

Brazoria Drainage District No. 4
Information required by Section 26.18, Texas Tax Code

Date: 10/01/2023

- 1) Name of each member of the governing body:

Jeffrey Brennan

Jim Mooney

Scott Feuleless

- 2) Mailing address, e-mail address, and telephone number:

4813 W. Broadway, Pearland, TX 77581

info@bdd4.org

(281) 485-1434

- 3) Official contact information for each member of the governing body:

Same as item (2) above.

- 4) District's budget for the preceding two years:

See attached.

- 5) Proposed budget for the current year:

See attached.

- 6) Change in amount of District budget from the preceding year to current year, by dollar amount and percentage:

FY 2023: \$36,834,800 - FY 2024 \$28,762,606 = -\$8,072,194 (-24.61%)

- 7) Amount of property tax revenue budgeted for maintenance and operations for the preceding two years and the current year:

See attached budgets.

- 8) Amount of property tax revenue budgeted for debt service for the preceding two years and the current year:

The District does not budget for debt service.

- 9) Tax rate for maintenance and operations adopted by the taxing unit for the preceding two years:

<u>2021</u>	<u>\$0.152000 / \$100</u>
<u>2022</u>	<u>\$0.138000 / \$100</u>

- 10) The tax rate for debt service adopted by the taxing unit for the preceding two years:

<u>2021</u>	<u>\$0.00</u>
<u>2022</u>	<u>\$0.00</u>

- 11) This information required by section 26.18 is applicable only to school districts.

- 12) Tax rate information for maintenance and operations proposed by the taxing unit for the current year:

\$0.114786 / \$100

- 13) Tax rate for debt service proposed by the taxing unit for the current year:

- 14) This information required by section 26.18 is applicable only to school districts.

- 15) The most recent financial audit of the District:

See attached.

Brazoria Drainage District No.4
Fiscal Year 2024 Expenses
October 1, 2023 - September 30, 2024

	Budget Amt
Labor - Gross	\$5,850,000
Employee Benefit	\$3,413,000
Liability/WC Insurance	\$320,000
Accounting	\$30,000
HR	\$15,000
Engineering (Outsourced Reviews)	\$20,000
Legal	\$90,000
Capital Equipment M/R	\$420,000
Fuel & Oil	\$700,000
Shop & Safety	\$285,000
Office Expenses	\$130,000
Utilities	\$95,000
Audit Expense	\$37,000
County Services	\$270,000
Equipment Replacement	\$1,236,000
Capital Improvement	\$50,000
Flood Control	\$15,801,606
Land Acquisition	\$0
Total	\$28,762,606

Adopted Budget for 2023-2024 0.114786 / \$100 - Tax Rate for Year 2023

Jeffrey H. Brennan, Chairman September 12, 2023

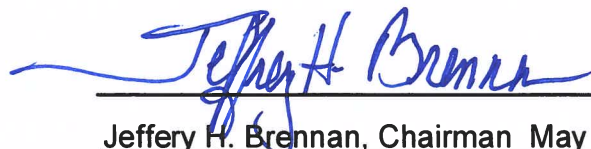
Brazoria Drainage District No.4
Fiscal Year 2023
October 1, 2022 thru September 30, 2023

***Amended April 4, 2023**

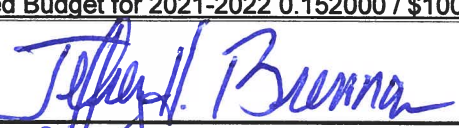
****Amended May 2, 2023**

	<u>Budget Amt</u>
Labor - Gross	\$5,700,000
Employee Benefit	\$3,400,000
Liability/WC Insurance	\$320,000
Accounting	\$20,000
HR	\$20,000
Engineering	\$60,000
Legal	\$90,000
Capital Equipment M/R	\$420,000
**Fuel & Oil	\$898,000
Shop & Safety Supplies	\$280,000
Office & Misc	\$156,000
Utilities	\$90,000
Audit Expense	\$35,000
County Services	\$180,000
Equipment Replacement	\$1,440,000
Capital Improvement	\$50,000
Flood Control	\$15,925,000
*Land Acquisition	\$7,733,800
**Legislative Lobbying for the 88th Texas Legislative Session	\$17,000
Totals	\$36,834,800

Adopted Budget for 2022-2023 0.138000 / \$100 - Tax Rate for Year 2022



Jeffery H. Brennan, Chairman May 2, 2023

Brazoria Drainage District No.4				
Fiscal Year 2022				
October 1, 2021 thru September 30, 2022				
	Budget Amt	Reserves	Total Budget	
Labor - Gross	5,150,000		5,150,000	
Employee Benefit	3,400,000		3,400,000	
Liability/WC Insurance	320,000		320,000	
Accounting	50,000		50,000	
Engineering	155,000		155,000	
Legal	75,000		75,000	
Capital Equipment M/R	385,000		385,000	
Fuel & Oil	400,000		400,000	
Tools & Shop	280,000		280,000	
Office & Misc	170,000		170,000	
Utilities	75,000		75,000	
Audit Expense	42,000		42,000	
County Services	180,000		180,000	
Equipment Replacement	1,200,000		1,200,000	
Capital Improvement	100,000		100,000	
Flood Control	8,393,000	1,117,000	9,510,000	
Land Acquisition	1,000,000	2,250,000	3,250,000	
Totals	21,375,000	3,367,000	24,742,000	
Adopted Budget for 2021-2022 0.152000 / \$100 - Tax Rate for Year 2021				
				
Jeffery H. Brennan, Chairman September 14, 2021				

BRAZORIA DRAINAGE DISTRICT NO. 4

BRAZORIA COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2022

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Commissioners
Brazoria Drainage District No. 4
Brazoria County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and General Fund of Brazoria Drainage District No. 4 (the "District"), as of and for the year ended September 30, 2022, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of Brazoria Drainage District No. 4, as of September 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the 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

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 twelve months 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 the 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 the 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, budgetary comparison information and schedules related to pension and OPEB plans to 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

***Board of Directors
Brazoria Drainage District No. 4
Brazoria County, Texas***

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.

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 Texas Supplementary Information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

McGuire & Co, P.C.

Houston, Texas
February 7, 2023

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Management's Discussion and Analysis

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***Brazoria Drainage District No. 4
Management's Discussion and Analysis
September 30, 2022***

Using this Annual Report

Within this section of the financial report of Brazoria Drainage District No. 4 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2022. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Fund Balance Sheet* and the *Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

Brazoria Drainage District No. 4
Management's Discussion and Analysis
September 30, 2022

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Fund Balance Sheet* and the *Governmental Fund Revenues, Expenditures and Changes in Fund Balance*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at September 30, 2022, was \$30,004,581. A comparative summary of the District's overall financial position, as of September 30, 2022 and 2021, is as follows:

	2022	2021
Current and other assets	\$ 24,465,354	\$ 24,879,907
Capital assets	22,051,104	20,239,510
Total assets	46,516,458	45,119,417
Total deferred outflows of resources	2,509,853	2,779,684
Current liabilities	1,031,471	1,047,310
Long-term liabilities	14,613,402	17,304,425
Total liabilities	15,644,873	18,351,735
Total deferred inflows of resources	3,376,857	830,998
Net position		
Investment in capital assets	22,051,104	20,239,510
Unrestricted	7,953,477	8,476,858
Total net position	\$ 30,004,581	\$ 28,716,368

***Brazoria Drainage District No. 4
Management's Discussion and Analysis
September 30, 2022***

The total net position of the District increased during the current fiscal year by \$1,288,213. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2022	2021
Revenues		
Property taxes, penalties and interest	\$ 21,060,749	\$ 19,416,925
Federal awards	618,232	
Intergovernmental revenue	184,371	
Other	956,983	649,518
Total revenues	<u>22,820,335</u>	<u>20,066,443</u>
Expenses		
Operating and administrative	10,160,849	10,593,341
Flood control	10,232,609	5,336,960
Depreciation	1,270,615	1,359,873
Total expenses	<u>21,664,073</u>	<u>17,290,174</u>
Change in net position before other item	1,156,262	2,776,269
Other item		
Gain from disposition of capital assets	<u>131,951</u>	<u>216,092</u>
Change in net position	1,288,213	2,992,361
Net position, beginning of year	28,716,368	25,724,007
Net position, end of year	<u>\$ 30,004,581</u>	<u>\$ 28,716,368</u>

