

**FORT BEND COUNTY
DRAINAGE DISTRICT**

**A COMPONENT UNIT OF FORT BEND COUNTY, TEXAS
Annual Financial Report**

September 30, 2025

FORT BEND COUNTY DRAINAGE DISTRICT
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COUNTY AUDITOR

Fort Bend County, Texas

Robert Ed Sturdivant
County Auditor

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March 23, 2026

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

The Fort Bend County Auditor's Office is pleased to present the basic financial statements of the Fort Bend County Drainage District (the "District"), a component unit of Fort Bend County, Texas (the "County"), for the fiscal year ended September 30, 2025. This report is submitted in accordance with Section 114.025 of the Texas Local Government Code and was prepared by the staff of the County Auditor's Office.

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

Forvis Mazars, LLP has issued unmodified opinions on the District's financial statements for the year ended September 30, 2025. The independent auditors' report is located at the front of the financial section of this report.

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

Profile of the District

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

Local Economy

Fort Bend County continues to experience an improving local economy for fiscal year 2025. The demand for services regarding the governmental functions performed by the County continues to increase as the population grows. The Commissioners Court and the District continue to use a conservative approach to the allocation of resources to serve the County's needs to ensure that Fort Bend County is prepared as the local economy improves. This ongoing conservative approach will allow the County and the District to meet the service demands of the residents in Fort Bend County. The District has had no material impact to taxable values or operations as a result of the COVID-19 pandemic, therefore revenues are expected to continue at projected growth rates and expenditures continue to perform as forecasted.

Long-Term Financial Planning and Relevant Financial Policies

Budget

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

Long-Term Comprehensive Plan

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

Capital Improvement Program

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

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

Debt Policy

The purpose of the County's Debt Policy (which includes the District) is to establish guidelines for the utilization of debt instruments issued by the County and the District whether payable from County taxes or payable from certain revenues of the County or District. This policy is illustrated in the current adopted budget within the "Debt" section. The current budget can be found on the County's website at: <https://www.fortbendcountytexas.gov/government/departments/budget-office/budgets>.

Major Initiatives

The District proposed a bond referendum in November 2019 totaling \$82.9 million for flood mitigation projects with voter approval exceeding 60 percent. The District issued \$25.4 million of this authorization in permanent improvement bonds on 12/22/2020 and has approximately \$10.0 million of this issuance on hand its capital projects fund as of 09/30/2024. The use of this bond authorization is being complimented with federal matching funds of over \$160 million awarded to date and the District is actively pursuing additional state and federal funds to continue leveraging local bond funds. The current grant funding received will be used to construct projects extending through the next five years. The District has an additional \$3.8 million remaining from the District's \$13.4 million share from proceeds of certificates of obligation issued by the County in fiscal year 2024. The District is also focused on evaluating, approving, and in some cases partnering with developments within the County where it is beneficial to do so while maintaining, or reducing, flood risks. The District's development guidelines require individual developments to mitigate impacts to existing floodplains as well as maintain or improve drainage in their vicinity. The District also upgrades existing drainage systems to reduce flood risks and address maintenance issues. Initiatives completed or ongoing this year included:

Ongoing Projects:

- Recently completed drainage improvements in the lower portion of the Long Point Creek channel funded with Drainage Bond funds
- Design work on the Brazos River to address erosion stabilization at 4 locations funded with Federal Grants
- Work to achieve environmental clearance followed by site acquisition for Mustang Bayou regional detention facility funded by federal grant In progress
- Design work to achieve environmental clearance followed by design and construction of erosion control structures on lower Flatbank and Coon Creeks funded by federal grant
- Final design and right-of-way acquisition for construction improvements to the upper section of Big Creek funded by drainage bond funds and federal grant
- Study in the upper Big Creek, Seabourne Creek and Robinowitz Ditch watersheds to reduce flood risks by devising a regional drainage improvement plan to increase conveyance and provide regional detention funded by District Bond funds

New Projects:

- Construction to soon start on the Kitty Hollow Dam which will improve dam resilience funded by Drainage Bond funds
- Construction to soon start on Ditch H erosion repairs which will help protect the adjacent levee improvement district infrastructure jointly funded by District Bond funds, LID 2, and LID 17 funds

Acknowledgements

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Robert E. Sturdivant". The signature is fluid and cursive, with a large loop at the end.

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

Independent Auditor's Report

Board of Directors
Fort Bend County Drainage District
Fort Bend County, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Fort Bend County Drainage District (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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 12 to the financial statements, beginning net position of the governmental activities has been restated for a change in accounting principle. Our opinions are not modified with respect to this matter.

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 12 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 GAAS 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 GAAS 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.
- 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, pension, and other postemployment benefit information 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 GAAS, 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 other supplementary information and Texas supplementary information 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Financial Report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 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.

Forvis Mazars, LLP

**Houston, Texas
March 23, 2026**



FORT BEND COUNTY DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Fort Bend County Drainage District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended September 30, 2025.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$66.1 million (net position). Of this amount, there is a deficit of approximately (\$2.4) million in unrestricted net position due to the net liability for pension and other post-employment benefits ("OPEB") which, net of related deferred outflows and inflows of resources now amounts to approximately \$21.0 million.
- At the close of the current fiscal year, the District's General fund balance grew by approximately \$3.1 million, or 17 percent, to a balance of \$18.5 which approximates 127 percent of annual General Fund expenditures.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

The government-wide financial statements can be found on pages 12 and 13 of this report.

Governmental Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District presents individual governmental funds on the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance.

FORT BEND COUNTY DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The governmental funds are used to account for essentially the same function reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental funds and *governmental activities*.

The District maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The basic governmental fund financial statements can be found starting on page 14 of this report.

Notes to the Financial Statements

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

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$66.1 million at year end. Below is a condensed schedule of net position for the District as of September 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Current and other assets	\$ 34,384,841	\$ 37,976,638
Capital assets, net	97,176,408	90,639,272
Total Assets	<u>131,561,249</u>	<u>128,615,910</u>
Deferred outflows of resources	<u>3,204,455</u>	<u>4,115,204</u>
Current liabilities	6,601,954	3,999,351
Long-term liabilities		
Other long-term liabilities	37,930,334	39,231,090
Net OPEB liability	14,146,449	13,173,469
Net pension liability	254,265	923,962
Total Liabilities	<u>58,933,002</u>	<u>57,327,872</u>
Deferred inflows of resources	<u>9,706,339</u>	<u>12,538,940</u>
Net Position:		
Net investment in capital assets	66,565,293	65,482,938
Restricted	2,003,684	4,403,083
Unrestricted	(2,442,614)	(7,021,719)
Total Net Position	<u>\$ 66,126,363</u>	<u>\$ 62,864,302</u>

FORT BEND COUNTY DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The largest portion of the District's net position represents its net investment in capital assets (land, buildings, machinery, equipment, vehicles, and infrastructure), net of related debt. The District uses these assets to provide a variety of services to its citizens; consequently, these assets are not available for future spending. A portion of the net position is restricted for debt service. The deficit balance for unrestricted net position of (\$2.4) million is primarily due to the net pension and OPEB liability and related deferred outflows and inflows of resources which now totals \$21.0 million.

