

BRAZORIA DRAINAGE DISTRICT NO. 4

BRAZORIA COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2025

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor’s Report		1
Management’s Discussion and Analysis		7
BASIC FINANCIAL STATEMENTS		
Statement of Net Position and Governmental Funds Balance Sheet		14
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		15
Notes to Financial Statements		17
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund		41
Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios – Last Ten Years		42
Schedule of Changes in Total OPEB Liability and Related Ratios – Retiree Medical Plan – Last Ten Years		44
Schedule of Changes in Total OPEB Liability and Related Ratios – Group Term Life – Last Ten Years		46
Schedule of Employer Contributions for Pension Plan – Last Ten Years		48
Notes to Required Supplementary Information		49
SUPPLEMENTARY INFORMATION		
Schedule of Expenditures of Federal Awards		54
Notes to Schedule of Expenditures of Federal Awards		55
TEXAS SUPPLEMENTARY INFORMATION		
Services and Rates	TSI-1	58
General Fund Expenditures	TSI-2	60
Investments	TSI-3	61
Taxes Levied and Receivable	TSI-4	62
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	64
Board Members, Key Personnel and Consultants	TSI-8	66
SINGLE AUDIT SECTION		
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		69
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance		71
Schedule of Findings and Questioned Costs		
I. Summary of Auditor’s Result		74
II. Financial Statement Findings		75
III. Federal Award Findings and Questioned Costs		75

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Independent Auditor's Report

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

Report on the Audit of Financial Statements

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, 2025, 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, 2025, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the District has restated beginning net position for the implementation of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

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

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 and *Government 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 and *Government 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.

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

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

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, as required by the Texas Commission on Environmental Quality, and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

W. G. Math & Co, P.C.

Houston, Texas
March 4, 2026

Management's Discussion and Analysis

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***Brazoria Drainage District No. 4
Management's Discussion and Analysis
September 30, 2025***

Using this Annual Report

This section of the financial report of Brazoria Drainage District No. 4 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2025. 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, pension plan, and OPEB plan; and
- Other supplementary information.

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 Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. 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. 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.

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.

***Brazoria Drainage District No. 4
Management’s Discussion and Analysis
September 30, 2025***

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. 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, 2025, was \$106,152,464. A comparative summary of the District’s overall financial position, as of September 30, 2025 and 2024, is as follows:

	<u>2025</u>	<u>2024</u>
Current and other assets	\$ 14,028,122	\$ 25,439,904
Net pension asset	3,232,772	2,615,673
Capital assets	106,229,716	83,770,756
Total assets	<u>123,490,610</u>	<u>111,826,333</u>
Total deferred outflows of resources	<u>1,680,097</u>	<u>2,255,634</u>
Current liabilities	1,630,192	1,268,849
Long-term liabilities		
OPEB liability	11,826,602	13,017,387
Other long-term liabilities	1,810,104	1,729,400
Total liabilities	<u>15,266,898</u>	<u>16,015,636</u>
Total deferred inflows of resources	<u>3,751,345</u>	<u>1,972,687</u>
Net position		
Net investment in capital assets	106,229,716	83,770,756
Restricted for pension obligations	3,232,772	2,615,673
Unrestricted	(3,310,024)	9,707,215
Total net position	<u>\$ 106,152,464</u>	<u>\$ 96,093,644</u>

The District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 101, *Compensated Absences*, which establishes revised recognition and measurement requirements for compensated absences, including vacation and sick leave. As a result of implementing this standard, the District restated beginning net position and the liability for compensated absences. Prior year data as it relates to this liability has not been restated and, as a result, the presentation of prior year data is

***Brazoria Drainage District No. 4
Management's Discussion and Analysis
September 30, 2025***

not consistent with the current year presentation. Additional information is provided in Notes 3 and 6 of the financial statements.

The total net position of the District increased during the current fiscal year by \$9,849,256. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	<u>2025</u>	<u>2024</u>
Revenues		
Property taxes, penalties and interest	\$ 22,416,774	\$ 21,515,829
Federal awards	1,347,761	
Intergovernmental contributions	454,851	
Other	995,676	1,326,088
Total revenues	<u>25,215,062</u>	<u>22,841,917</u>
Expenses		
Operating and administrative	12,713,647	11,513,299
Flood control	1,389,002	1,121,222
Depreciation	1,501,524	1,419,526
Total expenses	<u>15,604,173</u>	<u>14,054,047</u>
Change in net position before other items	9,610,889	8,787,870
Other items		
Gain from disposition of capital assets	<u>238,367</u>	<u>159,412</u>
Change in net position	9,849,256	8,947,282
Net position, beginning of year (2025 restated)	<u>96,303,208</u>	<u>87,146,362</u>
Net position, end of year	<u>\$ 106,152,464</u>	<u>\$ 96,093,644</u>

As previously noted, the District implemented GASB Statement No. 101 during the current fiscal year which resulted in a change in the calculation of the cost of providing compensated absences to District employees. In accordance with accounting standards, prior year data was not restated and, therefore, is not presented on a basis that is consistent with current year data (See Notes 3 and 6).

***Brazoria Drainage District No. 4
Management’s Discussion and Analysis
September 30, 2025***

Financial Analysis of the District’s Funds

General Fund

A comparative summary of the General Fund’s financial position as of September 30, 2025 and 2024, is as follows:

	<u>2025</u>	<u>2024</u>
Total assets	<u>\$ 14,028,122</u>	<u>\$ 25,439,904</u>
Total liabilities	\$ 1,251,291	\$ 888,887
Total deferred inflows	1,609,908	797,226
Total fund balance	<u>11,166,923</u>	<u>23,753,791</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 14,028,122</u>	<u>\$ 25,439,904</u>

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

	<u>2025</u>	<u>2024</u>
Total revenues	\$ 24,402,379	\$ 22,618,093
Total expenditures	<u>(37,303,943)</u>	<u>(20,040,564)</u>
Revenues over/(under) expenditures	(12,901,564)	2,577,529
Other changes in fund balance	314,696	159,412
Net change in fund balance	<u>\$ (12,586,868)</u>	<u>\$ 2,736,941</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. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.

Current year expenditures are significantly greater than prior year due to planned expenditures for flood control and other capital improvements.

General Fund Budgetary Highlights

The Board of Commissioners adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated expenditures.

Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$6,694,618 greater than budgeted, primarily as a result of expenditures for capital outlays being less than budgeted. The *Budgetary Comparison Schedule* on page 41 of this report provides variance information per financial statement line item.