Financial Analysis of the District's General Fund

A comparative summary of the General Fund's financial position as of September 30, 2022 and 2021 is as follows:

	2022	2021
Total assets	<u>\$ 24,465,354</u>	<u>\$ 24,879,907</u>
Total liabilities	\$ 658,192	\$ 692,310
Total deferred inflows	1,310,091	430,167
Total fund balance	22,497,071	23,757,430
Total liabilities, deferred inflows and fund balance	<u>\$ 24,465,354</u>	<u>\$ 24,879,907</u>

***Brazoria Drainage District No. 4
Management's Discussion and Analysis
September 30, 2022***

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	2022	2021
Total revenues	\$ 21,940,411	\$ 20,053,149
Total expenditures	(23,357,122)	(17,220,302)
Revenues over/(under) expenditures	(1,416,711)	2,832,847
Other changes in fund balance	156,352	208,092
Net change in fund balance	<u>\$ (1,260,359)</u>	<u>\$ 3,040,939</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, which is dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because the District increased the tax rate and because assessed values increased from prior year.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$1,260,359 less than budgeted. The *Budgetary Comparison Schedule* on page 43 of this report provides variance information per financial statement line item.

***Brazoria Drainage District No. 4
Management's Discussion and Analysis
September 30, 2022***

Capital Assets

Capital assets held by the District at September 30, 2022 and 2021 are summarized as follows:

	2022	2021
Capital assets not being depreciated		
Land and improvements	\$ 14,542,480	\$ 12,779,382
Capital assets being depreciated		
Buildings and improvements	4,872,395	4,788,518
Equipment	13,458,047	13,108,099
	18,330,442	17,896,617
Less accumulated depreciation		
Buildings and improvements	(2,977,670)	(2,774,469)
Equipment	(7,844,148)	(7,662,020)
	(10,821,818)	(10,436,489)
Depreciable capital assets, net	7,508,624	7,460,128
Capital assets, net	\$ 22,051,104	\$ 20,239,510

Capital asset additions during the current year consist of right-of-way acquisitions and heavy equipment purchases.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and the projected cost of operating the District. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	2022 Actual	2023 Budget
Total revenues	\$ 21,940,411	\$ 31,001,000
Total expenditures	(23,357,122)	(31,001,000)
Revenues over/(under) expenditures	(1,416,711)	-
Other changes in fund balance	156,352	
Net change in fund balance	(1,260,359)	-
Beginning fund balance	23,757,430	22,497,071
Ending fund balance	\$ 22,497,071	\$ 22,497,071

Property Taxes

The District's property tax base increased approximately \$2,134,502,000 for the 2022 tax year from \$13,803,683,880 to \$15,938,185,839. This increase was primarily due to new construction in the District and increased property values. For the 2022 tax year, the District has levied a maintenance tax

***Brazoria Drainage District No. 4
Management's Discussion and Analysis
September 30, 2022***

rate of \$0.138 per \$100 of assessed value. The tax rate for the 2021 tax year was \$0.152 per \$100 of assessed value for maintenance and operations.

Basic Financial Statements

Brazoria Drainage District No. 4
Statement of Net Position and Governmental Fund Balance Sheet
September 30, 2022

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash	\$ 5,202,440	\$ -	\$ 5,202,440
Restricted cash	173,912		173,912
Investments	17,500,000		17,500,000
Taxes receivable	452,627		452,627
Due from other governments	1,062,513		1,062,513
Accrued interest receivable	73,862		73,862
Capital assets, not being depreciated		14,542,480	14,542,480
Capital assets, net		7,508,624	7,508,624
Total Assets	<u>\$ 24,465,354</u>	<u>22,051,104</u>	<u>46,516,458</u>
Deferred Outflows of Resources			
Contributions subsequent to measurement date for pension plan		686,050	686,050
Changes in actuarial assumptions to determine pension liability		1,404,169	1,404,169
Difference in expected and actual pension experience		419,634	419,634
Total Deferred Outflows of Resources		<u>2,509,853</u>	<u>2,509,853</u>
Liabilities			
Accounts payable	\$ 654,952		654,952
Other payables	3,240		3,240
Long term obligations due within one year			
Compensated absence payable		373,279	373,279
Long term obligations due after one year			
Compensated absence payable		1,497,454	1,497,454
Net pension liability		437,475	437,475
Total OPEB liability - retiree medical plan		12,509,950	12,509,950
Total OPEB liability - retiree group term life insurance		168,523	168,523
Total Liabilities	<u>658,192</u>	<u>14,986,681</u>	<u>15,644,873</u>
Deferred Inflows of Resources			
Deferred property taxes	452,627	(452,627)	
Deferred Federal awards	802,711	(802,711)	
Deferred investment earnings	54,753	(54,753)	
Changes in actuarial assumptions to determine pension liability		17,907	17,907
Difference in expected and actual pension experience		25,503	25,503
Difference in projected and actual earnings on pension plan assets		3,333,447	3,333,447
Total Deferred Inflows of Resources	<u>1,310,091</u>	<u>2,066,766</u>	<u>3,376,857</u>
Fund Balance/Net Position			
Fund Balance			
Committed	173,912	(173,912)	
Unassigned	22,323,159	(22,323,159)	
Total Fund Balance	<u>22,497,071</u>	<u>(22,497,071)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 24,465,354</u>		
Net Position			
Investment in capital assets		22,051,104	22,051,104
Unrestricted		7,953,477	7,953,477
Total Net Position		<u>\$ 30,004,581</u>	<u>\$ 30,004,581</u>
See notes to basic financial statements.			

Brazoria Drainage District No. 4**Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance
For the Year Ended September 30, 2022**

	General Fund	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 20,936,105	\$ 22,460	\$ 20,958,565
Penalties and interest	102,184		102,184
Federal awards		802,711	802,711
Intergovernmental revenue	618,232		618,232
Miscellaneous	184,371		184,371
Investment earnings	99,519	54,753	154,272
Total Revenues	<u>21,940,411</u>	<u>879,924</u>	<u>22,820,335</u>
Expenditures/Expenses			
Operating and administrative			
Personnel	7,724,496	142,946	7,867,442
Professional fees	263,695		263,695
Contracted services	167,888		167,888
Repairs and maintenance	1,126,835		1,126,835
Utilities	87,475		87,475
Administrative	647,514		647,514
Capital outlay			
Flood control	10,232,609		10,232,609
Capital improvements	3,106,610	(3,106,610)	
Depreciation		1,270,615	1,270,615
Total Expenditures/Expenses	<u>23,357,122</u>	<u>(1,693,049)</u>	<u>21,664,073</u>
Revenues Over Expenditures/Expenses	(1,416,711)	2,572,973	1,156,262
Other Financing Sources			
Proceeds from sale of capital assets	156,352	(156,352)	
Other Item			
Gain from disposition of capital assets		131,951	131,951
Net Change in Fund Balance	(1,260,359)	1,260,359	
Change in Net Position		1,288,213	1,288,213
Fund Balance/Net Position			
Beginning of the year	23,757,430	4,958,938	28,716,368
End of the year	<u>\$ 22,497,071</u>	<u>\$ 7,507,510</u>	<u>\$ 30,004,581</u>

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Brazoria Drainage District No. 4 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was created by the Brazoria County Commissioners Court on June 28, 1910, and on May 22, 1929, was made a Conservation and Reclamation District by Special Bill No. 25 of the Texas State Legislature. The District’s primary activity is the control of flooding within its boundaries. As such, the District works in conjunction with local, state, federal and other county agencies to maintain existing flood control systems, construct additions and modifications and review additions and modifications proposed by others.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected three-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. The District uses only a General Fund to account for its operations. The District’s principal revenue source is property taxes. Expenditures include costs associated with the daily operations of the District.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes and interest earned on investments. Receivables not collected within sixty days of fiscal year end are not considered available and are reported as deferred inflows. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2022, an allowance for uncollectible accounts was not considered necessary.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Depreciable capital assets, which primarily consist of buildings, building improvements, heavy equipment and vehicles, are depreciated using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Buildings and improvements	5-30 years
Equipment and vehicles	3-15 years

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, revenues that do not meet the availability criteria required for revenue recognition are recorded as deferred inflows of financial resources.

