84,406	(833,564)	(697,460)	(187,536)	N/A
Net chane in fiduciary net position	81,593,705	39,687,363	1,118,795	35,424,541	N/A
Fiduciary net position, beginning	$ 514,782,925	475,095,562	473,976,767	438,552,226	N/A
Fiduciary net position, ending (b)	$ 596,376,630	$ 514,782,925	$ 475,095,562	$ 473,976,767	N/A
Net pension liability/(asset), ending = (a) - (b)	$ 41,371,805	$ 73,160,315	$ 70,589,017	$ 34,802,717	N/A
Fiduciary net position as a % of total pension liability	93.51%	87.56%	87.06%	93.16%	N/A

K. Pension Expense

Pension Expense		**Measurement Year 2017**
Service cost	$	403,835
Interest on total pension liability (1)		967,437
Effect of plan changes		-
Administrative expenses		7,932
Member contributions		(214,517)
Expected investment return net of investment expenses		(838,989)
Recognition of deferred inflows/outflows of resources		
Recognition of economic/demographic gains or losses		(11,396)
Recognition of assumption changes or inputs		20,790
Recognition of investment gains or losses		76,474
Other (2)		(1,688)
Pension expense	$	409,878

(1) Reflects the chang in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) Relates to allocation of system-wide items.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits through the Texas County and District Retirement System, the County has opted to provide eligible retired employees with the following post-employment benefits:

- Eligible retirees receive the same healthcare benefits as current eligible County employees.
- Eligible retirees may purchase healthcare coverage for eligible dependents at the same subsidized cost to current eligible County employees.

The County is statutorily required to permit retiree participation in the health insurance program on a pooled non-differentiated basis. The County recognizes its share of the costs of providing these benefits when paid, on a "pay-as-you-go" basis. These payments are budgeted annually. As of September 30, 2018, there were 38 retirees and 24 spouses of retirees receiving benefits and 74 active members not yet receiving benefits. Commencing in fiscal year 2008, the County implemented GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions." The County has performed actuarial valuations of its post-retirement benefit liability in 2008, 2010, 2012, 2014, 2016 and 2018.

A. Changes in OPEB Liability

	Increase (Decrease) Total OPEB Liability
Changes in Total OPEB Liability	
Balance as of September 30, 2017 as restated for GASB 75	$ 22,704,226
Changes for the year:	
Service cost	733,166
Interest on total OPEB liability	840,000
Effect of assumptions changes or input	(1,960,755)
Benefit payments	(727,453)
Balance as of September 30, 2018	$ 21,589,184

Schedule of Changes in Total OPEB Liability and Related Ratios (last 10 years):

	2018	9 Years Prior
Total OPEB Liability		
Service Cost	$ 733,166	N/A
Interest on total OPEB liability	840,000	N/A
Effect of assumption changnes or inputs	(1,960,755)	N/A
Benefit payments	(727,453)	N/A
Net change in total OPEB liability	(1,115,042)	N/A
Total OPEB Liability, beginning	22,704,226	N/A
Total OPEB Liability,ending	$ 21,589,184	N/A
Covered payroll	$ 3,437,213	N/A
Total OPEB liability as a % of covered payroll	628.10%	N/A

B. Sensitivity Analysis

The following presents the total OPEB liability of the District, calculated using the discount rate of 4.18%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.18%) or 1 percentage point higher (5.18%) than the current rate.

	Decrease 3.18%	Discount Rate 4.18%	Increase 5.18%
Total OPEB liability	$ 25,425,024	$ 21,589,184	$ 18,532,984

C. Deferred Inflows / Outflows of Resources

For the year ended September 30, 2018, the District recognized OPEB expense of $1,366,771. As of the measurement date of September 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	$
Changes of assumptions	1,754,360
	$ 1,754,360

Amounts currently reported as deferred outflows of resources related to OPEB will be recognized in pension expense as follows:

Year ended December 31:	
2019	$ (206,395)
2020	(206,395)
2021	(206,395)
2022	(206,395)
2023	(206,395)
Thereafter	(722,385)
Total	$ (1,754,360)

NOTE 8 – CONTINGENT LIABILITIES

The District is contingently liable for lawsuits and other claims arising in the ordinary course of its operations. The settlement of such contingencies under the budgetary process would not materially affect the financial position of the District as of September 30, 2018.