The following table is a condensed schedule of changes in net position for the years ended September 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Revenues		
Program revenues:		
Capital grants and contributions	\$ 5,628,265	\$ 46,533
General revenues:		
Property taxes	11,686,013	13,291,944
Earnings on investments	1,003,158	1,521,212
Miscellaneous	43,423	73,869
Total Revenues	<u>18,360,859</u>	<u>14,933,558</u>
Expenses		
Flood control-maintenance	13,903,620	11,723,272
Interest on long-term debt	1,071,178	372,268
Total Expenses	<u>14,974,798</u>	<u>12,095,540</u>
Change in Net Position	3,386,061	2,838,018
Net Position, Beginning of year as previously reported	62,864,302	60,026,284
Restatement - Change in accounting principle	(124,000)	-
Net Position, Beginning of year as restated	<u>62,740,302</u>	<u>60,026,284</u>
Net Position, End of year	<u>\$ 66,126,363</u>	<u>\$ 62,864,302</u>

In 2025, capital grants and contributions increased by approximately \$5.6 million with new federal funding through the Texas General Land Office for drainage and flood control projects. Property taxes decreased by \$1.6 million or 12 percent due to the reduction of the debt service property tax rate to zero to draw down a debt service fund balance that exceeded policy. Flood control and maintenance expenses increased because of the allocation of health plan related costs for the 2025 fiscal year.

FORT BEND COUNTY DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Fund Financial Analysis

As of September 30, 2025, the District's governmental funds reported an ending fund balance of \$28.2 million. Traditionally, the District's main source of revenue is property taxes, which totaled \$11.7 million for the year ended September 30, 2025 a decrease of approximately \$1.6 million from the prior year as previously discussed in the government-wide financial analysis section. The District saw a decrease in total fund balances of \$5.5 million, primarily driven by a combined \$8.6 million draw down in the capital projects and debt service funds relating to ongoing projects and the reduction in debt service tax to zero in the 2025 fiscal year.

General Fund Budgetary Highlights

Net change in fund balances-budgetary basis in the General Fund ended the year \$2.1 million higher than expected due to savings in operational costs and salaries in fiscal year 2025.

Capital Assets

At the end of fiscal year 2025, the District had \$97.2 million invested in capital assets, as reflected in the following schedule. This represents an increase of \$6.5 million from the previous year reflected in the increase in construction in progress.

	<u>2025</u>	<u>2024</u>
Non-Depreciable Capital Assets		
Land	\$ 2,687,768	\$ 2,677,318
Construction in progress	16,889,167	8,627,567
Depreciable Capital Assets, Net		
Infrastructure-drainage improvements	67,045,652	68,478,221
Vehicles	978,410	929,692
Office furniture and equipment	22,499	4,487
Machinery and equipment	9,318,994	9,588,598
Buildings and facilities	233,918	333,388
Total Capital Assets	<u>\$ 97,176,408</u>	<u>\$ 90,639,271</u>

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

FORT BEND COUNTY DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Long-Term Debt

During the fiscal year ended September 30, 2025, the District retired \$1.0 million of existing debt as planned. More debt information is presented in Note 5 to this report.

	<u>2025</u>	<u>2024</u>
Permanent Improvement Bonds, Series 2020	\$ 21,645,000	\$ 22,655,000
FBC Certificate of Obligation Series 2024 - District portion	<u>\$ 13,474,000</u>	<u>\$ 13,474,000</u>
	<u>\$ 35,119,000</u>	<u>\$ 36,129,000</u>

Economic Factors and Subsequent Year's Tax Rates

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

The population of the County is estimated at 989,748 in 2025 and is expected to grow to over 1 million by the end of 2026.

In 2024 of the estimated 270,136 households, approximately 78 percent were owner-occupied with an educational achievement for adults over 25 years of age with at least some college of 74 percent

Drainage improvements continue to be a demand from the residents of Fort Bend County as further indicated by the authorization of the Flood Mitigation Bonds by the voters on November 5, 2019. The District is proceeding with these projects to address the comprehensive needs of the County's flood control and drainage system.

With healthy fund balance levels in the general fund, the Fort Bend County Commissioners Court, acting as the Board of Directors of the Drainage District, reallocated the tax rate between maintenance and operations and interest and sinking for the 2026 fiscal year as follows:

	<u>Fiscal Year 2025</u>	<u>Fiscal Year 2026</u>
Drainage District		
Maintenance and operations	\$ 0.0100	\$ 0.0080
Interest and sinking	-	0.0020
Total Tax Rate	<u>\$ 0.0100</u>	<u>\$ 0.0100</u>

Contacting the District's Management and Obtaining Financial Information

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



BASIC FINANCIAL STATEMENTS

FORT BEND COUNTY DRAINAGE DISTRICT
STATEMENT OF NET POSITION
September 30, 2025

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 21,148,823
Investments	11,266,350
Receivables:	
Property taxes, net	403,611
Grants	892,932
Miscellaneous	673,125
Capital assets, not subject to depreciation	19,576,935
Capital assets, net of accumulated depreciation	77,599,473
Total Assets	131,561,249
Deferred Outflows of Resources	
Deferred outflows - post-employment benefits	3,204,455
Total Deferred Outflows of Resources	3,204,455
Liabilities	
Retainage payable	293,933
Accrued liabilities	1,035,201
Accrued interest payable	774,324
Due to primary government	4,498,496
Long-term Liabilities:	
Long-term liabilities due within one-year	2,084,599
Long-term liabilities due in more than one-year	35,845,735
Net OPEB liability	14,146,449
Net pension liability	254,265
Total Liabilities	58,933,002
Deferred Inflows of Resources	
Deferred inflows - post-employment benefits	9,706,339
Total Deferred Inflows of Resources	9,706,339
Net Position	
Net investment in capital assets	66,565,293
Restricted for debt service	2,003,684
Unrestricted	(2,442,614)
Total Net Position	\$ 66,126,363

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

FORT BEND COUNTY DRAINAGE DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2025

	<u>Governmental Activities</u>
Program Expenses	
Flood control-maintenance	\$ 13,903,621
Interest on long-term debt	1,071,178
Total Program Expenses	<u>14,974,799</u>
Program Revenues	
Capital grants and contributions	5,628,265
Total Program Revenues	<u>5,628,265</u>
General Revenues	
Property taxes	11,686,013
Earnings on investments	1,003,159
Miscellaneous	43,423
Total General Revenues	<u>12,732,595</u>
Increase in Net Position	3,386,061
Net Position, Beginning of year as previously reported	62,864,302
Restatement - change in accounting principle	(124,000)
Net Position, Beginning of year as restated	<u>62,740,302</u>
Net Position, End of year	<u>\$ 66,126,363</u>

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

FORT BEND COUNTY DRAINAGE DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2025