***Brazoria Drainage District No. 4
Management’s Discussion and Analysis
September 30, 2025***

Capital Assets

Capital assets held by the District at September 30, 2025 and 2024, are summarized as follows:

	<u>2025</u>	<u>2024</u>
Capital assets not being depreciated		
Land, improvements and easements	\$ 54,117,707	\$ 40,181,602
Flood control facilities	30,950,323	30,950,323
Construction in progress	13,355,774	4,467,150
	<u>98,423,804</u>	<u>75,599,075</u>
 Capital assets being depreciated		
Buildings and improvements	5,022,473	4,974,558
Equipment	15,153,138	14,986,967
	<u>20,175,611</u>	<u>19,961,525</u>
 Less accumulated depreciation		
Buildings and improvements	(3,602,074)	(3,389,879)
Equipment	(8,767,625)	(8,399,965)
	<u>(12,369,699)</u>	<u>(11,789,844)</u>
 Depreciable capital assets, net	<u>7,805,912</u>	<u>8,171,681</u>
 Capital assets, net	<u>\$ 106,229,716</u>	<u>\$ 83,770,756</u>

Capital asset additions during the current fiscal year consist of land, building improvement additions, and heavy equipment purchases. The District’s construction in progress is for the construction of various flood control facilities.

Property Taxes

The District’s property tax base increased approximately \$665,102,000 for the 2025 tax year from \$19,991,384,715 to \$20,656,486,289. This increase was primarily due to new construction in the District and increased property values. For the 2025 tax year, the District has levied a maintenance tax rate of \$0.113276 per \$100 of assessed value. This is the same rate levied for the 2024 tax year.

*Brazoria Drainage District No. 4
 Management’s Discussion and Analysis
 September 30, 2025*

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 and funding capital improvements. A comparison of next fiscal year’s budget to current fiscal year actual amounts for the General Fund is as follows:

	<u>2025 Actual</u>	<u>2026 Budget</u>
Total revenues	\$ 24,402,379	\$ 24,400,095
Total expenditures	<u>(37,303,943)</u>	<u>(33,534,210)</u>
Revenues under expenditures	(12,901,564)	(9,134,115)
Other changes in fund balance	<u>314,696</u>	<u>243,000</u>
Net change in fund balance	(12,586,868)	(8,891,115)
Beginning fund balance	<u>23,753,791</u>	<u>11,166,923</u>
Ending fund balance	<u><u>\$ 11,166,923</u></u>	<u><u>\$ 2,275,808</u></u>

Basic Financial Statements

Brazoria Drainage District No. 4
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2025

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash	\$ 2,125,523	\$ -	\$ 2,125,523
Restricted cash	174,616		174,616
Investments	10,000,000		10,000,000
Taxes receivable	583,433		583,433
Grants receivable	827,249		827,249
Accrued interest receivable	301,872		301,872
Other receivables	15,429		15,429
Net pension assets		3,232,772	3,232,772
Capital assets not being depreciated		98,423,804	98,423,804
Capital assets, net		7,805,912	7,805,912
Total Assets	<u>\$ 14,028,122</u>	<u>109,462,488</u>	<u>123,490,610</u>
Deferred Outflows of Resources			
Contributions subsequent to measurement date for pension plan		469,017	469,017
Changes in actuarial assumptions to determine pension liability		351,464	351,464
Difference in expected and actual pension experience		414,370	414,370
Changes in actuarial assumptions to determine OPEB liability		445,246	445,246
Total Deferred Outflows of Resources		<u>1,680,097</u>	<u>1,680,097</u>
Liabilities			
Accounts payable	\$ 824,987		824,987
Salaries payable	304,493		304,493
Other payables	121,811		121,811
Long term obligations due within one year			
Compensated absence payable		378,901	378,901
Long term obligations due after one year			
Compensated absence payable		1,810,104	1,810,104
Total OPEB liability - retiree medical plan		11,708,573	11,708,573
Total OPEB liability - retiree group term life insurance		118,029	118,029
Total Liabilities	<u>1,251,291</u>	<u>14,015,607</u>	<u>15,266,898</u>
Deferred Inflows of Resources			
Deferred property taxes	583,433	(583,433)	
Deferred investment earnings	199,226	(199,226)	
Deferred federal awards	827,249	(827,249)	
Changes in actuarial assumptions to determine OPEB liability		1,742,400	1,742,400
Difference in expected and actual pension experience		62,574	62,574
Difference in expected and actual OPEB experience		1,632,636	1,632,636
Difference in projected and actual earnings on pension plan assets		313,735	313,735
Total Deferred Inflows of Resources	<u>1,609,908</u>	<u>2,141,437</u>	<u>3,751,345</u>
Fund Balances/Net Position			
Fund Balances			
Committed	174,616	(174,616)	
Unassigned	10,992,307	(10,992,307)	
Total Fund Balances	<u>11,166,923</u>	<u>(11,166,923)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 14,028,122</u>		
Net Position			
Net investment in capital assets		106,229,716	106,229,716
Restricted for pension obligations		3,232,772	3,232,772
Unrestricted		(3,310,024)	(3,310,024)
Total Net Position		<u>\$ 106,152,464</u>	<u>\$ 106,152,464</u>

See notes to basic financial statements.

Brazoria Drainage District No. 4

***Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2025***

	General Fund	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 22,264,396	\$ 31,865	\$ 22,296,261
Penalties and interest	120,513		120,513
Federal awards	520,512	827,249	1,347,761
Intergovernmental contributions	454,851		454,851
Miscellaneous	177,916		177,916
Investment earnings	864,191	(46,431)	817,760
Total Revenues	24,402,379	812,683	25,215,062
Expenditures/Expenses			
Operating and administrative			
Personnel	9,394,858	835,519	10,230,377
Professional fees	340,085		340,085
Contracted services	282,356		282,356
Repairs and maintenance	1,056,575		1,056,575
Utilities	84,062		84,062
Administrative	718,299		718,299
Other	1,893		1,893
Capital outlay			
Flood control	10,807,798	(9,418,796)	1,389,002
Capital improvements	14,618,017	(14,618,017)	
Depreciation		1,501,524	1,501,524
Total Expenditures/Expenses	37,303,943	(21,699,770)	15,604,173
Revenues Over/(Under) Expenditures/Expenses	(12,901,564)	22,512,453	9,610,889
Other Financing Sources			
Proceeds from sale of capital assets	314,696	(314,696)	
Other Items			
Gain from disposition of capital assets		238,367	238,367
Net Change in Fund Balances	(12,586,868)	12,586,868	
Change in Net Position		9,849,256	9,849,256
Fund Balance/Net Position			
Beginning of the year, as reported	23,753,791	72,339,853	96,093,644
Change due to new accounting standard (See Note 3)		209,564	209,564
Beginning of the year, as restated		96,303,208	96,303,208
End of the year	\$ 11,166,923	\$ 94,775,977	\$ 106,152,464

See notes to basic financial statements.