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 disaster. The County's risk management program, which covers the District, encompasses various means of protecting the District against loss by obtaining property, casualty and liability coverage through commercial insurance carriers, self-insurance 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 – IMPACT FEES

Impact fees are authorized by resolution of the Commissioners Court pursuant to chapter 395 of the Local Government Code. These fees are collected from property owners within the service area of the Oyster Creek watershed. Impact fees have been collected by the County and were previously deposited with the Corporation to support debt service. After the Oyster Creek bonds were paid off by the Corporation in fiscal year 2008, it was determined that these impact fees should be deposited with the District to support the Oyster Creek projects managed by the District.

REQUIRED SUPPLEMENTARY INFORMATION

FORT BEND COUNTY DRAINAGE DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND - BUDGETARY BASIS

For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance from Final Positive (Negative)
Revenues				
Property taxes	$ 10,033,916	$ 10,033,916	$ 10,011,358	$ (22,558)
Fines and fees	165,841	165,841	277,297	111,456
Earnings on investments	106,858	106,858	269,883	163,025
Miscellaneous	143,549	143,549	216,617	73,068
Total Revenues	10,450,164	10,450,164	10,775,155	324,991
Expenditures				
Current:				
Salaries and personnel costs	6,066,452	5,808,558	5,798,877	9,681
Operating costs	2,552,009	2,143,121	2,082,843	60,278
Information technology costs	2,800	5,182	4,190	992
Capital acquisitions	1,449,500	1,663,900	1,661,102	2,798
Total Expenditures	10,070,761	9,620,761	9,547,012	73,749
Excess of Revenues Over Expenditures				
Excess of Revenues Over Expenditures	379,403	829,403	1,228,143	398,740
Other Financing Sources (Uses)				
Transfers (out)	(1,030,000)			
Total Other Financing Sources (Uses)	(1,030,000)			
Net Change in Fund Balance-Budgetary Basis	$ (650,597)	$ 829,403	$ 1,228,143	$ 398,740

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO BUDGETARY REQUIRED SUPPLEMENTARY INFORMATION

Budgets

The Board adopts an annual appropriations budget for the General Fund using the same basis of accounting as for financial reporting. All annual appropriations lapse at fiscal year-end. The County Budget Officer prepares the proposed budget, using revenue estimates furnished by the County Auditor and submits the data to the Board. The Board holds a public hearing on the budget. Before determining the final budget, the Board may increase or decrease the amounts requested by District management. In the final budget, appropriations for the General Fund cannot exceed the estimated available budgetary fund balance in such funds at October 1, plus the estimate of revenues for the ensuing year. During the year, the Board may increase budgeted revenues and expenditures for unexpected revenues or beginning fund balance in excess of budget estimates, provided the Board rules that a state of emergency exists. The District may transfer amounts among individual budget line items within major expenditure categories during the year, but the Board must approve any budget transfers between major expenditure categories. However, no such transfer may increase the overall total of the budget.

The General Fund includes a multi-year budget that is not confined to the fiscal year ending September 30. This multi-year budget is primarily used to account for capital projects. The funding for these multi-year budgets originates from a prior and/or current fiscal year budget allocation within the General Fund. These annual budgetary allocations are transferred to the multi-year budgets within the General Fund. The residual balances of these budgets are reconsidered by the Board annually during the budget process described in the preceding paragraph. The schedule below shows a reconciliation of the GAAP Basis activity in the General Fund for the fiscal year and multi-year budgetary basis to determine the actual net change in fund balance.