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 9,573,427	\$ 8,828,124	\$ 2,747,272	\$ 21,148,823
Investments	11,266,350	-	-	11,266,350
Property taxes receivable, net	372,875	-	30,736	403,611
Grants receivable	892,932	-	-	892,932
Miscellaneous receivable	673,125	-	-	673,125
Total Assets	<u>22,778,709</u>	<u>8,828,124</u>	<u>2,778,008</u>	<u>34,384,841</u>
Liabilities				
Retainage payable	-	293,933	-	293,933
Accrued liabilities	1,035,201	-	-	1,035,201
Due to primary government	2,849,130	1,649,366	-	4,498,496
Total Liabilities	<u>3,884,331</u>	<u>1,943,299</u>	<u>-</u>	<u>5,827,630</u>
Deferred Inflow of Resources				
Unavailable revenue - property taxes	372,875	-	30,736	403,611
Total Deferred Inflow of Resources	<u>372,875</u>	<u>-</u>	<u>30,736</u>	<u>403,611</u>
Fund Balance				
Restricted for capital projects	-	6,884,825	-	6,884,825
Restricted for debt service	-	-	2,747,272	2,747,272
Unassigned	18,521,503	-	-	18,521,503
Total Fund Balance	<u>18,521,503</u>	<u>6,884,825</u>	<u>2,747,272</u>	<u>28,153,600</u>
 Total Liabilities, Deferred Inflow of Resources, and Fund Balance	 <u>\$ 22,778,709</u>	 <u>\$ 8,828,124</u>	 <u>\$ 2,778,008</u>	 <u>\$ 34,384,841</u>

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

FORT BEND COUNTY DRAINAGE DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2025

Fund Balance - Governmental Funds	\$ 28,153,600
Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	97,176,408
Other long-term assets (property taxes receivable, including penalties and interest on delinquent taxes) are not available to pay for current period expenditures and are therefore deferred in the governmental funds.	403,611
Long-term liabilities are not due and payable in the current period and are not included in the fund financials, but are reported in the governmental activities of the Statement of Net Position	
Bonds payable	(35,119,000)
Premium on long term debt	(2,376,940)
Accrued interest payable on bonds	(774,324)
Accrued compensated absences	(434,394)
Post-employment liabilities (pension and OPEB) and related deferred outflows and inflows of resources are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	
Net pension liability	(254,265)
Net other post-employment benefits ("OPEB") liability	(14,146,449)
Deferred outflows related to post-employment benefits	3,204,455
Deferred inflows related to post-employment benefits	(9,706,339)
Net Position of Governmental Activities	<u>\$ 66,126,363</u>

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

FORT BEND COUNTY DRAINAGE DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2025

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 11,682,264	\$ -	\$ -	\$ 11,682,264
Earnings on investments	295,815	544,588	162,755	1,003,158
Intergovernmental revenues	5,628,265	-	-	5,628,265
Miscellaneous	43,423	-	-	43,423
Total Revenues	<u>17,649,767</u>	<u>544,588</u>	<u>162,755</u>	<u>18,357,110</u>
Expenditures				
Current:				
Flood control-maintenance	10,698,736	522,513	-	11,221,249
Capital outlay	3,861,426	6,939,131	-	10,800,557
Debt Service:				
Principal	-	-	1,010,000	1,010,000
Interest and fiscal charges	-	-	819,500	819,500
Total Expenditures	<u>14,560,162</u>	<u>7,461,644</u>	<u>1,829,500</u>	<u>23,851,306</u>
Net Change in Fund Balance	3,089,605	(6,917,056)	(1,666,745)	(5,494,196)
Fund Balance, Beginning	<u>15,431,898</u>	<u>13,801,881</u>	<u>4,414,017</u>	<u>33,647,796</u>
Fund Balance, Ending	<u>\$ 18,521,503</u>	<u>\$ 6,884,825</u>	<u>\$ 2,747,272</u>	<u>\$ 28,153,600</u>

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

FORT BEND COUNTY DRAINAGE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2025

Net changes in fund balances - total governmental funds \$ (5,494,196)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which current year capital outlay of \$10,800,558 exceeded depreciation expenses of \$4,060,765 in the current period. 6,739,793

The loss on the disposal of capital assets is only reported in the statement of activities, whereas in the governmental funds, the loss from the disposal does not affect current financial resources. Thus, the change in net position differs from the change in fund balance by the carrying value of the disposed capital assets. (202,656)

The repayment of the principal of long-term debt consumes the of governmental funds but does not have any effect on changes in net position. This amount is the net effect of this difference in the treatment of long-term debt and related items.

Repayments:

Principal repayments 1,010,000

Pension contributions made during the year, are treated as expenditures in the governmental funds but are treated as a deferred outflow in government wide financial statements. 631,617

OPEB contributions made during the year, are treated as expenditures in the governmental funds but are treated as a reduction in Net OPEB liability in government wide financial statements. 685,138

Revenues that do not provide current financial resources are not reported as revenues in the governmental funds. This adjustment reflects the net change in property taxes receivable and penalties and interest receivable on delinquent taxes on the accrual basis of accounting. 3,748

Long-term liabilities (compensated absences and other post-employment benefits) are not due and payable in the current period and, therefore, are not reported in the fund financial statements. This adjustment reflects the net change on the accrual basis of accounting.

Compensated absences (37,518)

Accrued Interest (703,953)

Pension expense for the pension plan measurement year (453,884)

Other post-employment benefit ("OPEB") income 755,697

Amortization of bond premiums 452,275

Change in Net Position of Governmental Activities \$ 3,386,061

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

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information about the District as a whole and include all activities of the District. The effect of interfund activity has been eliminated from the government-wide statements. All of the District’s activities are reported as governmental activities, which normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the statement of net position.

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

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

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

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

Major Funds:

General Fund

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

Capital Projects Fund

The Capital Projects fund is used to account for the proceeds of general obligation debt issues and the corresponding expenditures of these proceeds for various drainage projects.

Debt Service Fund

The Debt Service Fund is used to account for property taxes levied and collected for the purpose of servicing the District's bonded debt.

D. Budgets

The Board of Directors adopted an annual budget for the District's General and Debt Service Funds.

E. Cash and Cash Equivalents

The District's cash and cash equivalents include cash on hand, demand deposits, balances in privately managed local government investment pools and short-term investments with original maturities of three months or less from the date of acquisition. The District's local government investment pools are recorded at amortized cost, which approximates fair value.

F. Investments

The District's investments, when held, are comprised of holdings of U.S. Government Securities and commercial papers. All investments are generally held to maturity. The District reports investments at fair value.

The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

G. Capital Assets

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

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

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

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

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

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

H. Deferred Outflows/Inflows of Resources

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

- Deferred outflows of resources for post-employment benefits - These deferred outflows results from the following circumstances:
 - 1) Pension plan contributions made after the measurement date of the net pension liability recognized as a reduction of the net pension liability in the next fiscal year;
 - 2) Differences between expected and actual experience of both the pension and OPEB plans and
 - 3) Changes in assumptions in both the pension and OPEB plans.

The results of the last two circumstances will be amortized over the average remaining service life for all active and inactive members that are provided with pensions (5.0 years) and OPEB (6.6 years) for the last measurement year through the respective District plans.

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

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for pension and OPEB activities – Reported only in the government-wide financial statement of net position, these deferred inflows results from the following circumstances:
 - 1) Differences between projected and actual earnings on both the pension and OPEB plan investments which will be amortized over five years;
 - 2) Difference between expected and actual experience for both the pension and OPEB plans, and
 - 3) Changes in assumptions in the OPEB plan.

The results of the last two circumstances will be amortized over the average remaining service life for all active and inactive members that are provided with pensions (5.0 years) and OPEB (6.6 years) for the last measurement year through the respective District plans.

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

I. Net Position and Fund Balances

Net Position Classifications

Net positions in government-wide and proprietary fund financial statements are classified in three categories: 1) Net investment in capital assets, 2) Restricted net position, and 3) Unrestricted net position.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Net position is shown as restricted if constraints placed on use are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of the two preceding categories.