Deferred outflows and inflows of financial resources at the government-wide level are related to the pension plan provided to employees (See Note 7).

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balance – Governmental Fund

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have a nonspendable fund balance.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balance – Governmental Fund (continued)

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District does not have a restricted fund balance.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District's committed fund balance consist of deposits received for the maintenance of certain pumped detention ponds in the event that the facilities are not properly maintained by their owners.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balance and does not have an assigned fund balance.

Unassigned - all other spendable amounts.

When an expenditure is incurred for which committed, assigned, or unassigned fund balance is available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Compensated Employee Absences

Compensated employee absences, which include vacation and sick leave, are accrued by employees when earned. The rate at which an employee earns benefits will vary depending upon their employment status and years employed with the District. Employees are eligible for vacation time after one year of employment and earn between 80 and 240 hours vacation per year. On December 31 of each year, an employee may carry over up to 120 hours of vacation to the next calendar year. Once the maximum carryover amount is reached, an employee may be compensated for up to 40 hours of unused vacation time. Employees are eligible for sick leave after 90 days of employment and earn 10 hours per month. There is no limit as to the number of sick leave hours an employee can accumulate. Upon termination, employees are paid for accumulated vacation and up to 800 hours of accumulated sick leave.

Note 1 – Summary of Significant Accounting Policies (continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County & District Retirement System (TCDRS) and additions to/deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets and the value of compensated absences, pension obligations and other post-employment benefit obligations. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2022

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Fund Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental fund	\$ 22,497,071
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the General Fund.

Historical cost	\$ 32,872,922	
Less accumulated depreciation	<u>(10,821,818)</u>	
Change due to capital assets		22,051,104

The District provides retirement benefits to its employees through a defined benefit pension plan, retiree medical plan and group term life insurance. Payments related to these plans are not due and payable in the current period and, therefore, are not recorded in the fund. The government-wide statements include the following components of the District's pension and OPEB obligations:

Deferred outflows of resources for pension plan	2,509,853	
Net pension liability	(437,475)	
Total OPEB liability	(12,678,473)	
Deferred inflows of resources for pension plan	<u>(3,376,857)</u>	
		(13,982,952)

Liabilities for compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the General Fund.	(1,870,733)
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Receivables for revenues that are not collected within 60 days of fiscal year end are not considered available to finance current period expenditures and are deferred in the General Fund.

Property taxes and penalties and interest	452,627	
Federal awards	802,711	
Investment earnings	<u>54,753</u>	
		1,310,091

Total net position - governmental activities	<u><u>\$ 30,004,581</u></u>
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Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2022

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

in Fund Balance to the Statement of Activities

Net change in fund balance - total governmental fund \$ (1,260,359)

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned.

Property taxes and related penalties and interest	\$ 22,460	
Federal awards	802,711	
Investment earnings	54,753	
	<hr/>	879,924

Costs associated with retirement benefits to be received by employees in the future do not use current financial resources and are not recorded in the fund. They are, however, recorded as liabilities, deferred outflows and deferred inflows and offset against personnel cost in the government-wide statements. (142,946)

Governmental funds report capital outlays as expenditures. However, in the *Statement of Activities*, the cost of the assets are allocated over their estimated lives as depreciation expense.

Capital outlays	3,106,610	
Depreciation expense	(1,270,615)	
	<hr/>	1,835,995

The disposition of capital assets is treated differently between the General Fund and government-wide statements. In the General Fund, proceeds from the sale of assets and settlement proceeds provide financial resources; however, in the government-wide statements, the difference between these resources and net book value is recorded as a gain or loss.

Proceeds from sale of capital assets	(156,352)	
Gain from sale of capital assets	131,951	
	<hr/>	(24,401)

Change in net position of governmental activities	<hr/> <hr/>	\$ 1,288,213
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Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Restricted Cash

Restricted cash consists of amounts permanently restricted for the repair of certain pumped detention ponds, in the event that the owners of said ponds do not provide adequate maintenance.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of September 30, 2022, the District's investments consist of certificates of deposits held with its depository bank in the amount of \$17,500,000. These investments are stated at cost, which approximates fair value.

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2022

Note 4 – Capital Assets

A summary of changes in capital assets, for the year ended September 30, 2022, is as follows:

	Beginning Balances	Additions	Retirements	Ending Balances
Capital assets not being depreciated				
Land and improvements	\$ 12,779,382	\$ 1,763,098	\$ -	\$ 14,542,480
Capital assets being depreciated				
Buildings and improvements	4,788,518	83,877		4,872,395
Equipment	13,108,099	1,259,635	(909,687)	13,458,047
	<u>17,896,617</u>	<u>1,343,512</u>	<u>(909,687)</u>	<u>18,330,442</u>
Less accumulated depreciation				
Buildings and improvements	(2,774,469)	(203,201)		(2,977,670)
Equipment	(7,662,020)	(1,067,414)	885,286	(7,844,148)
	<u>(10,436,489)</u>	<u>(1,270,615)</u>	<u>885,286</u>	<u>(10,821,818)</u>
Subtotal depreciable capital assets, net	<u>7,460,128</u>	<u>72,897</u>	<u>(24,401)</u>	<u>7,508,624</u>
Capital assets, net	<u>\$ 20,239,510</u>	<u>\$ 1,835,995</u>	<u>\$ (24,401)</u>	<u>\$ 22,051,104</u>

Depreciation expense for the current year was \$1,270,615.

Note 5 – Compensated Absences

As of September 30, 2022, a liability has been recorded for earned but unused vacation and sick leave in the *Statement of Net Position* in the amount of \$1,870,733. A summary of the change in compensated absences for the year ended September 30, 2022, is as follows:

Balance, beginning of year	\$ 1,652,194
Current year change	218,539
Balance, end of year	<u>\$ 1,870,733</u>
Due within one year	<u>\$ 373,279</u>

Note 6 – Property Taxes

All property values and exempt status, if any, are determined by the Brazoria County Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District's 2022 fiscal year was financed through the 2021 tax levy, pursuant to which the District levied property taxes of \$0.152 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$20,981,600 on the adjusted taxable value of \$13,803,683,880.

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2022

Note 6 – Property Taxes (continued)

Total property taxes receivable, at September 30, 2022, consisted of the following:

Current year taxes receivable	\$ 115,505
Prior years taxes receivable	205,234
	<hr/> 320,739
Penalty and interest receivable	131,888
Total property taxes receivable	<hr/> <u>\$ 452,627</u>

Note 7 – Pension Plan

General Information

Plan Description

The District 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 TCERS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of over 800 nontraditional defined benefit pension plans. TCERS, in the aggregate, issues an annual comprehensive financial report (“ACFR”) on a calendar year basis. The ACFR is available upon written request from the TCERS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or at www.tcdrs.org.

Benefits Provided

The plan provisions are adopted by the District’s Board of Commissioners (the “Board”); within the options available in the Texas state statutes governing TCERS (the “TCERS Act”). Members can retire at age 60 and above with 8 or more years of service, or at any age with 20 years of service, or when the sum of their age and years of service equals 75 or more.

Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any District financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the District. Retirement benefits are calculated based on the member’s account balance (contributions plus interest) and the District’s employer match, which is currently 250%. These funds are converted to an annuity with monthly payments to the retiree. Cost of living adjustments for retirees are considered substantively automatic.

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2022

Note 7 – Pension Plan (continued)

General Information (continued)

Employees Covered

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	21
Active employees	66
Total	<u>117</u>

Contributions

Under the TCDRS Act, the contribution rate of the District is actuarially determined annually. The District contributed using the actuarially determined rate of 8.58% for the 2021 calendar year and the 12.18% rate for the 2022 calendar year. The contribution rate payable by the employee members, for calendar years 2021 and 2022, is the rate of 7%, as adopted by the District's Board. During the current fiscal year, the District contributed \$783,325, which consisted of required contributions of \$508,325 and an optional contribution of \$275,000.

Funding Policy

A combination of three elements funds the District's plan: employee deposits, District contributions and investment income. Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis. Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2022

Note 7 – Pension Plan (continued)

Pension Income and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the measurement year ended December 31, 2021, the District reported pension income of \$1,112,710, which is comprised of the following:

Service cost	\$ 938,604
Interest on total pension liability ⁽¹⁾	2,274,715
Effect of plan changes	(1,710,063)
Administrative expenses	16,072
Member contributions	(310,880)
Expected investment return net of investment expenses	(1,850,100)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	117,517
Recognition of assumption changes or inputs	357,061
Recognition of investment gains or losses	(937,798)
Other ⁽²⁾	(7,838)
Pension expense (income)	<u><u>\$ (1,112,710)</u></u>

(1) Reflects the change in the liability due to the time value of money.

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

At September 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference in expected and actual experience	\$ 25,503	\$ 419,634
Changes in assumptions	17,907	1,404,169
Net difference in projected and actual earnings	3,333,447	
Contributions made subsequent to measurement date		686,050

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2022

Note 7 – Pension Plan (continued)

Pension Income and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Deferred outflows of resources resulting from contributions subsequent to the measurement date in the amount of \$686,050 will be recognized as pension expense in the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2022	\$ (257,903)
2023	(669,500)
2024	(381,578)
2025	(269,726)
2026	25,660
Thereafter	-

Net Pension Liability and Actuarial Assumptions

The District's net pension liability is measured as the total pension liability less the pension plan's fiduciary net position. The net pension liability was measured as of December 31, 2021, using an actuarial valuation as of that date.

The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017-2020. All economic assumptions were recommended by Milliman, the actuary, and adopted by the TCDRS Board of Trustees in 2021. These assumptions, except where required to be different by GASS 68, are used to determine the total pension liability as of December 31, 2021. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Valuation date	December 31, 2021
Measurement date	December 31, 2021
Actuarial cost method	Entry Age Normal
Discount rate	7.60%
Inflation	2.50%
Overall payroll growth	2.50%
Long-term investment rate of return	7.50%

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2022

Note 7 – Pension Plan (continued)

Net Pension Liability and Actuarial Assumptions (continued)

The annual salary increase rates assumed for individual members vary by length of service and entry age group. The annual rate consists of a general wage inflation component of 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.7% per year for a career employee.

Mortality rates for depositing members were based on the gender-distinct Pub-2010 General Employee Amount-Weighted Mortality Table, with 135% for males and 120% for females. Mortality rates for retirees, beneficiaries and non-depositing members were based on the gender-distinct Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table, with 135% for males and 120% for females. For disabled retirees, the gender-distinct Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table with 160% for males and 125% for females. The rates on all tables are projected with 100% of the MP-2021 Ultimate scale after 2010.

The long-term expected rate of return on pension plan investments is 7.5%. The long-term expected rate of return on pension plan investments was determined by adding expected inflation to the expected long term real returns, reflecting expected volatility and correlation. 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 10-year time horizon. The TCDRS Board of Trustee adopted the current assumption at their March 2021 meeting. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
U.S. Equities	11.5%	3.80%
Global Equities	2.5%	4.10%
International Equities - Developed Markets	5.0%	3.80%
International Equities - Emerging Markets	6.0%	4.30%
Investment Grade Bonds	3.0%	-0.85%
Strategic Credit	9.0%	1.77%
Direct Lending	16.0%	6.25%
Distressed Debt	4.0%	4.50%
REIT Equities	2.0%	3.10%
Master Limited Partnerships	2.0%	3.85%
Private Real Estate Partnerships	6.0%	5.10%
Private Equity	25.0%	6.80%
Hedge Funds	6.0%	1.55%
Cash Equivalents	2.0%	-1.05%
Total	<u>100.0%</u>	

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2022

Note 7 – Pension Plan (continued)

Net Pension Liability and Actuarial Assumptions (continued)

The discount rate used to measure the total pension liability was 7.6%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active, inactive and retired members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Since the District's cost-of-living adjustments are considered substantively automatic, an annual 2.5 cost of living adjustment is included in the calculation of net pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance as of December 31, 2020	\$ 29,477,453	\$ 24,327,736	\$ 5,149,717
Changes for the year:			
Service cost	938,604		938,604
Interest on total pension liability ⁽¹⁾	2,274,715		2,274,715
Effect of plan changes	(1,710,063)		(1,710,063)
Effect of economic/demographic gains or losses	114,231		114,231
Effect of assumptions changes or inputs	39,759		39,759
Refund of contributions	(2,641)	(2,641)	
Benefit payments	(986,669)	(986,669)	
Administrative expenses		(16,072)	16,072
Member contributions		310,880	(310,880)
Net investment income		5,348,227	(5,348,227)
Employer contributions		718,615	(718,615)
Other		7,838	(7,838)
Balance as of December 31, 2021	<u>\$ 30,145,389</u>	<u>\$ 29,707,914</u>	<u>\$ 437,475</u>

(1) Reflects change in the liability due to the time value of money

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2022

Note 7 – Pension Plan (continued)

Sensitivity Analysis

The following presents the net pension liability of the District, calculated using the discount rate of 7.6%, 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 (6.6%) or 1 percentage point higher (8.6%) than the current rate:

	1% Decrease 6.6%	Current Discount Rate 7.6%	1% Increase 8.6%
Total pension liability	\$ 34,879,983	\$ 30,145,388	\$ 26,254,027
Fiduciary net position	29,707,913	29,707,913	29,707,913
Net pension liability / (asset)	<u>\$ 5,172,070</u>	<u>\$ 437,475</u>	<u>\$ (3,453,886)</u>

Note 8 – Other Post-Employment Benefits – Retiree Medical Plan

General Information

Plan Description

The District provides a single-employer, defined benefit postemployment (OPEB) health insurance plan. The plan is administered by the District and is funded on a pay as you go basis. There are no plan financial statements and no assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Benefits Provided

The Plan provides medical, dental, vision and disability insurance for eligible retirees and their dependents through the District's group health insurance plan, which covers both active and retired members. Employees are eligible for benefits when they become eligible for pension benefits as discussed in Note 7. Benefit provisions are established by the District. Retired employees and spouses remain on the District's medical plan only until Medicare eligible, at which time the District will reimburse the retiree and spouse for the cost of a personal supplemental insurance plan. The retiree and spouse remain on the District's dental and vision plans.

Contributions

The District pays the current insurance premium cost or reimbursement for supplemental insurance for retired plan members and beneficiaries as those amounts come due. Retired members and beneficiaries are not required to contribute toward the cost of the medical plan. For the fiscal year ended September 30, 2022, the District paid \$151,890 for health insurance premiums.

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2022

Note 8 – Other Post-Employment Benefits – Retiree Medical Plan (continued)

General Information (continued)

Employees Covered

At September 30, 2022, the following employees were covered by the benefit terms:

Active employees	68
Retired	18
Deceased*	0
Total	<u>86</u>

*Only included when a surviving beneficiary is currently receiving benefits.

Total OPEB Liability

As permitted by GASB 75, the District's total OPEB liability of \$12,509,950 was measured as of September 30, 2022, using the alternative measurement method, which is similar to an actuarial valuation, but with simplifications of several assumptions.