	Actual Amounts Budgetary Basis	Actual Multi-Year	Actual Amounts GAAP Basis
Revenues	$ 10,775,155	$	$ 10,775,155
Expenditures	9,547,012	1,874,495	11,421,507
Net Change in Fund Balance	1,228,143	(1,874,495)	(646,352)
Fund Balance, Beginning of Year			10,298,798
Fund Balance, End of Year			$ 9,652,446

FORT BEND COUNTY DRAINAGE DISTRICT
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
September 30, 2018

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (UNAUDITED)
Schedule of the District's Proportionate Share of the Net Pension Liability and Related Ratios

	Measurement Year 2016	Measurement Year 2015	Measurement Year 2014
District's proportion of the net pension liability	2.00%	2.50%	2.65%
District's proportionate share of the net pension liability	$ 1,463,206	$ 1,764,725	$ 922,272
District's covered employee payroll	$ 3,612,648	$ 3,323,453	$ 3,167,115
Plan's net pension liability as a percentage of covered employee payroll per Fort Bend County CAFR	52.58%	55.29%	29.12%
Plan fiduciary net position as a percentage of the total pension liability per Fort Bend County CAFR	87.56%	87.06%	93.16%

Note: GASB 68 requires 10 years of net pension liability and related ratios information. This information is not available and has not been calculated prior to the first measurement year ended December 31, 2014. In the future, such information will be used to populate this schedule as it becomes available.

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (UNAUDITED)
Schedule of District Contributions
Last Ten Fiscal Years

Year ending September 30	Actuarially determined contribution	Actual contributions	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
2017	$ 430,277	$ 430,277	$	$ 3,612,366	11.9%
2016	408,623	408,623		3,204,225	12.8%
2015	400,381	400,381		3,293,019	12.2%
2014	384,271	384,271		3,192,830	12.0%
2013	366,550	366,550		3,205,827	11.4%
2012	354,025	354,025		3,221,396	11.0%
2011	334,600	334,600		3,127,625	10.7%
2010	330,361	330,361		3,096,582	10.7%
2009	320,040	320,040		3,138,713	10.2%
2008	309,544	309,544		3,040,861	10.2%

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Actuarial Cost Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	3.25%
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Fort Bend County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Mortality	
Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

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TEXAS SUPPLEMENTARY INFORMATION

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FORT BEND COUNTY DRAINAGE DISTRICT

GENERAL FUND EXPENDITURES

For the Year Ended September 30, 2018

Salary and Personnel Costs:	
Salaries and labor	$ 3,777,758
Board pay	12,000
Payroll taxes	278,747
Retirement	456,215
Insurance	866,155
Insurance-retirees	408,000
Operating and Training Costs:	
Fees	1,800,977
Travel	13,509
Supplies and maintenance	1,146,741
Fuel	400,597
Property and casualty	112,208
Property and equipment	25,674
Information Technology Costs	4,190
Capital Acquisition Costs	2,118,732
TOTAL EXPENDITURES	$ 11,421,503

Number of employees employed by the District: 77

FORT BEND COUNTY DRAINAGE DISTRICT
TAXES LEVIED AND RECEIVABLE
September 30, 2018

	Maintenance Taxes
Taxes receivable - Beginning of Year	$ 187,332
Adjustments	9,771
Adjusted receivable	197,103
2017 Tax Levy:	
Original tax levy	9,934,006
Adjustments and corrections	126,487
Adjusted 2016 tax levy	10,060,492
Total to be Accounted for	10,257,595
Tax Collections:	
Current year	9,991,196
Prior years	63,755
Total Collections	10,054,951
Taxes Receivable - End of Year	$ 202,644
Taxes Receivable - By Years:	
2017	$ 69,296
2016	27,252
2015	21,735
2014	16,674
2013	9,417
2012 and prior	58,270
Taxes Receivable - End of Year	$ 202,644

Note: Taxes receivable above does not include the allowance for uncollectibles of $20,264

Assessed Property Valuations:	**2017**	**2016**	**2015**	**2014**	**2013**
Land	$19,455,126,860	$17,680,292,450	$16,242,328,413	$15,245,762,915	$14,699,071,456
Improvements	58,955,376,633	55,405,850,183	50,201,022,237	40,420,977,909	36,770,530,058
Personal property	5,770,221,320	4,961,079,960	5,351,249,168	5,346,224,119	5,003,828,350
Less: exemptions	(22,093,190,416)	(20,327,214,399)	(19,077,898,889)	(16,013,122,396)	(15,035,125,611)
	$62,087,534,397	$57,720,008,194	$52,716,700,929	$44,999,842,547	$41,438,304,253
Tax Rates Per $100 Valuations					
Maintenance tax rates	$ 0.01600	$ 0.01600	$ 0.02100	$ 0.02200	$ 0.01500
Total Tax Rate per $100 Valuation	$ 0.01600	$ 0.01600	$ 0.02100	$ 0.02200	$ 0.01500
Original Tax Levy	$ 9,934,006	$ 9,235,201	$ 11,070,507	$ 9,899,965	$ 6,215,746
Percent of Taxes Collected to Taxes Levied	99.30%	99.25%	99.37%	99.72%	99.65%