Fund Balance Classifications

Governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of September 30, 2025, fund balance for the various funds are made up of the following:

Restricted Fund Balance – includes amounts that are restricted by statute or third-party agreements and includes amounts accumulated in both the Capital Projects and Debt Service Funds.

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

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

J. Use of Estimates

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

K. Date of Managements' Review

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through March 23, 2026, the date that the financial statements were available to be issued.

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

L. Implementation of New Standards

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements effective for the 2025 fiscal year, all of which have been implemented by the County with no material impact on the current year financial statements.

1. GASB Statement No. 101, *Compensated Absences*, the primary objective of this Statement is to meet the information needs of financial statement users by updating recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.
2. GASB Statement No. 102, *Certain Risk Disclosures*, the primary objective of this Statement is to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

NOTE 2 – CASH AND INVESTMENTS

A. Authorization for Deposits and Investments

The Texas Public Funds Investment Act (“PFIA”), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the District. In accordance with applicable statutes, the District has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the District incurs for banking services received. The District may place funds with the depository in interest and non-interest-bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than “A” or its equivalent. District policy requires the collateralization level to be at least 110% of market value of principal.

Commissioners Court has adopted a written investment policy regarding the investment of its funds as defined by the PFIA. The investments of the County comply with this policy. State statutes authorize the County to invest in fully collateralized or insured time deposits, direct debt obligations of the United States, and certain repurchase agreements. Investments in security repurchase agreements are authorized when the investment has a defined termination date, is secured by obligations described in the PFIA, is pledged to the County, is deposited with a third party selected and approved by the entity and is placed through a primary government securities dealer or national bank domiciled in the State of Texas. The County did not invest in repurchase agreements for the year ended September 30, 2025.

The District's cash and investments are classified as: cash and cash equivalents, and investments. Cash and cash equivalents include cash on hand, deposits with financial institutions, and short-term investments in privately managed public funds investment pool accounts.

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

As of September 30, 2025, the District reported deposits in the amount of \$218,035. The District's collateral requirement, in accordance with its investment policy is 110%. Of the bank balance, the entire amount was covered by federal depository insurance or by collateral held by the County's agent in the County's name as of year-end.

B. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than 5 years.

At year-end, the District's cash and investments balances and the weighted average maturity of these investments were as follows:

	<u>Fair Value/ Amortized Cost</u>	<u>Weighted Average Maturity / (Days)</u>
Demand deposits	\$ 218,035	1
Money market funds	2,664	37
Investment Pools:		
Texas CLASS	19,487,331	17
Texas Range	412	47
LOGIC	1,443,045	54
Government Securities:		
US Treasury Notes	5,818,406	835
US Agency Notes	1,965,469	815
Commercial paper	3,479,811	96
Total	<u>\$ 32,415,173</u>	
Portfolio weighted average maturity (days)	<u>222</u>	

Local Government Investment Cooperative ("LOGIC") and Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS") are local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, Texas Government Code, and the Pulic Funds Investment Act ("PFIA"). Both pools maintain a Net Asset Value of approximately \$1 per share and are reported at amortized cost and as cash equivalents in the financial statements.

The Texas Range Local Government Investment Pool ("Texas Range") and Texas Connect Local Government Investment Pool are organized in conformity with the PFIA. Both maintain a Net Asset Value of approximately \$1 per share and are reported at amortized cost and as cash equivalents in the financial statements.

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

These local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts and do not impose any liquidity fees or redemption gates.

C. Credit Risk

The District's investment policy does not require investments to hold certain credit ratings issued by nationally recognized statistical rating organizations. As of September 30, 2025, S&P Global Ratings rated Texas CLASS and LOGIC "AAAm". Fitch Ratings rated Texas Range "AAAmf". The District's investments in commercial paper all carry a rating of A-1 or P-1 by S&P or Moodys. U.S. Government securities have been rated AA+ and Aaa by Fitch and S&P Global Ratings, respectively.

Investments in U.S. Treasury Notes are valued using Level 1 inputs and investments in US Agency Notes and commercial paper held by the District are valued using Level 2 inputs.

D. Concentration of Credit Risk

It is a Countywide policy to diversify its portfolio to eliminate the risk of loss resulting from a concentration of assets of a specific maturity (save and except zero duration funds), a specific issuer or a specific class of investments. Because the County considers the District to be a blended component unit, these concentration considerations do not apply at the District's level. To achieve this diversification, the County will limit investments in specific types of securities to the following percentages of the total portfolio:

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

E. Earnings on Investments

Earnings on investments are presented net of an unrealized gain on commercial paper. Management intends to hold these investments until maturity. The calculation of investment earnings is as follows:

Interest on investments	\$ 529,817
Unrealized gain on investments	473,342
Earnings on investments	<u>\$ 1,003,159</u>

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 3 – RECEIVABLES

Receivables as of September 30, 2025, consist of property taxes and miscellaneous receivables consisting mostly of a federal grant relating to damages from hurricane Harvey due from the Texas Department of Emergency Management, as detailed below:

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Delinquent property taxes, penalties and interest	\$ 483,394	\$ 34,367	\$ 517,761
Grants receivable	892,932	-	892,932
Miscellaneous receivables	673,125	-	673,125
Less allowance for doubtful accounts	<u>(110,519)</u>	<u>(3,631)</u>	<u>(114,150)</u>
	<u>\$ 1,938,932</u>	<u>\$ 30,736</u>	<u>\$ 1,969,668</u>

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

NOTE 4 – CAPITAL ASSETS

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

	<u>Balances 9/30/24</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balances 9/30/25</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 2,677,318	\$ 10,450	\$ -	\$ 2,687,768
Construction in progress	8,627,567	8,261,600	-	16,889,167
Total capital assets not depreciated	<u>11,304,885</u>	<u>8,272,050</u>		<u>19,576,935</u>
Depreciable capital assets:				
Infrastructure-drainage improvements	87,185,599	-	-	87,185,599
Vehicles	2,964,307	322,406	(188,377)	3,098,336
Office furniture and equipment	252,760	24,999	-	277,759
Machinery and equipment	16,747,350	2,181,103	(1,115,581)	17,812,872
Buildings and facilities	1,801,066	-	-	1,801,066
Total depreciable capital assets	<u>108,951,082</u>	<u>2,528,508</u>	<u>(1,303,958)</u>	<u>110,175,632</u>
Less accumulated depreciation for:				
Infrastructure-drainage improvements	(18,707,378)	(1,432,569)	-	(20,139,947)
Vehicles	(2,034,615)	(273,688)	188,377	(2,119,926)
Office furniture and equipment	(248,273)	(6,987)	-	(255,260)
Machinery and equipment	(7,158,752)	(2,248,051)	912,925	(8,493,878)
Buildings and facilities	(1,467,678)	(99,470)	-	(1,567,148)
Total accumulated depreciation	<u>(29,616,696)</u>	<u>(4,060,765)</u>	<u>1,101,302</u>	<u>(32,576,159)</u>
Depreciable capital assets, net	<u>79,334,386</u>	<u>(1,532,257)</u>	<u>(202,656)</u>	<u>77,599,473</u>
Totals	<u>\$ 90,639,271</u>	<u>\$ 6,739,793</u>	<u>\$ (202,656)</u>	<u>97,176,408</u>

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

Construction in progress as of September 30, 2025, consisted of the following projects:

<u>Project</u>	<u>Balances 9/30/24</u>	<u>Increases- Retainage Included</u>	<u>(Decreases- Capitalizations)</u>	<u>Balances 09/30/25</u>	<u>Commitments</u>
Big Creek	\$ 1,432,400	\$ 73,130	\$ -	\$ 1,505,530	\$ 820,495
Long Point Creek	473,805	2,691,486	-	3,165,291	112,581
Cedar Creek Road Bridge	54,222	-	-	54,222	-
Pecan Creek Road Bridge	54,222	1,605,434	-	1,659,656	680,645
Kitty Hollow Lake Levee	360,238	37,865	-	398,103	138,896
Brazos River Erosion	2,875,704	1,819,227	-	4,694,931	7,049,901
Oyster Creek	3,376,976	107,335	-	3,484,311	-
Simonton Pinch Point	-	1,927,122	-	1,927,122	1,861,511
Totals	<u>\$ 8,627,567</u>	<u>\$ 8,261,600</u>	<u>\$ -</u>	<u>\$ 16,889,167</u>	<u>\$ 10,664,029</u>

NOTE 5 – LONG-TERM LIABILITIES

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

A summary of long-term liability transactions of the District for the year ended September 30, 2025, is as follows:

	<u>Balance 10/1/24 (restated)</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Balance 9/30/25</u>	<u>Amounts Due Within One Year</u>
General obligation bonds					
- public placement	\$ 36,129,000	\$ -	\$ (1,010,000)	\$ 35,119,000	\$ 1,976,000
Premiums on bonds	2,829,215	-	(452,275)	2,376,940	-
Accrued compensated absences*	396,876	37,518		434,394	108,599
Total Long-term Liabilities	<u>\$ 39,355,091</u>	<u>\$ 37,518</u>	<u>\$ (1,462,275)</u>	<u>\$ 37,930,334</u>	<u>\$ 2,084,599</u>

* Compensated absences beginning balance has been adjusted upon the adoption of GASB 101 - Compensated Absences. The change in compensated absences above is a net change for the year.

FORT BEND COUNTY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

A description of the bonds outstanding follows:

Original Issue	Description	Interest Rate %	Matures	Debt Outstanding
General Obligation Bonds				
\$ 25,405,000	Permanent Improvement Bonds, Series 2020	3.00 - 5.00	2040	\$ 21,645,000
\$ 13,474,000	FBC Certificates of Obligation, Series 2024 (Drainage portion)	5.00	2044	<u>\$ 13,474,000</u>
Total General Obligation Bonds				<u><u>\$ 35,119,000</u></u>

Debt service requirements for the outstanding bonds are as follows:

	Principal	Interest	Totals
2026	\$ 1,976,000	\$ 1,374,886	\$ 3,350,886
2027	2,945,000	1,981,683	4,926,683
2028	2,182,000	1,167,004	3,349,004
2029	2,295,000	1,055,080	3,350,080
2030	1,994,000	947,857	2,941,857
2031-2035	10,795,000	3,365,269	14,160,269
2035-2039	10,706,000	1,496,570	12,202,570
2040-2044	2,226,000	229,413	2,455,413
Totals	<u>\$ 35,119,000</u>	<u>\$ 11,617,762</u>	<u>\$ 46,736,762</u>

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM

General Information about the Pension Plan

A. Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through participation in the statewide Texas County and District Retirement System (“TCDRS”) which is an agent multiple-employer public employee retirement system. The Board of Trustees of TCERS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of nontraditional defined benefit pension plans. TCERS in the aggregate issues an Annual Comprehensive Financial Report (“ACFR”) on a calendar year basis. The ACFR can be found at the following link: TCERS.org/employer.

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

B. Benefits Provided

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

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

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

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

C. Employees Covered by Benefit Terms

As of September 30, 2025, 85 active employees were covered under the plan.

D. Contributions

The employer has elected the annually determined contribution rate ("ADCR") plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. It was 13.10% for calendar year 2024 and 12.61% for calendar year 2025. The contribution rate payable by the employee members is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

The County's total payroll in fiscal year 2025 was approximately \$264.3 million and the County's contributions were based on a payroll of approximately \$261.6 million. Contributions made by employees totaled \$18.3 million and the County made contributions of \$32.9 million during the fiscal year ended September 30, 2025, of which approximately \$632,000 was attributable to the District.

E. Actuarial Assumptions

The total pension liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<u>Actuarial Information</u>	<u>12/31/2024</u>
Actuarial cost method	Entry age
Amortization method	Straight-Line amortization over Expected Working Life
Asset valuation method	5-year smoothed fair value
Assumptions:	
Investment return	7.60%
Projected salary increases	4.7
Inflation	2.50%
Cost-of-living adjustments	0%

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

F. Discount Rate

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

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

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

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan’s fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments.

The funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act are such that depletion is not projected to occur.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 7.6%. This rate reflects the long-term assumed rate of return on assets for funding

G. Sensitivity Analysis

The following presents the District’s proportionate share of the net pension liability of the County, calculated using the discount rate of 7.60%, as well as what the District’s liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
District's proportionate share of the net pension liability / (asset)	\$ 1,763,944	254,265	\$ (3,491,650)

At September 30, 2025, 2024, the District reported a liability of \$254,265 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of the County, actuarially determined or 2 percent.

FORT BEND COUNTY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

H. Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2025 information for a 10-year horizon. Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return ⁽²⁾
U.S. Equities	Dow Jones U.S. Total Stock Market Index	13.00%	5.35%
Global Equities	MSCI World (net) Index	4.00%	5.15%
Int'l Equities - Developed Markets	MSCI World Ex USA (net)	6.00%	4.75%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	0.00%	4.75%
Investment-Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.55%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	3.70%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.85%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽³⁾	4.00%	6.90%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FTSE Global REIT (net) Index	2.00%	3.95%
Master Limited Partnerships	Alerian MLP Index	2.00%	4.95%
Commodities	Bloomberg Commodities Index	2.00%	1.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	6.00%	5.75%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽⁵⁾	25.00%	8.15%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	3.60%
Cash Equivalents	90-Day U. S. Treasury	2.00%	1.10%

(1) Target asset allocation adopted at the March 2025 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.35%, per Cliffwater's 2025 capital market assumptions.

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

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

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

FORT BEND COUNTY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

I. Pension Expense and Deferred Inflows / Outflows of Resources

For the year ended September 30, 2025, the District recognized pension expense as follows:

Pension Expense	Measurement Year 2024
Service cost	\$ 664,560
Interest on total pension liability	1,573,593
Administrative expenses	11,758
Member contributions	(336,193)
Expected investment return net of investment expenses	(1,488,731)
Recognition of deferred inflows/outflows of resources	-
Recognition of economic/demographic gains or losses	46,368
Recognition of assumption changes or inputs	209,131
Recognition of investment gains or losses	(218,907)
Other	(7,695)
Pension expense	<u>\$ 453,884</u>

The District's government-wide financial statements as of September 30, 2025 reflect pension related deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 105,064	\$ 6,663
Changes of assumptions	4,647	-
Net difference between projected and actual earnings	-	197,123
Contributions made subsequent to measurement date	463,458	-
	<u>\$ 573,169</u>	<u>\$ 203,786</u>

Contributions made subsequent to the measurement date of the net pension liability but before the end of the District's year-end will be recognized as a reduction of the net pension liability in the subsequent fiscal period.