Valuation Assumptions

A summary of principal assumptions and methods used to determine the total OPEB liability is shown below.

Valuation/measurement date	September 30, 2022
Actuarial cost method	Entry Age Normal
Average retirement age	62
Discount rate/Bond yield	4.77%
Projected salary increases	4.50%
Amortization period	20
Amortization method	Level percent of payroll
Percentage participation	100%

Mortality rates for active members were based on the Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years. This assumption does not include a margin for future improvements in longevity.

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2022

Note 8 – Other Post-Employment Benefits – Retiree Medical Plan (continued)

Total OPEB Liability (continued)

Healthcare cost trends for the insurance benefits provided by the plan are as follows:

	Medical	Pharmacy	Dental	Vision
Year 1	4.7%	5.2%	3.5%	3.0%
Year 2	4.8%	4.8%	3.5%	3.0%
Year 3	4.7%	4.7%	3.0%	3.0%
Year 4	4.6%	4.6%	3.0%	3.0%
Year 5	4.5%	4.5%	3.0%	3.0%
Year 6	4.4%	4.4%	3.0%	3.0%
Year 7	4.3%	4.3%	3.0%	3.0%
Year 8	4.2%	4.2%	3.0%	3.0%
Year 9	4.2%	4.2%	3.0%	3.0%
Year 10+	4.2%	4.2%	3.0%	3.0%

The cost trend numbers used were developed consistent with the Getzen model promulgated by the Society of Actuaries for use in long-term trend projection. The ACA excise tax will ultimately affect all plans and could raise the average annual trend by 0.5% or more in each year.

Discount Rate

The discount rate used to measure the OPEB liability was 4.77%, which is based on 20-year tax exempt Municipal Bonds.

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2022

Note 8 – Other Post-Employment Benefits – Retiree Medical Plan (continued)

Changes in Total OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance as of September 30, 2021	\$ 10,700,190	\$ -	\$ 10,700,190
Changes for the year:			
Service cost	486,777		486,777
Interest on total OPEB liability ⁽¹⁾	270,009		270,009
Effect of economic/demographic gains or losses	7,161,346		7,161,346
Effect of assumptions changes or inputs	(5,956,482)		(5,956,482)
Benefit payments	(151,890)	(151,890)	
Employer contributions		151,890	(151,890)
Balance as of September 30, 2022	<u>\$ 12,509,950</u>	<u>\$ -</u>	<u>\$ 12,509,950</u>

(1) Reflects the change in the liability due to the time value of money.

Sensitivity Analysis

Discount Rate

The following presents the total OPEB liability of the District, as well as the what the liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease 3.77%	Current Discount Rate 4.77%	1% Increase 5.77%
Total OPEB liability	\$ 14,638,290	\$ 12,509,950	\$ 10,822,910

Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Baseline Trend	1% Increase
Total OPEB liability	\$ 10,619,710	\$ 12,509,950	\$ 14,910,960

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2022

Note 8 – Other Post-Employment Benefits – Retiree Medical Plan (continued)

OPEB Expense/Income

For the measurement year ended September 30, 2022, the District recognized a net increase in OPEB expense of \$1,961,650. The components of the current year increase in OPEB expense are as follows:

Service cost	\$ 486,777
Interest on total OPEB liability	270,009
Recognition of effect of economic/demographic gains or losses	7,161,346
Recognition of effect of assumption changes or inputs	(5,956,482)
OPEB expense	<u>\$ 1,961,650</u>

Note 9 – Other Post-Employment Benefits – Group Term Life Plan

General Information

Plan Description

The District participates in an agent multiple employer defined-benefit group-term life insurance plan (“GTL”) operated by TCDRS. This plan is optional for employers that offer a pension plan through TCDRS and provides group term life insurance coverage to both current and retired employees. The District makes a combined contribution for both the active and retiree coverage; however, only the retiree coverage is considered a postemployment benefit other than pension subject to GASB 75. Since the assets of the GTL fund can be used to pay benefits to active employees who are not part of the OPEB plan, no assets are accumulated in a trust that meets all the requirements of GASB 75, paragraph 4. Accordingly, the GTL is considered an unfunded plan.

TCDRS issues a publicly available annual comprehensive financial report (“ACFR”) that includes financial statements and required supplementary information for the GTL. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or at www.tcdrs.org.

Benefits Provided

The GTL provides a fixed lump sum life insurance benefit in the amount of \$5,000 to beneficiaries of all active employees and retirees. Benefit terms are established under the TCDRS Act. The District’s participation in the GTL program is optional and the District may elect to opt out of (or opt into) coverage as of Jan. 1 each year.

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2022

Note 9 – Other Post-Employment Benefits – Group Term Life Plan (continued)

Employees Covered

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Active employees	66
Inactive employees entitled to but not yet receiving benefits*	6
Inactive employees or beneficiaries currently receiving benefits*	24
Total	<u>96</u>

* Receiving benefits indicates member is retired and receiving monthly pension benefits and his or her beneficiary is eligible for the life insurance benefit upon the retiree's death.

Contributions

The District's contribution rate is calculated annually on an actuarial basis and is equal the cost of providing a one-year death benefit equal to \$5,000. The contribution rate for retirees in the 2022 calendar year was 0.11% and 2021 calendar year was 0.09%. During the current fiscal year, the District contributed \$13,162.

Total OPEB Liability

The District's total OPEB liability was measured as of December 31, 2021, using an actuarial valuation as of that date.

Actuarial Assumptions

All actuarial assumptions that determined the total OPEB liability as of December 31, 2021, were based on the results of an actuarial experience study for the years 2013 - 2016, except where required to be different by accounting standards.

A summary of principal assumptions and methods used to determine the total OPEB liability is shown below.

Valuation date	December 31, 2021
Measurement date	December 31, 2021
Actuarial cost method	Entry Age Level Percent of Salary
Discount rate	2.06%

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2022

Note 9 – Other Post-Employment Benefits – Group Term Life Plan (continued)

Total OPEB Liability (continued)

Actuarial Assumptions (continued)

Mortality rates for depositing members were based on the gender-distinct Pub-2010 General Employee Amount-Weighted Mortality Table, with 135% for males and 120% for females. Mortality rates for retirees, beneficiaries and non-depositing members were based on the gender-distinct Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table, with 135% for males and 120% for females. For disabled retirees, the gender-distinct Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table with 160% for males and 125% for females. The rates on all tables are projected with 100% of the MP-2021 Ultimate scale after 2010.

Discount Rate

The discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 2.06% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2021.

Changes in Total OPEB Liability

Balance as of December 31, 2020	\$ 157,324
Changes for the year:	
Service cost	6,877
Interest on total OPEB Liability ⁽¹⁾	3,439
Effect of economic/demographic gains or losses	1,968
Effect of assumptions changes or inputs ⁽²⁾	2,912
Benefit payments	(3,997)
Balance as of December 31, 2021	<u><u>\$ 168,523</u></u>

(1) Reflects the change in the liability due to the time value of money.

(2) Reflects change in discount rate and the new assumptions.

Sensitivity Analysis

The following presents the total OPEB liability of the District, calculated using the discount rate of 2.06%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.06%) or 1 percentage point higher (3.06%) than the current rate:

	1% Decrease 1.06%	Current Discount Rate 2.06%	1% Increase 3.06%
Total OPEB liability	\$ 202,823	\$ 168,523	\$ 142,147

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2022

Note 9 – Other Post-Employment Benefits – Group Term Life Plan (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

GASB 75 required that certain changes in the GTL be deferred and amortized to expense in the current and future years. The District did not recognize these deferrals and amortizations because the amounts were deemed to be immaterial. For the measurement year ended December 31, 2021, the components of the District's actuarially determined OPEB expense of \$16,485 are as follows:

Service cost	\$	6,877
Interest on total OPEB liability ⁽¹⁾		3,439
Recognition of deferred inflows/outflows of resources		
Recognition of economic/demographic gains or losses		1,284
Recognition of assumption changes or losses		4,885
OPEB Expense	<u>\$</u>	<u>16,485</u>

(1) Reflects the change in liability due to the time value of money.