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Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2025

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 modification 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 and capital improvements.

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.

*Brazoria Drainage District No. 4
 Notes to Financial Statements
 September 30, 2025*

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, federal awards, interest earned on investments. Receivables not collected with 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, 2025, 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 that exceeds the capitalization threshold for the asset class and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets that do not exceed the threshold are not capitalized. The District uses the following capitalization threshold:

Assets Type	Amount
Detention basins (improvements to land)	\$100,000
Flood control facilities	\$500,000
Subscription-based information technology arrangements	\$250,000
All other	\$5,000

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2025

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.

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

Detention ponds and flood control facilities have an inexhaustible useful life and are non-depreciable.

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 and OPEB plans provided to employees (See Notes 8 and 9).

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.

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.

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2025

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 balances and does not have any assigned fund balances.

Unassigned - all other spendable amounts.

When an expenditure is incurred for which committed, assigned, or unassigned fund balance are 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.

Pension

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pensions 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 are refunds

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2025

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, 2025

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds \$ 11,166,923

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 118,599,415	
Less accumulated depreciation	<u>(12,369,699)</u>	106,229,716

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 statements. The government-wide statements include the following components of the District's pension and OPEB obligations:

Deferred outflows of resources for pension plan	1,234,851	
Deferred outflows of resources for OPEB plans	445,246	
Net pension asset	3,232,772	
Total OPEB liability	(11,826,602)	
Deferred inflows of resources for pension plan	(2,118,709)	
Deferred inflows of resources for OPEB plans	<u>(1,632,636)</u>	(10,665,078)

Liabilities for compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the General Fund. (2,189,005)

Deferred inflows in the fund statements consist of receivables that are not available to pay current period expenditures. These amounts are included in revenues in the government-wide statements.

Property taxes	583,433	
Federal awards	827,249	
Investment earnings	<u>199,226</u>	1,609,908

Total net position - governmental activities \$ 106,152,464

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2025

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds \$ (12,586,868)

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. The difference is for the following:

Property taxes	\$ 31,865	
Federal awards	827,249	
Investment earnings	(46,431)	
		812,683

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. (835,519)

Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives. Differences during the current fiscal year are for the following:

Capital outlays	24,036,813	
Depreciation expense	(1,501,524)	
Proceeds from sale of capital assets	(314,696)	
Gain from sale of capital assets	238,367	
		22,458,960

Change in net position of governmental activities \$ 9,849,256

Note 3 – Implementation of New Accounting Standard

During the current fiscal year, the District implemented GASB Statement No. 101, *Compensated Absences*, which is effective for the fiscal year ended September 30, 2025. This Statement establishes updated recognition and measurement guidance for compensated absences, including vacation leave, sick leave, and similar benefits, and provides uniform criteria for determining when related liabilities should be recognized and how those amounts should be measured. Under the new standard, the District is required to recognize a liability for leave that is attributable to services already rendered and is more likely than not to be used or otherwise paid. The District previously recognized compensated absences in accordance with GASB Statement No. 16.

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2025

Implementation of GASB Statement No. 101 resulted in a restatement to increase beginning net position by \$209,564, representing the cumulative effect of excluding payments related to certain retirement benefits previous included in compensated absences. Prior year amounts, as they relate to this liability, were not restated in the Management's Discussion and Analysis and supplementary schedules.

Note 4 – 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. As of September 30, 2025, all of the District's deposits are insured or fully collateralized.

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.

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2025

As of September 30, 2025, the District’s investments consist of certificate of deposits held with its depository bank in the amount of \$10,000,000. These investments are stated at cost, which approximates fair value.

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended September 30, 2025, is as follows:

	Beginning Balances	Additions	Retirements	Ending Balances
Capital assets not being depreciated				
Land, improvements and easements	\$ 40,181,602	\$ 13,936,105	\$ -	\$ 54,117,707
Flood control facilities	30,950,323			30,950,323
Construction in progress	4,467,150	9,306,452	(417,828)	13,355,774
	<u>75,599,075</u>	<u>23,242,557</u>	<u>(417,828)</u>	<u>98,423,804</u>
Capital assets being depreciated				
Building and improvements	4,974,558	47,915		5,022,473
Equipment	14,986,967	1,164,169	(997,998)	15,153,138
	<u>19,961,525</u>	<u>1,212,084</u>	<u>(997,998)</u>	<u>20,175,611</u>
Less accumulated depreciation				
Building and improvements	(3,389,879)	(212,195)		(3,602,074)
Equipment	(8,399,965)	(1,289,329)	921,669	(8,767,625)
	<u>(11,789,844)</u>	<u>(1,501,524)</u>	<u>921,669</u>	<u>(12,369,699)</u>
Subtotal depreciable capital assets, net	<u>8,171,681</u>	<u>(289,440)</u>	<u>(76,329)</u>	<u>7,805,912</u>
Capital assets, net	<u>\$ 83,770,756</u>	<u>\$ 22,953,117</u>	<u>\$ (494,157)</u>	<u>\$ 106,229,716</u>

Depreciation expense for the current fiscal year was \$1,501,524.

Note 6 – Compensated Absences

As of September 30, 2025, a liability has been recorded for earned but unused vacation and sick leave in the *Statement of Net Position* in the amount of \$2,189,005. A summary of the change in compensated absences for the year ended September 30, 2025, is as follows:

Restated beginning balance	\$ 1,899,798
Current year change	289,207
Ending balance	<u>\$ 2,189,005</u>
Due within one year	<u>\$ 378,901</u>

As discussed in Note 3, the beginning balance was restated as the result of the implementation of GASB 101, *Compensated Absences*.

***Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2025***

Note 7 – 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 2025 fiscal year was financed through the 2024 tax levy, pursuant to which the District levied property taxes of \$0.113276 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$22,645,441 on the adjusted taxable value of \$19,991,384,715.