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

Measurement Year ending December 31:	Deferred Inflows/ Outflows of Resources
2025	\$ (126,499)
2026	316,066
2027	(192,106)
2028	(91,538)
Total	<u>\$ (94,077)</u>

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (“OPEB”)

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

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

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

Because the District participates as a component unit of the County plan described above, no distinctly separate actuarial calculations are performed or separate fiduciary net position maintained for the District. As such, the District's participation in the plan is being reported as a participation in a cost-sharing plan (with the County) in accordance with U.S. generally accepted accounting principles.

The County is statutorily required to permit retiree participation in the health insurance program on a pooled non-differentiated basis. The County recognizes its share of the costs of providing these benefits when paid, on a "pay-as-you-go" basis. The County has had an actuarial valuation of its post-retirement benefit liability performed as of October 1, 2023. At that date, there were 44 retirees and 26 spouses of retirees receiving benefits and 78 active members not yet receiving benefits.

At September 30, 2025, the District reported a liability of \$14,146,449 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of October 1, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of October 1, 2023. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of the County, actuarially determined. On September 30, 2025, the District's proportion was 2 percent.

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

A. Sensitivity Analysis

The following presents the District’s proportionate share of the net OPEB liability of the County, calculated using the discount rate of 6.87%, as well as what the District’s liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.87%) or 1 percentage point higher (7.87%) than the current rate.

	1% Decrease 5.87%	Current Discount Rate 6.87%	1% Increase 7.87%
Net OPEB liability	\$ 16,399,788	\$ 14,146,449	\$ 12,271,038

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

	1% Decrease	Current Trend Rate (3.70%-6.00%)	1% Increase
Net OPEB liability	\$ 11,809,643	\$ 14,146,449	\$ 17,032,728

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the Fort Bend County Employee Benefit Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Fort Bend County Annual Comprehensive Financial Report at <https://www.fortbendcountytexas.gov/>.

B. OPEB Expenses and Deferred Inflows / Outflows of Resources

For the year ended September 30, 2025, the District recognized OPEB (income) of .

OPEB Expense	Measurement Year 2025
Service cost	\$ 378,875
Interest on total OPEB liability	1,115,901
Expected investment return net of investment expenses	(191,124)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(430,646)
Recognition of assumption changes or inputs	(1,616,316)
Recognition of investment gains or losses	(12,487)
OPEB expense (income)	<u>\$ (755,797)</u>

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

As of the measurement date of September 30, 2025, the District reported deferred inflows and outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 476,788	\$ 1,908,112
Changes of assumptions	2,154,498	7,558,339
Net difference between projected and actual earnings	-	36,102
	<u>\$ 2,631,286</u>	<u>\$ 9,502,553</u>

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

<u>Measurement Year ending September 30:</u>	<u>Deferred Inflows/ Outflows of Resources</u>
2026	\$ (2,059,449)
2027	(1,956,254)
2028	(1,901,525)
2029	(926,507)
2030	(53,151)
Thereafter	25,619
Total	<u>\$ (6,871,267)</u>

C. Discount Rate

The plan’s fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. As a result, projected benefit payments are discounted using the long-term expected rate of return on plan investments to the extent that the plan’s fiduciary net position is projected to be sufficient to make projected benefit payments. For projected benefit payments that are not expected to be made from the plan’s fiduciary net position, a 20-year tax-exempt municipal bond yield was applied.

The long-term expected rate of return on OPEB plan investments is 7.00 percent, and the municipal bond rate is 4.90 percent, based on a 20-year tax-exempt municipal bond yield. The resulting single blended discount rate used to measure the total OPEB liability is 6.87 percent.

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

D. Long-Term Expected Rate of Return

The assumption for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman’s investment consulting practice as of June 30, 2025, and are based on a 20-year investment horizon.

Asset Class	Index	Target Allocation*	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
US Core Fixed Income (Aggregate)	Bloomberg Barclays Aggregate	40.00%	2.35%	2.20%
US Broad Equity Market	Russell 3000 TR USD	39.00%	5.25%	3.53%
Non-US Equity	MSCI ACWI Ex USA NR USD	21.00%	7.07%	5.18%
Assumed Inflation - Mean			2.30%	2.29%
Assumed Inflation - Standard Deviation			1.47%	1.47%
Portfolio Real Mean Return			4.47%	3.80%
Portfolio Nominal Mean Return			6.77%	6.22%
Portfolio Standard Deviation				11.16%
Long-Term Expected Rate of Return				7.00%

D. Key Actuarial Methods and Assumptions

The total OPEB liability in the October 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	October 1, 2023
Measurement Date	September 30, 2025
Investment Rate	7.00%
Discount Rate	6.87%
Actuarial cost method	Entry Age Normal
Inflation	2.31%
Medical Trend Rate	5.60% - 3.70% Pre-65 year medical 5.30% - 3.70% Post-65 year medical 6.00% - 3.70% Post 65 prescription
Salary increases including inflation	4.75%-0.60%
Mortality	September 30, 2025: PubG.H-2016 projected forward (fully generational) with MP-2021. Pub-2016 tables for disabled lives and contingent survivors are also used.

Changes in Actuarial Assumptions since Prior Valuation:

- Discount Rate: From 7.00% to 6.87%. The discount rate is based on the plan's long-term rate of return on investment assumption, adjusted based on a depletion date projection of the plan's assets and liabilities. This change increased the total OPEB liability by approximately \$6.5 million.
- Mortality Rates: From PubG.H-2010 tables projected forward (fully generational) with MP-2021 to PubG.H- 2016 projected forward (fully generational) with MP-2021. This change decreased the total OPEB liability by approximately \$0.5 million.

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 8 – CONTINGENT LIABILITIES

The District is contingently liable for lawsuits and other claims arising in the ordinary course of its operations. The settlement of such contingencies under the budgetary process would not materially affect the financial position of the District as of September 30, 2025.

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disaster. The County's risk management program, which covers the District, encompasses various means of protecting the District against loss by obtaining property, casualty and liability coverage through commercial insurance carriers, self-insurance and from participation in a risk pool. The participation of the District in the risk pool is limited to the payment of premiums. Settled claims have not exceeded insurance coverage in any of the previous three fiscal years. There has not been any significant reduction in insurance coverage from that of the previous year.

NOTE 10 – TAX ABATEMENTS

The District provides property tax abatements for economic development pursuant to Chapter 312 of the Texas Property Tax Code to facilitate the creation and retention of job opportunities to the District. Under the terms of the District's tax abatement guidelines, an abatement may only be granted for the additional value of eligible improvements made after and specified in an abatement agreement between the District and the property owner or lessee, subject to such limitations as the District may require. An abatement may be granted for new facilities and improvements to existing facilities for purposes of modernization or expansion.

Economic Qualifications: To be eligible for designation as a reinvestment zone and receive tax abatement the planned improvement:

3. Must be expected to have an increased appraised ad valorem tax value of at least \$1,000,000 based upon the Fort Bend Central Appraisal District's assessment of the eligible property; and
4. Must be expected to prevent the loss of payroll or retain, increase or create payroll on a permanent basis in the District.
5. Must not have the effect of transferring employment from one part of the District to another, unless there is a substantial threat of economic loss to the District.