At September 30, 2022, the District's GTL had deferred outflows of resources and deferred inflows of resources related to OPEB, as determined by an actuarial valuation (but not recorded on the financial statements) from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference in expected and actual experience	\$ 1,842	\$ 8,734
Changes in assumptions	5,235	32,942
Contributions made subsequent to measurement date		3,198

If these amounts had been deferred, the contributions subsequent to the measurement date would be recognized as OPEB expense in the following year (offset by that year's deferral) and the other deferrals would have been recognized as OPEB expense over ten years with annual charges ranging from \$6,904 to \$3,013.

Note 10 – Interlocal Agreements with Brazoria County

The District has entered into an interlocal agreement with Brazoria County for various improvement projects that benefit both entities. Generally, the District provides labor and equipment, and Brazoria County provides materials.

Note 11 – Interlocal Agreement with City of Pearland

The District enters into various interlocal agreements with the City of Pearland (the City") for improvements to regional drainage facilities that benefit the District and the City. During the current fiscal year, the City paid \$618,232 to the District pursuant to an interlocal agreement for improvements to a drainage ditch. This amount is recorded as Intergovernmental revenue in the *Statement of Activities*.

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2022

Note 12 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Required Supplementary Information

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Brazoria Drainage District No. 4**Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2022**

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 21,190,000	\$ 20,936,105	\$ (253,895)
Penalties and interest	86,000	102,184	16,184
Intergovernmental revenue		618,232	618,232
Miscellaneous	70,000	184,371	114,371
Investment earnings	29,000	99,519	70,519
Total Revenues	<u>21,375,000</u>	<u>21,940,411</u>	<u>565,411</u>
Expenditures			
Operating and administrative			
Personnel	8,550,000	7,724,496	825,504
Professional fees	272,000	263,695	8,305
Contracted services	230,000	167,888	62,112
Repairs and maintenance	785,000	1,126,835	(341,835)
Utilities	75,000	87,475	(12,475)
Administrative	770,000	647,514	122,486
Capital outlay			
Flood control	8,393,000	10,232,609	(1,839,609)
Capital improvements	<u>2,300,000</u>	<u>3,106,610</u>	<u>(806,610)</u>
Total Expenditures	<u>21,375,000</u>	<u>23,357,122</u>	<u>(1,982,122)</u>
Revenues Over Expenditures		(1,416,711)	(1,416,711)
Other Financing Sources			
Proceeds from sale of capital assets		<u>156,352</u>	<u>156,352</u>
Net Change in Fund Balance		(1,260,359)	(1,260,359)
Fund Balance			
Beginning of the year	<u>23,757,430</u>	<u>23,757,430</u>	
End of the year	<u>\$ 23,757,430</u>	<u>\$ 22,497,071</u>	<u>\$ (1,260,359)</u>

Brazoria Drainage District No. 4**Schedule of Changes in Net Pension Liability and Related Ratios - Last Ten Years *****September 30, 2022**

	Year Ended December 31,			
	2021	2020	2019	2018
Total Pension Liability				
Service cost	\$ 938,604	\$ 798,114	\$ 805,970	\$ 789,163
Interest on total pension liability	2,274,715	1,988,364	1,821,243	1,676,047
Effect of plan changes	(1,710,063)	1,193,174		
Effect of assumption changes or inputs	39,759	2,029,268		
Effect of economic/demographic (gains)/losses	114,231	182,142	249,655	(58,881)
Benefit payments/refunds of contributions	(989,310)	(908,698)	(706,808)	(557,297)
Net change in total pension liability	667,936	5,282,364	2,170,060	1,849,032
Total pension liability, beginning	29,477,453	24,195,089	22,025,029	20,175,997
Total pension liability, ending	30,145,389	29,477,453	24,195,089	22,025,029
Fiduciary Net Position				
Employer contributions	718,615	705,456	710,248	666,907
Member contributions	310,880	301,318	303,824	301,450
Investment income net of investment expenses	5,348,227	2,270,086	3,056,156	(340,855)
Benefit payments/refunds of contributions	(989,310)	(908,698)	(706,807)	(557,298)
Administrative expenses	(16,072)	(17,802)	(16,744)	(14,949)
Other	7,838	5,080	13,581	14,109
Net change in fiduciary net position	5,380,178	2,355,440	3,360,258	69,364
Fiduciary net position, beginning	24,327,736	21,972,296	18,612,038	18,542,674
Fiduciary net position, ending	29,707,914	24,327,736	21,972,296	18,612,038
Net pension liability, ending	\$ 437,475	\$ 5,149,717	\$ 2,222,793	\$ 3,412,991
Fiduciary net position as a % of total pension liability	98.55%	82.53%	90.81%	84.50%
Pensionable covered payroll	\$ 4,441,144	\$ 4,304,546	\$ 4,340,339	\$ 4,306,424
Net pension liability as a % of covered payroll	9.85%	119.63%	51.21%	79.25%

*The District implemented GASB 68 in fiscal year 2015 (measurement date December 31, 2014). Accordingly, information prior to fiscal year 2015 is not available. Over time, this schedule will report ten years of data.

Year Ended December 31,			
2017	2016	2015	2014
\$ 679,333	\$ 664,964	\$ 613,595	\$ 594,084
1,411,649	1,260,205	1,196,541	1,149,182
1,667,581	(46,948)	(1,536,538)	
(47,757)		145,542	
(711)	155,093	172,656	(96)
(554,274)	(526,220)	(455,064)	(515,943)
3,155,821	1,507,094	136,732	1,227,227
17,020,176	15,513,082	15,376,350	14,149,123
20,175,997	17,020,176	15,513,082	15,376,350
579,910	580,723	548,008	608,049
287,951	266,630	246,595	214,561
2,327,346	1,071,346	(346,160)	875,351
(554,274)	(526,220)	(455,064)	(515,943)
(12,331)	(11,644)	(10,411)	(10,675)
4,087	65,693	38,281	28,435
2,632,689	1,446,528	21,249	1,199,778
15,909,985	14,463,457	14,442,208	13,242,430
18,542,674	15,909,985	14,463,457	14,442,208
\$ 1,633,323	\$ 1,110,191	\$ 1,049,625	\$ 934,142
91.90%	93.48%	93.23%	93.92%
\$ 4,113,593	\$ 3,808,996	\$ 3,522,790	\$ 3,065,161
39.71%	29.15%	29.80%	30.48%

Brazoria Drainage District No. 4**Schedule of Changes in Total OPEB Liability and Related Ratios -Retiree Medical Plan - Last Ten Years *
September 30, 2022**

	Year Ended September 30,				
	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 486,777	\$ 482,718	\$ 437,389	\$ 437,388	\$ 437,389
Interest on Total OPEB Liability	270,009	238,128	293,767	259,190	271,743
Effect of economic/demographic (gains)/losses	7,161,346	205,114	58,707	190,141	(1,038,948)
Effect of assumption changes or inputs	(5,956,482)	(460,108)	3,117,781	(157,870)	(226,348)
Benefit payments	(151,890)	(115,322)	(129,553)	(112,976)	(107,850)
Net change in Total OPEB Liability	1,809,760	350,530	3,778,091	615,873	(664,014)
Total OPEB Liability, beginning	10,700,190	10,349,660	6,571,569	5,955,696	6,619,710
Total OPEB Liability, ending	<u>\$ 12,509,950</u>	<u>\$ 10,700,190</u>	<u>\$ 10,349,660</u>	<u>\$ 6,571,569</u>	<u>\$ 5,955,696</u>
Covered payroll	\$ 4,920,296	\$ 4,473,415	\$ 4,550,057	\$ 4,537,014	4,349,295
Total OPEB liability as a % of covered payroll	254.25%	239.20%	227.46%	144.84%	136.93%

*The District implemented GASB 75 in fiscal year 2018. Accordingly, information prior to fiscal year 2018 is not available. Over time, this schedule will report ten years of data.