Property taxes receivable, at September 30, 2025, consisted of the following:

Current year taxes receivable	\$ 151,818
Prior years taxes receivable	263,661
	<hr style="width: 100%;"/>
	415,479
Penalty and interest receivable	167,954
Property taxes receivable	<u><u>\$ 583,433</u></u>

Note 8 – 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 Country 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.tcders.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

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2025

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 not considered substantively automatic.

Employees Covered

At the December 31, 2024, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	29
Active employees	<u>70</u>
Total	<u><u>135</u></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 11.14% for the 2024 calendar year and the 10.18% rate for the 2025 calendar year. The contribution rate payable by the employee members, for calendar years 2024 and 2025, is the rate of 7%, as adopted by the District’s Board. During the current fiscal year ended September 30, 2025, the District made the required contribution of \$634,090.

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, 2025

Pension Income

For the measurement year ended December 31, 2024, the District reported pension income of \$810,008, which is comprised of the following:

Service cost	\$ 911,188
Interest on total pension liability ⁽¹⁾	2,213,591
Effect of plan changes	350,179
Administrative expenses	18,865
Member contributions	(401,076)
Expected investment return net of investment expenses	(2,389,272)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	125,590
Recognition of assumption changes or inputs	338,871
Recognition of investment gains or losses	(346,889)
Other ⁽²⁾	(11,039)
Pension expense/(income)	<u><u>\$ 810,008</u></u>

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources

At September 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Difference in expected and actual experience	\$ 62,574	\$ 414,370
Changes in assumptions		351,464
Net difference in projected and actual earnings	313,735	
Contributions made subsequent to measurement date		469,017

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2025

Deferred outflows of resources resulting from contributions subsequent to the measurement date in the amount of \$469,017 will be recognized as pension expense in the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31:	
2025	\$ 229,424
2026	524,812
2027	(302,382)
2028	(120,460)
2029	58,132
Thereafter	-

Net Pension Liability/(Asset) and Actuarial Assumptions

The District’s net pension liability/(asset) is measured at the total pension liability less the pension plan’s fiduciary net position. The net pension liability/(asset) was measured as of December 31, 2024, using an actuarial valuation as of the date.

The demographic assumptions were developed from an actuarial experience investigations 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 GASB 68, are used to determine the total pension liability as of December 31, 2024. 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/(asset) is shown below.

Valuation date	December 31, 2024
Measurement date	December 31, 2024
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%

The annual salary increases 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.

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2025

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	13.0%	5.35%
Global Equities	4.0%	5.15%
International Equities - Developed Markets	6.0%	4.75%
International Equities - Emerging Markets	0.0%	4.75%
Investment Grade Bonds	3.0%	2.55%
Strategic Credit	9.0%	3.70%
Direct Lending	16.0%	6.85%
Distressed Debt	4.0%	6.80%
REIT Equities	2.0%	3.95%
Master Limited Partnerships	2.0%	4.95%
Commodities	2.0%	1.00%
Private Real Estate Partnerships	6.0%	5.75%
Private Equity	25.0%	8.15%
Hedge Funds	6.0%	3.60%
Cash Equivalents	2.0%	1.10%
Total	100.0%	

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 the 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.

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2025

Changes in Net Pension Liability/(Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balance as of December 31, 2023	\$ 28,810,487	\$ 31,426,160	\$ (2,615,673)
Changes for the year:			
Service cost	911,188		911,188
Interest on total pension liability ⁽¹⁾	2,213,591		2,213,591
Effect of plan changes ⁽²⁾	350,179		350,179
Effect of economic/demographic gains or losses	348,807		348,807
Refund of contributions	(12,424)	(12,424)	
Benefit payments	(1,200,738)	(1,200,738)	
Administrative expenses		(18,865)	18,865
Member contributions		401,076	(401,076)
Net investment income		3,204,022	(3,204,022)
Employer contributions		843,592	(843,592)
Other		11,039	(11,039)
Balance as of December 31, 2024	<u>\$ 31,421,090</u>	<u>\$ 34,653,862</u>	<u>\$ (3,232,772)</u>

(1) Reflects change in the liability due to the time value of money.
(2) Reflects plan changes adopted effective in 2025.

Sensitive Analysis

The following presents the net pension liability/(asset) of the District, calculated using the discount rate of 7.6%, as well as what the District’s net pension liability/(asset) 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	\$ 35,822,942	\$ 31,421,090
Fiduciary net position	34,653,863	34,653,862	34,653,863
Net pension liability/(asset)	<u>\$ 1,169,079</u>	<u>\$ (3,232,772)</u>	<u>\$ (6,913,717)</u>

Note 9 – 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 8. 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 towards the cost of the medical plan. For the fiscal year ended September 30, 2025, the District paid \$366,714 for health insurance premiums.

Employees Covered

At September 30, 2025, the following employees were covered by the benefit terms:

Active employees	71
Retired	23
Spouses of Retirees	16
Total	<u><u>110</u></u>

Total OPEB Liability

The District’s total OPEB liability for the retiree medical plan of \$11,708,573 was measured as of September 30, 2025. The total OPEB liability was determined from an actuarial valuation as of October 1, 2023, calculated based on the discount rate and actuarial assumptions in the following table and then projected forward.

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2025

Valuation Assumption

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

Actuarial Assumptions

Valuation date	October 1, 2023
Measurement date	September 30, 2025
Discount rate	4.90%, based on 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher
Inflation	2.50%
Projected salary increases	Varied based on Service
Mortality	135% of PubG-2010 Public Retirement Plans Mortality Table for Males 120% of PubG-2010 Public Retirement Plans Mortality Table for Females Projected per the MP-2021 Ultimate scale
Healthcare trend rates	
Medical	Pre-65: 6.40% for fiscal year 2025 and trending down to 3.90% Post-65: 6.60% for fiscal year 2025 and trending down to 3.90%
Medicare Part B	Post-65: 2.20% for fiscal year 2025 and trending up to 3.90%
Dental and Vision	3% per year

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.