Recapture: Any abatement agreement may be terminated and all taxes previously abated by virtue of the agreement will be recaptured and paid within thirty (30) days of the termination in the event that the company or individual:

1. Allows its ad valorem taxes owed the District to become delinquent and fails to timely and properly follow the legal procedures for their protest and /or contest;
2. Violates any of the terms and conditions of the abatement agreement; or
3. Vacates any of the improvements subject to the agreement before the term of the abatement; and fails to cure during the cure period.

FORT BEND COUNTY DRAINAGE DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

Should the District determine that the company or individual is in default according to the terms and conditions of its agreement, the District shall notify the company or individual of such default in writing at the address stated in the agreement; and if such is not cured within thirty (30) days from the date of such notice (“Cure Period”), then the agreement may be terminated.

Abatements under the District’s tax abatement program during the 2025 fiscal year amounted to approximately \$137,912 in property taxes because of lowered assessed values on qualified projects.

NOTE 11 – OTHER DEVELOPMENT AGREEMENTS

The District is a party to agreements under Section 381 (Economic Development Agreements), Section 472 (Road Development Agreements) and Section 311 (Tax Increment Reinvestment Zones). All of these agreements provide a rebate of a portion of the District’s maintenance and operations tax on the incremental property values within the designated area for the developments or projects covered by these agreements. These rebates are used to reimburse developers for the cost of infrastructure within these designated areas and are payable solely from the collection of these incremental taxes. Payments under these programs during the 2025 fiscal year were approximately \$367,000.

NOTE 12 – ACCOUNTING CHANGES

In fiscal year 2025, the District implemented GASB Statement No. 101, Compensated Absences, the primary objective of this Statement is to meet the information needs of financial statement users by updating recognition and measurement guidance for compensated absences. As such, accrued compensated absences at October 1, 2024 and Net Position have been restated as follows:

	Compensated Absence Liability 2024	Net Position 2024
Beginning as previously reported	\$ 272,876	62,864,302
Restatement for change in accounting principle	<u>124,000</u>	<u>(124,000)</u>
Beginning as restated	<u>\$ 396,876</u>	<u>\$ 62,740,302</u>



REQUIRED SUPPLEMENTARY INFORMATION

FORT BEND COUNTY DRAINAGE DISTRICT
GENERAL FUND - BUDGETARY BASIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2025

	Original Budget	Amended Budget	Actual Amounts Budgetary Basis	Variance from Final Budget
Revenues				
Property taxes	\$ 11,931,961	\$ 11,931,961	\$ 11,682,264	\$ (249,697)
Earnings on investments	375,000	375,000	295,817	(79,183)
Miscellaneous	86,179	86,179	43,423	(42,756)
Total Revenues	12,393,140	12,393,140	12,021,504	(371,636)
Expenditures				
Current:				
Salaries and personnel costs	8,197,968	8,197,968	7,577,871	620,097
Operating costs	3,861,314	3,797,424	2,609,882	1,187,542
Information technology costs	6,388	20,178	17,192	2,986
Capital acquisitions	247,775	297,875	231,189	66,686
Total Expenditures	12,313,445	12,313,445	10,436,134	1,877,311
Net Change in Fund Balances - Budgetary Basis	79,695	79,695	1,585,370	1,505,675
Net Adjustment to Reflect Operations in Accordance with GAAP ^(a)				
	-	-	1,504,235	1,504,235
Fund Balances, Beginning of Year	15,431,897	15,431,897	15,431,897	-
Fund Balances, End of Period	\$ 15,511,592	\$ 15,511,592	\$ 18,521,502	\$ 3,009,910

(a) See reconciliation in notes to budgetary required supplementary information

FORT BEND COUNTY DRAINAGE DISTRICT
NOTES TO BUDGETARY REQUIRED SUPPLEMENTARY INFORMATION

Budgets

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

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

	Actual Amounts Budgetary Basis	Actual Multi-Year	Actual Amounts GAAP Basis
	<u> </u>	<u> </u>	<u> </u>
Revenues	\$ 12,021,504	\$ 5,628,263	\$ 17,649,767
Expenditures	<u>10,436,134</u>	<u>4,124,028</u>	<u>14,560,162</u>
Net Change in Fund Balance	1,585,370	1,504,235	3,089,605
Fund Balance, Beginning of Year			<u>15,431,897</u>
Fund Balance, End of Period			<u><u>\$ 18,521,502</u></u>

Budget variances

For the year ended September 30, 2025, there were negative variances in revenues. These negative revenue results have not materially impacted the District’s budget due to expenditures falling short of the total budget by an amount greater than the revenue budget deficiencies.

FORT BEND COUNTY DRAINAGE DISTRICT
REQUIRED PENSION SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (UNAUDITED)

**Schedule of the District's Proportionate Share of the Net Pension Liability/(Asset) and Related Ratios
For the Last Ten Measurement Years**

	2024	2023	2022	2021	2020
District's proportion of the net pension liability	2.00%	2.00%	2.00%	2.00%	2.00%
District's proportional share of the net pension liability (asset)	\$ 254,265	\$ 923,962	\$ 1,597,230	\$ (645,974)	\$ 1,576,929
District's covered employee payroll	\$ 4,950,696	\$ 4,778,228	\$ 3,895,603	\$ 3,886,798	\$ 3,790,611
District's proportional share of the net pension liability (asset) as a percentage of it's covered payroll	5.14%	19.34%	41.00%	-16.62%	41.60%
Plan's fiduciary net position as a percentage of total pension liability per Fort Bend County ACFR	98.84%	95.49%	91.68%	103.58%	90.68%
Plan's net pension liability (asset) as a percentage of it's covered payroll per Fort Bend County ACFR	5.29%	20.97%	41.00%	-17.72%	42.91%

FORT BEND COUNTY DRAINAGE DISTRICT
REQUIRED PENSION SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (UNAUDITED)

**Schedule of the District's Proportionate Share of the Net Pension Liability/(Asset) and Related Ratios
For the Last Ten Measurement Years**

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	2.00%	2.00%	2.00%	2.00%	2.50%
District's proportional share of the net pension liability (asset)	\$ 958,830	\$ 1,926,852	\$ 827,436	\$ 1,463,206	\$ 1,764,725
District's covered employee payroll	\$ 3,845,234	\$ 3,755,343	\$ 3,641,344	\$ 3,603,729	\$ 3,323,453
District's proportional share of the net pension liability (asset) as a percentage of it's covered payroll	24.94%	51.31%	22.72%	40.60%	53.10%
Plan's fiduciary net position as a percentage of total pension liability per Fort Bend County ACFR	93.52%	85.99%	93.51%	87.56%	87.06%
Plan's net pension liability (asset) as a percentage of it's covered payroll per Fort Bend County ACFR	28.30%	60.25%	27.06%	52.58%	55.29%

FORT BEND COUNTY DRAINAGE DISTRICT
REQUIRED PENSION SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (UNAUDITED)
Schedule of Employer Contributions
Last Ten Fiscal Years

Year ended September 30	Actuarially determined contribution	Actual contributions	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
2025	\$ 631,617	\$ 631,617	\$ -	\$ 5,068,326	12.46%
2024	625,621	625,621	-	4,781,548	13.08%
2023	606,265	606,265	-	4,613,433	13.14%
2022	553,666	553,666	-	4,198,246	13.19%
2021	477,556	477,556	-	3,888,366	12.28%
2020	456,215	456,215	-	3,789,759	12.04%
2019	430,277	430,277	-	3,638,514	11.83%
2018	408,623	408,623	-	3,473,747	11.76%
2017	400,381	400,381	-	3,320,561	12.06%
2016	384,271	384,271	-	3,211,408	11.97%

FORT BEND COUNTY DRAINAGE DISTRICT
NOTES TO PENSION REQUIRED SUPPLEMENTARY INFORMATION

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	16.0 years (based on contribution rate calculated in 12/31/2024 valuation)
Asset Valuation Method	5-year smoothed fair value
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 RP-2010 Healthy Annuitant Mortality Table for males and 120% of the RP-2010 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	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 inflation and investment rate of return were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015 -2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018 - 2024: No changes in plan provisions were reflected in the Schedule.