Brazoria Drainage District No. 4**Schedule of Changes in Total OPEB Liability and Related Ratios - Group Term Life - Last Ten Years ***
September 30, 2022

	Year Ended December 31,				
	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 6,877	\$ 5,478	\$ 3,322	\$ 3,721	\$ 3,054
Interest on total OPEB Liability	3,439	3,747	4,092	3,538	3,764
Effect of assumption changes or inputs	2,912	16,285	26,075	(10,471)	4,350
Effect of economic/demographic (gains)/losses	1,968	2,270	4,986	4,456	(4,147)
Benefit payments/refunds of contributions	(3,997)	(3,444)	(3,906)	(3,876)	(4,936)
Net change in total OPEB liability	11,199	24,336	34,569	(2,632)	2,085
Total OPEB liability, beginning	157,324	132,988	98,419	101,051	98,966
Total OPEB liability, ending	<u>\$ 168,523</u>	<u>\$ 157,324</u>	<u>\$ 132,988</u>	<u>\$ 98,419</u>	<u>\$ 101,051</u>
Pensionable covered payroll	\$ 4,441,144	\$ 4,304,546	\$ 4,340,339	\$ 4,306,424	\$ 4,113,593
Net OPEB Liability as a % of covered payroll	3.79%	3.65%	3.06%	2.29%	2.46%

*The District implemented GASB 75 in fiscal year 2018 (measurement date December 31, 2017). Accordingly, information prior to fiscal year 2018 is not available. Over time, this schedule will report ten years of data.

Brazoria Drainage District No. 4
Schedule of Employer Contributions for Pension Plan - Last Ten Years
For the Fiscal Year Ended September 30, 2020

<u>Year Ending December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2012	\$ 298,778	\$ 298,778	\$ -	\$ 3,258,212	9.2%
2013	297,855	497,855	(200,000)	3,017,784	16.5%
2014	308,049	608,049	(300,000)	3,065,161	19.8%
2015	295,210	548,008	(252,798)	3,522,790	15.6%
2016	280,723	580,723	(300,000)	3,808,996	15.2%
2017	329,910	579,910	(250,000)	4,113,593	14.1%
2018	366,907	666,907	(300,000)	4,306,424	15.5%
2019	360,248	710,248	(350,000)	4,340,339	16.4%
2020	365,456	705,456	(340,000)	4,304,546	16.4%
2021	368,615	718,615	(350,000)	4,441,144	16.2%

Brazoria Drainage District No. 4
Notes to Required Supplementary Information
September 30, 2022

Note A - Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

Note B – Pension Plan

Valuation Dates

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. Pension liability and fiduciary net position are measured as of the December 31 before the end of the fiscal year.

Actuarial Methods and Assumptions Used to Determine Contribution Rates

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19.5 years
Asset valuation method	Five year smoothed market
Inflation	2.50%
Salary increases	Varies by age and service. 4.7% average over career including inflation
Investment rate of return	7.50%, net of investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in assumptions and methods reflected in the schedule	2015: New inflation, mortality and other assumptions were reflected 2017: New mortality assumptions were reflected 2019: New inflation, mortality and other assumptions were reflected
Changes in plan provisions reflected in the schedule	2015: Employer contributions reflected that a flat 2% COLA was adopted 2016: Employer contributions reflected that a flat 1% COLA was adopted 2017: New annuity purchase rates were reflected for benefits earned after 2017 2018 - 2021: Employer contributions reflected that a flat 2% COLA was adopted

Brazoria Drainage District No. 4
Notes to Required Supplementary Information
September 30, 2022

Note C – OPEB Plan – Retiree Medical Insurance

Valuation Date

The total OPEB liability amount was determined as of the District's fiscal year end using an alternative measurement method. This method is similar to an actuarial valuation, but GASB permits simplification of certain assumptions.

Plan Assets

No assets are accumulated in a trust that meets the criteria of GASB 75 to pay related benefits.

Valuation methods and assumptions:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	Twenty years
Discount rate/bond yield	4.77%
Salary increases	4.5%
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age and years of service. The average age at service retirement for recent retirees is 62.
Net OPEB liability	Calculated using the alternative measurement method in accordance with GASB methodology.
Mortality	Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years.
Turnover	Derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System
Healthcare Trend Rates	
Medical	4.7% in year 1, 4.8% in year 2, 4.7% in years 3, 4.6% in year 4, 4.5% in year 5, 4.4% in year 6, 4.3% in year 7 and 4.2% thereafter
Pharmacy	5.2% in year 1, 4.8% in year 2, 4.7% in years 3, 4.6% in year 4, 4.5% in year 5, 4.4% in year 6, 4.3% in year 7 and 4.2% thereafter
Dental	3.5% in years 1 - 2 and 3% thereafter
Vision	3% per year

Brazoria Drainage District No. 4
Notes to Required Supplementary Information
September 30, 2022

Note D – OPEB Plan – Group Term Life Insurance

All actuarial assumptions and methods that determined the total OPEB liability as of December 31, 2021 were based on the results of an actuarial experience study for the period of January 1, 2017 – December 31, 2020, except where required to be different by GASB 75.

Valuation Date

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. The total OPEB liability is determined as of the December 31, prior to the end of the District's fiscal year.

Plan Assets

No assets are accumulated in a trust that meets the criteria of GASB 75 to pay related benefits.

Actuarial Methods and Assumptions

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age level percent of salary
Amortization method	Straight-line amortization over expected working life
Discount rate	2.06% (based on the 20 year Bond GO Index published by bondbuyer.com as of 12/31/2021)
Disability	Custom table based on TCDRS experience
Mortality	135% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Retirement age	Custom table based on TCDRS experience
Other Termination of Employment	Custom table based on TCDRS experience

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Texas Supplementary Information

Brazoria Drainage District No. 4
TSI-1. Services and Rates
September 30, 2022

1. Services provided by the District During the Fiscal Year:

<input type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input type="checkbox"/> Solid Waste / Garbage	<input checked="" type="checkbox"/> Drainage
<input type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input checked="" type="checkbox"/> Flood Control	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks / Recreation	<input type="checkbox"/> Fire Protection	<input type="checkbox"/> Roads	<input type="checkbox"/> Security
<input type="checkbox"/> Participates in joint venture, regional system or wastewater service (other than emergency interconnect)			
<input type="checkbox"/> Other (Specify): _____			

2. Retail Service Providers N/A

a. Retail Rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	_____	_____	_____	_____	_____ to _____
Wastewater:	_____	_____	_____	_____	_____ to _____
Surcharge:	_____	_____	_____	_____	_____ to _____

District employs winter averaging for wastewater usage? ☐ Yes ☐ No

Total charges per 10,000 gallons usage: Water _____ Wastewater _____

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered	_____	_____	x 1.0	_____
less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____		_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditor's report.

Brazoria Drainage District No. 4
TSI-1. Services and Rates
September 30, 2022

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

Gallons pumped into system:	<u>N/A</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>N/A</u>	(Gallons billed / Gallons pumped)

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ☐ No ☒

If yes, Date of the most recent commission Order: _____

Does the District have Operation and Maintenance standby fees? Yes ☐ No ☒

If yes, Date of the most recent commission Order: _____

5. Location of District:

Is the District located entirely within one county? Yes ☒ No ☐

County(ies) in which the District is located: Brazoria County

Is the District located within a city? Entirely ☐ Partly ☒ Not at all ☐

City(ies) in which the District is located: Cities of Pearland and Brookside Village

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely ☐ Partly ☒ Not at all ☐

ETJs in which the District is located: Cities of Pearland, Alvin and Manvel

Are Board members appointed by an office outside the district? Yes ☐ No ☒

If Yes, by whom? _____

See accompanying auditor's report.