Changes in Total OPEB Liability

	Total OPEB Liability
Balance as of September 30, 2024	<u>\$ 12,884,829</u>
Changes for the year:	
Service cost	679,224
Interest on total OPEB liability ⁽¹⁾	509,869
Effect of assumptions changes or inputs	(1,998,635)
Benefit payments	<u>(366,714)</u>
Balance as of September 30, 2025	<u><u>\$ 11,708,573</u></u>

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

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2025

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 <u>3.90%</u>	Current Discount Rate <u>4.90%</u>	1% Increase <u>5.90%</u>
Total OPEB liability	\$ 13,524,255	\$ 11,708,573	\$ 10,229,228

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:

	<u>1% Decrease</u>	<u>Baseline Trend</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 9,792,995	\$ 11,708,573	\$ 14,198,817

OPEB Expense

For the measurement year ended September 30, 2025, the District recognized OPEB expense for the retiree medical plan of \$752,950. The components of the current year OPEB expense are as follows:

Service cost	\$ 679,224
Interest on total OPEB liability	509,869
Recognition of effect of economic/demographic gains or losses	(247,369)
Recognition of effect of assumption changes or inputs	<u>(188,774)</u>
OPEB expense	<u><u>\$ 752,950</u></u>

Deferred Outflows of Resources and Deferred Inflows of Resources

At September 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to the retiree medical OPEB plan as follows:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Difference in expected and actual experience	\$ 1,632,636	\$ -
Changes in assumptions	1,742,400	445,246

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2025

Amounts currently reported as deferred outflows or resources and deferred inflows of resources related to the retiree medical OPEB plan will be recognized in OPEB expense as follows:

Year ended September 30:	
2026	\$ 436,143
2027	436,143
2028	436,143
2029	436,143
2030	436,143
Thereafter	749,075

Note 10 – 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 provide 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 are required supplementary information for the GTL. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austing, 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, 2025***

Employees Covered

At the December 31, 2024, valuation and measurement date, the following employees were covered by the benefit terms:

Active employees	70
Inactive employees entitled to but not yet receiving benefits*	8
Inactive employees or beneficiaries currently receiving benefits*	27
Total	105

* 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 2025 calendar year was 0.06% and in the 2024 calendar year was 0.09%. During the current fiscal year, the District contributed \$11,644.

Total OPEB Liability

The District's total OPEB liability was measured as of December 31, 2024, using an actuarial valuation as of that date.

Actuarial Assumptions

All actuarial assumptions that determined the total OPEB liability as of December 31, 2024, were based on the results of an actuarial experience study for the years 2017 – 2020, 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, 2024
Measurement date	December 31, 2024
Actuarial cost method	Entry Age Level Percent of Salary
Discount rate	4.08%

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.

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2025

Discount Rate

The Discount rate for unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 4.08% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2024.

Changes in Total OPEB Liability

Balance as of December 31, 2023	\$ 132,558
Changes for the year:	
Service cost	5,194
Interest on total OPEB Liability ⁽¹⁾	4,407
Effect of economic/demographic gains or losses	(579)
Effect of assumptions changes or inputs ⁽²⁾	(18,394)
Benefit payments	<u>(5,157)</u>
Balance as of December 31, 2024	<u><u>\$ 118,029</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.

Sensitive Analysis

The following presents the total OPEB liability of the District, calculated using the discount rate of 4.08%, 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 (3.08%) or 1 percentage point higher (5.08%) than the current rate:

	1% Decrease 3.08%	Current Discount Rate 4.08%	1% Increase 5.08%
Total OPEB liability	\$ 141,000	\$ 118,029	\$ 100,115

OPEB Expense

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.

Brazoria Drainage District No. 4
Notes to Financial Statements
September 30, 2025

For the measurement year ended December 31, 2024, the components of the District’s actuarially determined OPEB expense of \$6,942 are as follows:

Service cost	\$ 5,194
Interest on total OPEB liability ⁽¹⁾	4,407
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(325)
Recognition of assumption changes or losses	(2,334)
OPEB Expense	<u>\$ 6,942</u>

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

Deferred Outflows of Resources and Deferred Inflows of Resources

At September 30, 2025, 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
	<u>\$</u>	<u>\$</u>
Difference in expected and actual experience	9,731	3,499
Changes in assumptions	42,276	22,156
Contributions made subsequent to measurement date		3,059

If these amounts had been deferred, the contributions subsequent to the measurement data 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 deferred outflows and inflows ranging from \$1,924 to \$8,824.

Note 11 – 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 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, 2025***

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 23,256,824	\$ 23,256,824	\$ 22,264,396	\$ (992,428)
Penalties and interest	95,000	95,000	120,513	25,513
Federal awards			520,512	520,512
Intergovernmental contributions			454,851	454,851
Miscellaneous	135,000	135,000	177,916	42,916
Investment earnings	705,000	705,000	864,191	159,191
Total Revenues	24,191,824	24,191,824	24,402,379	210,555
Expenditures				
Operating and administrative				
Personnel	9,108,000	9,108,000	9,394,858	(286,858)
Professional fees	209,913	209,913	340,085	(130,172)
Contracted services	297,000	297,000	282,356	14,644
Repairs and maintenance	1,100,000	1,100,000	1,056,575	43,425
Utilities	90,000	90,000	84,062	5,938
Administrative	755,000	755,000	718,299	36,701
Other			1,893	(1,893)
Capital outlay				
Flood control	17,535,873	17,535,873	10,807,798	6,728,075
Capital improvements	3,267,524	14,717,524	14,618,017	99,507
Total Expenditures	32,363,310	43,813,310	37,303,943	6,509,367
Revenues Under Expenditures	(8,171,486)	(19,621,486)	(12,901,564)	6,719,922
Other Financing Sources				
Proceeds from sale of capital assets	340,000	340,000	314,696	(25,304)
Net Change in Fund Balance	(7,831,486)	(19,281,486)	(12,586,868)	6,694,618
Fund Balance				
Beginning of the year	23,753,791	23,753,791	23,753,791	
End of the year	\$ 15,922,305	\$ 4,472,305	\$ 11,166,923	\$ 6,694,618