Maximum Tax Rate Approved by Voters: $ 0.25 on 6/25/49

FORT BEND COUNTY DRAINAGE DISTRICT

COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND

Last Five Fiscal Years

	Amounts				
	2018	**2017**	**2016**	**2015**	**2014**
Revenues:					
Property taxes	$10,011,358	$ 9,552,140	$11,461,905	$10,531,116	$ 6,568,993
Investment income	269,883	142,310	66,935	24,294	20,266
Impact fees	277,297	93,603	108,334	461,343	11,348
Intergovernmental revenues				1,150,000	40,728
Miscellaneous	216,617	184,960	111,261	58,662	86,194
Total Revenues	10,775,155	9,973,013	11,748,435	12,225,415	6,727,529
Expenditures:					
Current	9,302,771	7,877,427	7,940,342	7,513,211	7,519,958
Capital outlay	2,118,732	1,258,818	1,642,182	958,286	950,690
Total Expenditures	11,421,503	9,136,245	9,582,524	8,471,497	8,470,648
Excess (Deficiency) Revenues Over (Under) Expenditures	$ (646,348)	$ 836,768	$ 2,165,911	$ 3,753,918	$ (1,743,119)
Total Active Retail Water Connections	N/A	N/A	N/A	N/A	N/A
Total Active Retail Wastewater Connections	N/A	N/A	N/A	N/A	N/A

Percent of Total Fund Revenues				
2018	2017	2016	2015	2014
92.9 %	95.8 %	97.6 %	86.1 %	97.6 %
2.5	1.4	0.6	0.2	0.3
2.6	0.9	0.9	3.8	0.2
			9.4	0.6
2.0	1.9	0.9	0.5	1.3
100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
86.3	79.0	67.6	61.5	111.8
19.7	12.6	14.0	7.8	14.1
106.0 %	91.6 %	81.6 %	69.3 %	125.9 %
(6.0) %	8.4 %	18.4 %	30.7 %	(25.9) %

FORT BEND COUNTY DRAINAGE DISTRICT

BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS

For the Year Ended September 30, 2018

Complete District Mailing Address: 1004 Blume Road, PO Box 1028, Rosenberg, TX 77471
District Business Telephone Number: (281) 342-2863
Submission date of most recent District Registration Form
(TWC Sections 36.054 and 49.054): 5/2/11
Limit on Fees of Office that a Director may receive during a fiscal year: $7,200
(Set by Board Resolution - TWC Section 49.6000)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid * 09/30/18	Expense Reimburse-ments 09/30/18	Title at Year-end
Board Members:				
Robert Hebert	(Elected) 1/15 - 12/18	$ 2,400	$	Chairman
Vincent Morales	(Elected) 1/17 - 12/20	2,400		Board Member
Grady Prestage	(Elected) 1/15 - 12/18	2,400		Board Member
Andy Meyers	(Elected) 1/17 - 12/20	2,400		Board Member
James Patterson	(Elected) 1/15 - 12/18	2,400		Board Member
Key Administrative Personnel:				
Mark Vogler	1/1/07	$ 142,489	$ 2,474	Drainage District Manager/ Chief Engineer
Consultants:				
Cobb, Fendley, and Associates		$ 18,403		Engineering Design
LJA Engineering and Surveying		24,024		Engineering Design
Pape-Dawson Engineers		12,300		Engineer
Wetland Technologies		47,000		Environmental Consultant
Quadrant Consultants		71,490		Engineering Consultant
Freese & Nichols, Inc.		109,996		Engineer
Fort Bend County Appraisal District		68,578		Tax Appraiser
Bio-West, Inc.		31,082		Environmental Consultant
Whitley Penn, L.L.P.		12,330		Independent Auditor

* *Fees of Office* are the amounts actually paid to a Director during the District's fiscal year.

Independent Auditors' Report on Internal Control

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