Brazoria Drainage District No. 4
TSI-2 General Fund Expenditures
For the Year Ended September 30, 2022

Personnel (including benefits)*	<u>\$ 7,724,496</u>
Professional fees	
Legal	78,687
Audit	29,500
Engineering	<u>155,508</u>
	<u>263,695</u>
Contracted services	
Appraisal district	126,008
Tax collector	26,979
Bookkeeper	<u>14,901</u>
	<u>167,888</u>
Repairs and maintenance	<u>1,126,835</u>
Utilities	<u>87,475</u>
Administrative	
Printing and office supplies	123,661
Insurance	262,860
Other	<u>260,993</u>
	<u>647,514</u>
Capital outlay	
Flood control	10,232,609
Capital improvements	<u>3,106,610</u>
	<u>13,339,219</u>
Total expenditures	<u><u>\$ 23,357,122</u></u>
 *Number of persons employed by the District:	 <u>65 Full time</u>

See accompanying auditor's report.

Brazoria Drainage District No. 4
TSI-3. Investments
September 30, 2022

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Interest Receivable</u>
General				
Certificate of deposit	1.50%	10/27/2022	\$ 1,000,000	\$ 6,370
Certificate of deposit	1.50%	10/27/2022	1,000,000	6,370
Certificate of deposit	1.50%	10/27/2022	1,000,000	6,370
Certificate of deposit	3.07%	1/19/2023	1,000,000	5,972
Certificate of deposit	3.07%	1/19/2023	1,000,000	5,972
Certificate of deposit	3.07%	1/19/2023	1,000,000	5,972
Certificate of deposit	2.98%	1/26/2023	1,000,000	5,225
Certificate of deposit	2.98%	1/26/2023	1,000,000	5,225
Certificate of deposit	3.04%	7/13/2023	1,000,000	5,330
Certificate of deposit	3.04%	7/13/2023	1,000,000	5,331
Certificate of deposit	3.04%	7/13/2023	1,000,000	5,331
Certificate of deposit	2.68%	11/3/2022	1,000,000	2,276
Certificate of deposit	2.68%	11/3/2022	1,000,000	2,276
Certificate of deposit	3.04%	12/8/2022	1,000,000	1,832
Certificate of deposit	3.04%	12/8/2022	1,000,000	1,832
Certificate of deposit	3.04%	12/8/2022	500,000	916
Certificate of deposit	2.88%	11/25/2022	1,000,000	631
Certificate of deposit	2.88%	11/25/2022	1,000,000	631
Total			<u>\$ 17,500,000</u>	<u>\$ 73,862</u>

See accompanying auditor's report.

Brazoria Drainage District No. 4
TSI-4. Taxes Levied and Receivable
September 30, 2022

				Maintenance Taxes
Taxes Receivable, Beginning of Year				\$ 306,145
Adjustments				28,267
Adjusted Receivable				334,412
2021 Original Tax Levy				19,599,212
Adjustments				1,382,388
Adjusted Tax Levy				20,981,600
Rendition Penalties				11,058
Total to be accounted for				21,327,070
Tax Collections:				
Current year				20,877,153
Prior years				129,178
Total Collections				21,006,331
Taxes Receivable, End of Year				\$ 320,739
Taxes Receivable, By Years				
2021				\$ 115,505
2020				42,539
2019				31,988
2018 and prior				130,707
Taxes Receivable, End of Year				\$ 320,739
	2021	2020	2019	2018
Property Valuations:				
Land	\$ 3,363,602,591	\$ 3,226,062,381	\$ 2,947,161,622	\$ 2,892,713,121
Improvements	13,745,032,251	13,088,130,880	12,051,939,026	11,395,753,023
Personal Property	1,171,436,492	1,187,829,273	1,279,005,754	1,100,821,432
Exemptions	(4,476,387,454)	(4,301,216,848)	(3,920,736,233)	(3,700,859,296)
Total Property Valuations	\$ 13,803,683,880	\$ 13,200,805,686	\$ 12,357,370,169	\$ 11,688,428,280
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.152	\$ 0.146	\$ 0.146	\$ 0.146
Adjusted Tax Levy	\$ 20,981,600	\$ 19,273,176	\$ 18,041,760	\$ 17,065,105
Percentage of Taxes Collected to Taxes Levied **	99.45%	99.78%	99.82%	99.87%

** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditor's report.

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Brazoria Drainage District No. 4***TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years***

	Amounts				
	2022	2021	2020	2019	2018
Revenues					
Property taxes	\$ 20,936,105	\$ 19,305,749	\$ 18,079,674	\$ 17,080,139	\$ 16,459,006
Penalties and interest	102,184	97,882	93,556	87,473	83,865
Federal awards			3,489,597	1,603,421	
Intergovernmental revenue	618,232				
Miscellaneous	184,371	615,676	133,287	92,938	174,045
Investment earnings	99,519	33,842	168,037	381,365	298,116
Total Revenues	<u>21,940,411</u>	<u>20,053,149</u>	<u>21,964,151</u>	<u>19,245,336</u>	<u>17,015,032</u>
Expenditures					
Operating and administrative					
Personnel	7,724,496	6,900,837	7,059,479	7,070,140	6,757,630
Professional fees	263,695	261,064	111,023	662,543	386,757
Contracted services	167,888	140,639	139,106	129,368	134,945
Repairs and maintenance	1,126,835	720,896	710,982	822,818	857,749
Utilities	87,475	73,485	49,917	65,050	63,462
Administrative	647,514	593,938	590,119	589,693	645,836
Other		62,176			17,715
Capital outlay	13,339,219	8,467,267	14,371,545	8,436,880	4,699,899
Total Expenditures	<u>23,357,122</u>	<u>17,220,302</u>	<u>23,032,171</u>	<u>17,776,492</u>	<u>13,563,993</u>
Revenues Over/(Under) Expenditures	<u>\$ (1,416,711)</u>	<u>\$ 2,832,847</u>	<u>\$ (1,068,020)</u>	<u>\$ 1,468,844</u>	<u>\$ 3,451,039</u>

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2022	2021	2020	2019	2018
95%	97%	82%	90%	97%
*	*	*	*	*
		16%	8%	
3%				
1%	3%	1%	*	1%
*	*	1%	2%	2%
99%	100%	100%	100%	100%
35%	34%	32%	37%	40%
1%	1%	1%	3%	2%
1%	1%	1%	1%	1%
5%	4%	3%	4%	5%
*	*	*	*	*
3%	3%	3%	3%	4%
	*			*
61%	42%	65%	44%	28%
106%	85%	105%	92%	80%
(7%)	15%	(5%)	8%	20%

Brazoria Drainage District No. 4
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2022

Complete District Mailing Address: 4813 W. Broadway, Pearland, Texas 77581
District Business Telephone Number: (281) 485-1434
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): January 14, 2011
Limit on Fees of Office that a Commissioner may receive during a fiscal year: N/A
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Jeffrey H. Brennan	12/20 - 12/24	\$ 14,600	\$ -	Chairman
Edward H. Rogers	12/18 - 12/22	14,600		Secretary
Jim Mooney	12/20 - 12/24	14,600		Member
Key Administrative Personnel:				
John Genaro	2006	163,126		Superintendent/ Investment Officer
Consultants				
Brazoria County Appraisal District	Legislative Action	<u>Amounts Paid</u> \$ 131,233		Property Value Appraisal
Kristin R. Bulanek County Tax Assessor and Collector	1910	26,979		Tax Assessor/ Collector
Your Part-Time Controller	2020	12,261		Accounting
Schwartz, Page & Harding, L.L.P.	2020	34,930		Attorney
McGrath & Co., PLLC	Annual	29,500		Auditor
Perdue Brandon Fielder Collins and Mott, LLP	1999			Delinquent Tax Attorney

* *Fees of Office* are the amounts actually paid to a commissioner during the District's fiscal year.
See accompanying auditor's report.