Brazoria Drainage District No. 4

Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios - Last Ten Years

September 30, 2025

	Year Ended December 31,			
	2024	2023	2022	2021
Total Pension Liability				
Service cost	\$ 911,188	\$ 854,773	\$ 913,305	\$ 938,604
Interest on total pension liability	2,213,591	2,082,770	2,318,964	2,274,715
Effect of plan changes	350,179		(5,192,051)	(1,710,063)
Effect of assumption changes or inputs				39,759
Effect of economic/demographic (gains)/losses	348,807	(93,860)	39,204	114,231
Benefit payments/refunds of contributions	(1,213,163)	(1,145,616)	(1,112,390)	(989,310)
Net change in total pension liability	2,610,602	1,698,067	(3,032,968)	667,936
Total pension liability, beginning	28,810,488	27,112,421	30,145,389	29,477,453
Total pension liability, ending	31,421,090	28,810,488	27,112,421	30,145,389
Fiduciary Net Position				
Employer contributions	843,592	1,071,797	835,867	718,615
Member contributions	401,076	364,866	339,332	310,880
Investment income net of investment expenses	3,204,022	3,084,624	(1,746,878)	5,348,227
Benefit payments/refunds of contributions	(1,213,163)	(1,145,616)	(1,112,390)	(989,310)
Administrative expenses	(18,865)	(16,410)	(16,433)	(16,072)
Other	11,039	25,819	33,669	7,838
Net change in fiduciary net position	3,227,701	3,385,080	(1,666,833)	5,380,178
Fiduciary net position, beginning	31,426,161	28,041,081	29,707,914	24,327,736
Fiduciary net position, ending	34,653,862	31,426,161	28,041,081	29,707,914
Net pension liability/(asset), ending	<u>\$ (3,232,772)</u>	<u>\$ (2,615,673)</u>	<u>\$ (928,660)</u>	<u>\$ 437,475</u>
Fiduciary net position as a % of total pension liability/(asset)	110.29%	109.08%	103.43%	98.55%
Pensionable covered payroll	\$ 5,729,654	\$ 5,212,373	\$ 4,847,601	\$ 4,441,144
Net pension liability/(asset) as a % of covered payroll	(56.42%)	(50.18%)	(19.16%)	9.85%

Year Ended December 31,

2020	2019	2018	2017	2016	2015
\$ 798,114	\$ 805,970	\$ 789,163	\$ 679,333	\$ 664,964	\$ 613,595
1,988,364	1,821,243	1,676,047	1,411,649	1,260,205	1,196,541
1,193,174			1,667,581	(46,948)	(1,536,538)
2,029,268			(47,757)		145,542
182,142	249,655	(58,881)	(711)	155,093	172,656
(908,698)	(706,808)	(557,297)	(554,274)	(526,220)	(455,064)
5,282,364	2,170,060	1,849,032	3,155,821	1,507,094	136,732
24,195,089	22,025,029	20,175,997	17,020,176	15,513,082	15,376,350
29,477,453	24,195,089	22,025,029	20,175,997	17,020,176	15,513,082
705,456	710,248	666,907	579,910	580,723	548,008
301,318	303,824	301,450	287,951	266,630	246,595
2,270,086	3,056,156	(340,855)	2,327,346	1,071,346	(346,160)
(908,698)	(706,807)	(557,298)	(554,274)	(526,220)	(455,064)
(17,802)	(16,744)	(14,949)	(12,331)	(11,644)	(10,411)
5,080	13,581	14,109	4,087	65,693	38,281
2,355,440	3,360,258	69,364	2,632,689	1,446,528	21,249
21,972,296	18,612,038	18,542,674	15,909,985	14,463,457	14,442,208
24,327,736	21,972,296	18,612,038	18,542,674	15,909,985	14,463,457
\$ 5,149,717	\$ 2,222,793	\$ 3,412,991	\$ 1,633,323	\$ 1,110,191	\$ 1,049,625
82.53%	90.81%	84.50%	91.90%	93.48%	93.23%
\$ 4,304,546	\$ 4,340,339	\$ 4,306,424	\$ 4,113,593	\$ 3,808,996	\$ 3,522,790
119.63%	51.21%	79.25%	39.71%	29.15%	29.80%

Brazoria Drainage District No. 4

***Schedule of Changes in Total OPEB Liability and Related Ratios - Retiree Medical Plan - Last Ten Years*
September 30, 2025***

	Year Ended September 30,			
	2025	2024	2023	2022
Total OPEB Liability				
Service cost	\$ 679,224	\$ 617,152	\$ 704,319	\$ 486,777
Interest on Total OPEB Liability	509,869	678,202	625,360	270,009
Effect of economic/demographic (gains)/losses		(2,127,374)	53,427	7,161,346
Effect of assumption changes or inputs	(1,998,635)	580,168	(205,417)	(5,956,482)
Benefit payments	(366,714)	(340,529)	(210,429)	(151,890)
Net change in Total OPEB Liability	(1,176,256)	(592,381)	967,260	1,809,760
Total OPEB Liability, beginning	12,884,829	13,477,210	12,509,950	10,700,190
Total OPEB Liability, ending	<u>\$ 11,708,573</u>	<u>\$ 12,884,829</u>	<u>\$ 13,477,210</u>	<u>\$ 12,509,950</u>
Covered payroll	\$ 4,934,963	\$ 4,934,963	\$ 5,388,356	\$ 4,920,296
Total OPEB liability as a % of covered payroll	237.26%	261.09%	250.12%	254.25%

*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.

Year Ended September 30,

	2021	2020	2019	2018
\$	482,718	\$ 437,389	\$ 437,388	\$ 437,389
	238,128	293,767	259,190	271,743
	205,114	58,707	190,141	(1,038,948)
	(460,108)	3,117,781	(157,870)	(226,348)
	(115,322)	(129,553)	(112,976)	(107,850)
	350,530	3,778,091	615,873	(664,014)
	10,349,660	6,571,569	5,955,696	6,619,710
\$	<u>10,700,190</u>	<u>\$ 10,349,660</u>	<u>\$ 6,571,569</u>	<u>\$ 5,955,696</u>
\$	4,473,415	\$ 4,550,057	\$ 4,537,014	\$ 4,349,295
	239.20%	227.46%	144.84%	136.93%

Brazoria Drainage District No. 4

***Schedule of Changes in Total OPEB Liability and Related Ratios - Group Term Life - Last Ten Years *
September 30, 2025***

	Year Ended December 31,			
	2024	2023	2022	2021
Total OPEB Liability				
Service cost	\$ 5,194	\$ 4,478	\$ 7,395	\$ 6,877
Interest on total OPEB Liability	4,407	4,861	3,569	3,439
Effect of assumption changes or inputs	(18,394)	10,394	(43,530)	2,912
Effect of economic/demographic (gains)/losses	(579)	(10,478)	(1,588)	1,968
Benefit payments/refunds of contributions	(5,157)	(5,734)	(5,332)	(3,997)
Net change in total OPEB liability	(14,529)	3,521	(39,486)	11,199
Total OPEB liability, beginning	132,558	129,037	168,523	157,324
Total OPEB liability, ending	<u>\$ 118,029</u>	<u>\$ 132,558</u>	<u>\$ 129,037</u>	<u>\$ 168,523</u>
Pensionable covered payroll	\$ 5,729,654	\$ 5,212,373	\$ 4,847,601	\$ 4,441,144
Net OPEB Liability as a % of covered payroll	2.06%	2.54%	2.66%	3.79%

*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.

Year Ended December 31,

2020	2019	2018	2017
\$ 5,478	\$ 3,322	\$ 3,721	\$ 3,054
3,747	4,092	3,538	3,764
16,285	26,075	(10,471)	4,350
2,270	4,986	4,456	(4,147)
(3,444)	(3,906)	(3,876)	(4,936)
24,336	34,569	(2,632)	2,085
132,988	98,419	101,051	98,966
<u>\$ 157,324</u>	<u>\$ 132,988</u>	<u>\$ 98,419</u>	<u>\$ 101,051</u>
\$ 4,304,546	\$ 4,340,339	\$ 4,306,424	\$ 4,113,593
3.65%	3.06%	2.29%	2.46%

Brazoria Drainage District No. 4
Schedule of Employer Contributions for Pension Plan - Last Ten Years
For the Year Ended September 30, 2025

<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>
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%
2022	560,867	835,867	(275,000)	4,847,601	17.2%
2023	571,797	1,071,797	(500,000)	5,212,373	20.6%
2024	593,592	843,592	(250,000)	5,729,654	14.7%

Brazoria Drainage District No. 4
Notes to Required Supplementary Information
September 30, 2025

Note A – Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Commissioners. The budget is prepared using the same method of accounting as for financial reporting. The budget was amended during the year to reflect changes in anticipated expenditures.

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	14.4 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 2022: New investment return and inflation 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 2022 - 2024: No changes in plan provisions in the Schedule.

Brazoria Drainage District No. 4
Notes to Required Supplementary Information
September 30, 2025

Note C – OPEB Plan – Retiree Medical Insurance

Valuation Date

The total OPEB liability amount was measured as of the District’s fiscal year end using an actuarial valuation as of October 1, 2023.

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
Discount rate	4.90%
Inflation	2.50%
Salary increases	Varied based on Service
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.
Mortality	135% of PubG-2010 Public Retirement Plans Mortality Table for Males 120% of PubG-2010 Public Retirement Plans Mortality Table for Females Projected per the MP-2021 Ultimate scale
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	Pre-65: 6.40% for fiscal year 2025 and trending down to 3.90% Post-65: 6.60% for fiscal year 2025 and trending down to 3.90%
Medicare Part B	2.20% for fiscal year 2025 and trending up to 3.90%
Dental and Vision	3% per year

Note D – OPEB Plan – Group Term Life Insurance

All actuarial assumptions and methods that determined the total OPEB liability as of December 31, 2024, 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 December 31, prior to the end of the District’s fiscal year.

Brazoria Drainage District No. 4
Notes to Required Supplementary Information
September 30, 2025

Plan Assets

No assets are accumulated in a trust that meets the criteria 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	4.08% (based on the 20 year Bond GO Index published by bondbuyer.com as of 12/26/2024)
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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Supplementary Information

***Brazoria Drainage District No. 4
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2025***

Federal Grantor / Pass-Through Grantor	Assistance Listing Number	Pass-Through Identifying Number	Pass-Through to Subrecipients	Federal Expenditures
U.S. Department of Homeland Security				
Pass-Through Texas Water Development Board:				
Flood Mitigation Assistance Program Grant	97.029	2200012801	\$ -	\$ 487,988
Flood Mitigation Assistance Program Grant	97.029	2200012800		460,661
Flood Mitigation Assistance Program Grant	97.029	2200012784		399,111
			<u>-</u>	<u>1,347,760</u>
Total Pass-Through Awards			<u>-</u>	<u>1,347,760</u>
Total U.S. Department of Homeland Security			<u>-</u>	<u>1,347,760</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 1,347,760</u>

See Notes to Schedule of Expenditures of Federal Awards

Brazoria Drainage District No. 4
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2025

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Brazoria Drainage District No. 4 (the "District") under programs of the federal government for the year ended September 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

The District has elected not to use the 15% de minimis indirect cost rate allowed under the Uniform Guidance.

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Texas Supplementary Information

Brazoria Drainage District No. 4

TSI-1. Services and Rates

September 30, 2025

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 and/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):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>
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:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC'S</u>
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-2. General Fund Expenditures
For the Year Ended September 30, 2025***

Personnel (including benefits)*	<u>\$ 9,394,858</u>
Professional fees	
Legal	300,085
Audit	<u>40,000</u>
	<u>340,085</u>
Contracted services	
Appraisal district	231,732
Tax collector	27,190
Bookkeeping	<u>23,434</u>
	<u>282,356</u>
Repairs and maintenance	<u>1,056,575</u>
Utilities	<u>84,062</u>
Administrative	
Printing and office supplies	129,637
Insurance	362,047
Other	<u>226,615</u>
	<u>718,299</u>
Other	<u>1,893</u>
Capital outlay	
Flood control	10,807,798
Capital improvements	<u>14,618,017</u>
	<u>25,425,815</u>
Total expenditures	<u><u>\$ 37,303,943</u></u>

*Number of persons employed by the District:

74 Full time

See accompanying auditor's report.

Brazoria Drainage District No. 4
TSI-3. Investments
September 30, 2025

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General				
Certificate of deposit	3.59%	10/2/2025	\$ 1,000,000	\$ 35,605
Certificate of deposit	3.85%	10/30/2025	1,000,000	34,703
Certificate of deposit	3.87%	11/28/2025	1,000,000	32,338
Certificate of deposit	3.84%	12/26/2025	1,000,000	29,247
Certificate of deposit	3.84%	12/26/2025	1,000,000	29,247
Certificate of deposit	3.84%	12/26/2025	1,000,000	29,247
Certificate of deposit	3.84%	12/26/2025	1,000,000	29,247
Certificate of deposit	3.79%	12/26/2025	1,000,000	27,413
Certificate of deposit	3.79%	12/26/2025	1,000,000	27,413
Certificate of deposit	3.79%	12/26/2025	1,000,000	27,412
Total			<u>\$ 10,000,000</u>	<u>\$ 301,872</u>

See accompanying auditor's report.

Brazoria Drainage District No. 4
TSI-4. Taxes Levied and Receivable
September 30, 2025

	Maintenance Taxes			
Taxes Receivable, Beginning of Year				\$ 393,750
Adjustments to Prior Year Tax Levy				(405,770)
Adjusted Receivable				<u>(12,020)</u>
2024 Original Tax Levy				21,494,641
Adjustments				1,150,800
Adjusted Tax Levy				<u>22,645,441</u>
Rendition Penalties				<u>6,746</u>
Total to be accounted for				<u>22,640,167</u>
Tax collections:				
Current year				22,479,120
Prior years				(254,432)
Total Collections				<u>22,224,688</u>
Taxes Receivable, End of Year				<u>\$ 415,479</u>
Taxes Receivable, By Years				
2024				\$ 151,818
2023				64,236
2022				45,357
2021 and prior				154,068
Taxes Receivable, End of Year				<u>\$ 415,479</u>
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Property Valuations:				
Land	\$ 5,071,901,525	\$ 4,840,493,680	\$ 3,697,447,101	\$ 3,363,392,629
Improvements	20,494,026,125	19,750,960,540	16,380,712,671	13,736,024,161
Personal Property	1,556,303,717	1,495,070,466	1,304,029,741	1,169,431,744
Exemptions	(7,130,846,652)	(7,559,081,399)	(5,672,213,427)	(4,510,693,264)
Total Property Valuations	<u>\$ 19,991,384,715</u>	<u>\$ 18,527,443,287</u>	<u>\$ 15,709,976,086</u>	<u>\$ 13,758,155,270</u>
Tax Rates per \$100 Valuation:				
Maintenance tax rates	<u>\$ 0.113276</u>	<u>\$ 0.114786</u>	<u>\$ 0.138</u>	<u>\$ 0.15</u>
Adjusted Tax Levy:	<u>\$ 22,645,441</u>	<u>\$ 21,266,911</u>	<u>\$ 21,679,767</u>	<u>\$ 20,912,396</u>
Percentage of Taxes Collected to Taxes Levied **	<u>99.33%</u>	<u>99.70%</u>	<u>99.79%</u>	<u>99.86%</u>

** 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				
	2025	2024	2023	2022	2021
Revenues					
Property taxes	\$22,264,396	\$ 21,372,552	\$ 21,759,189	\$ 20,936,105	\$ 19,305,749
Penalties and interest	120,513	108,319	102,707	102,184	97,882
Federal awards	520,512		802,711		
Intergovernmental revenue	454,851		2,702,168	618,232	
Miscellaneous	177,916	175,058	292,604	184,371	615,676
Investment earnings	864,191	962,164	765,568	99,519	33,842
Total Revenues	24,402,379	22,618,093	26,424,947	21,940,411	20,053,149
Expenditures					
Operating and administrative					
Personnel	9,394,858	8,750,376	8,541,234	7,724,496	6,900,837
Professional fees	340,085	141,893	143,350	263,695	261,064
Contracted services	282,356	261,480	181,488	167,888	140,639
Repairs and maintenance	1,056,575	983,409	1,015,343	1,126,835	720,896
Utilities	84,062	75,434	80,343	87,475	73,485
Administrative	718,299	733,590	692,715	647,514	593,938
Other	1,893	70			62,176
Capital outlay	25,425,815	9,094,312	17,692,439	13,339,219	8,467,267
Total Expenditures	37,303,943	20,040,564	28,346,912	23,357,122	17,220,302
Revenues Over/(Under) Expenditures	(12,901,564)	2,577,529	(1,921,965)	(1,416,711)	2,832,847
Other Financing Sources					
Proceeds from sale of capital assets	314,696	159,412	441,744	156,352	173,729
Insurance proceeds					34,363
Net Change in Fund Balance	(12,586,868)	2,736,941	(1,480,221)	(1,260,359)	3,040,939
Fund Balance, Beginning of the year	23,753,791	21,016,850	22,497,071	23,757,430	20,716,491
End of the year	\$11,166,923	\$23,753,791	\$21,016,850	\$22,497,071	\$23,757,430

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2025	2024	2023	2022	2021
91%	95%	83%	96%	97%
*	*	*	*	*
2%		3%		
2%		10%	3%	
1%	1%	1%	1%	3%
4%	4%	3%	*	*
100%	100%	100%	100%	100%
38%	39%	32%	35%	34%
1%	1%	1%	1%	1%
1%	1%	1%	1%	1%
4%	4%	4%	5%	4%
*	*	*	*	*
3%	3%	3%	3%	3%
*	*			*
104%	40%	67%	61%	42%
151%	88%	108%	106%	85%
(51%)	12%	(8%)	(6%)	15%

***Brazoria Drainage District No. 4
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2025***

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 13, 2025
 Limit on Fees of Office that a Commissioner may receive during a fiscal N/A
 (Set by Board Resolution -- TWC Section 49.060)

<u>Names:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid *</u>	<u>Expense Reimburse- ments</u>	<u>Title at Year End</u>
Board Members				
Jeffrey H. Brennan	1/25 - 12/28	\$ 14,600	\$ -	Chairman
Scott Feules	12/22 - 12/26	14,600		Secretary
Adrian Hernandez	1/25 - 12/28	10,950		Member
Jim Mooney	12/20 - 12/24	3,650		Former Commissioner
Key Administrative Personnel:				
John Genaro	2006	212,340		Superintendent/ Investment Officer
Consultants				
Brazoria County Appraisal District	Legislative Action	<u>Amounts Paid</u> \$ 160,186		Property Value Appraisal
Kristin R. Bulanek County Tax Assessor and Collector	1910	27,190		Tax Assessor/ Collector
Your Part-Time Controller	2020	22,671		Accounting
Schwartz, Page & Harding, L.L.P.	2020	62,986		Attorney
McGrath & Co., PLLC	Annual	40,000		Auditor
Perdue Brandon Fielder Collins and Mott, LLP	1999			Delinquent Tax Attorney

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

Single Audit Section

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the 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, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 4, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McGuire & Co, P.C.

Houston, Texas
March 4, 2026

McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Brazoria Drainage District No. 4's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended September 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements

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

of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is

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

a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

W. G. Galt & Co, P.C.

Houston, Texas
March 4, 2026

*Board of Commissioners
 Brazoria Drainage District No. 4
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2025*

I. Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal controls over major programs: Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	No

Identification of Major Programs:

Assistance Listing Number	Name of Federal Cluster/Program
97.029	Flood Mitigation Assistance Program Grant
Dollar threshold used to distinguish between type A and type B programs:	\$1,000,000
Auditee qualified as low-risk auditee?	No

*Board of Commissioners
Brazoria Drainage District No. 4
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2025*

II. Financial Statement Findings

No audit findings were noted.

III. Federal Award Findings and Questioned Costs

There are no findings to report.