FORT BEND COUNTY DRAINAGE DISTRICT

REQUIRED OTHER POST-EMPLOYMENT BENEFITS SUPPLEMENTARY INFORMATION (UNAUDITED)

FORT BEND COUNTY EMPLOYEE BENEFIT PLAN

**Schedule of the District's Proportionate Share of the Net OPEB Liability/(Asset) and Related Ratios
For the Last Eight Measurement Years**

	<u>2025</u>		<u>2024</u>		<u>2023</u>		<u>2022</u>		<u>2021</u>
District's proportion of the Net OPEB liability	4.7%		4.0%		3.0%		3.5%		4.9%
District's proportional share of the net OPEB liability	\$ 14,146,449	\$	13,173,469	\$	14,952,933	\$	22,079,360	\$	29,408,433
Plan fiduciary net position as a percentage of Total OPEB liability per Fort Bend County ACFR	16.7%		17.1%		7.3%		0.0%		0.0%
District's covered employee payroll	\$ 4,754,000	\$	4,616,003	\$	4,298,261	\$	4,173,069	\$	3,996,000
District's proportional share of the Net OPEB liability as a percentage of it's covered payroll	297.57%		285.39%		347.88%		529.09%		735.95%

* In fiscal year 2023, Fort Bend County began making contributions into an OPEB trust fund.

Note: GASB 75 requires 10 years of OPEB liability and related ratios information. This information is not available and has not been calculated prior to the first measurement year ended September 30, 2018 In the future, such information will be used to populate this schedule as it becomes available.

FORT BEND COUNTY DRAINAGE DISTRICT

REQUIRED OTHER POST-EMPLOYMENT BENEFITS SUPPLEMENTARY INFORMATION (UNAUDITED)

FORT BEND COUNTY EMPLOYEE BENEFIT PLAN

Schedule of the District's Proportionate Share of the Net OPEB Liability/(Asset) and Related Ratios For the Last Eight Measurement Years

	<u>2020</u>		<u>2019</u>		<u>2018</u>
District's proportion of the Net OPEB liability	4.8%		6.6%		2.00%
District's proportional share of the net OPEB liability	\$ 28,543,456	\$	27,824,867	\$	21,589,184
Plan fiduciary net position as a percentage of Total OPEB liability per Fort Bend County ACFR	0.0%		0.00%		0.00%
District's covered employee payroll	\$ 3,996,000	\$	3,595,000	\$	3,437,000
District's proportional share of the Net OPEB liability as a percentage of it's covered payroll	714.30%		773.99%		628.14%

Note: GASB 75 requires 10 years of OPEB liability and related ratios information. This information is not available and has not been calculated prior to the first measurement year ended September 30, 2018 In the future, such information will be used to populate this schedule as it becomes available.

FORT BEND COUNTY DRAINAGE DISTRICT

REQUIRED OTHER POST-EMPLOYMENT BENEFITS SUPPLEMENTARY INFORMATION (UNAUDITED)

FORT BEND COUNTY EMPLOYEE BENEFIT PLAN

Schedule of Employer Contributions

Last Two Measurement Years

Year ended September 30	District's Portion of the Actuarially Determined	Actual Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions As A Percentage Of Covered Employee Payroll
2025	1,957,075	\$ 754,437	1,202,639	\$ 4,754,000	15.9%
2024	1,943,453	1,932,189	11,264	4,616,003	41.9%
2023	1,778,630	1,903,879	(125,249)	4,298,261	44.3%

Note: GASB 75 requires 10 years of OPEB liability and related ratios information. This information is not available and has not been calculated prior to the measurement year ended September 30, 2023. In the future, such information will be used to populate this schedule as it becomes available. Fiscal Year 2023 was the first year of the County's OPEB Trust.

NOTES TO OTHER POST-EMPLOYMENT BENEFIT REQUIRED SUPPLEMENTARY INFORMATION

Key Actuarial Methods and Assumptions

The total OPEB liability in the October 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	October 1, 2023
Measurement Date	September 30, 2025
Investment Rate	7.00%
Discount Rate	6.87%
Actuarial cost method	Entry Age Normal
Inflation	2.31%
Medical Trend Rate	5.60% - 3.70% Pre-65 year medical 5.30% - 3.70% Post-65 year medical 6.00% - 3.70% Post 65 prescription
Salary increases including inflation	4.75%-0.60%
Mortality	September 30, 2025: PubG.H-2016 projected forward (fully generational) with MP-2021. Pub-2016 tables for disabled lives and contingent survivors are also used.

Changes in Actuarial Assumptions since Prior Valuation:

- **Discount Rate:** From 7.00% to 6.87%. The discount rate is based on the plan's long-term rate of return on investment assumption, adjusted based on a depletion date projection of the plan's assets and liabilities. This change increased the total OPEB liability by approximately \$6.5 million.
- **Mortality Rates:** From PubG.H-2010 tables projected forward (fully generational) with MP-2021 to PubG.H- 2016 projected forward (fully generational) with MP-2021. This change decreased the total OPEB liability by approximately \$0.5 million.



OTHER SUPPLEMENTARY INFORMATION

FORT BEND COUNTY DRAINAGE DISTRICT
DEBT SERVICE FUND - BUDGETARY BASIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2025

	Original Budget	Amended Budget	Actual Amounts Budgetary Basis	Variance from Final Budget
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	162,755	162,755
Miscellaneous	-	-	-	-
Total Revenues	-	-	162,755	162,755
Expenditures				
Debt Service:				
Principal	1,010,000	1,010,000	1,010,000	-
Interest and fiscal charges	821,200	821,200	819,500	1,700
Total Expenditures	1,831,200	1,831,200	1,829,500	1,700
Net Change in Fund Balances - Budgetary Basis	(1,831,200)	(1,831,200)	(1,666,745)	164,455
Fund Balances, Beginning of Year	4,414,017	4,414,017	4,414,017	-
Fund Balances, End of Period	\$ 2,582,817	\$ 2,582,817	\$ 2,747,272	\$ 164,455

TEXAS SUPPLEMENTARY INFORMATION

FORT BEND COUNTY DRAINAGE DISTRICT
GENERAL FUND EXPENDITURES
For the Year Ended September 30, 2025

TSI-2

Salary and Personnel Costs:

Salaries and labor	\$ 5,043,326
Board pay	25,000
Payroll taxes	371,199
Retirement	643,842
Insurance	1,494,501

Operating and Training Costs:

Fees	757,860
Travel	17,902
Supplies and maintenance	1,289,178
Fuel	388,279
Property and casualty	156,663
Property and equipment	116,113

Tax Increment Payments

377,681

Information Technology Costs

17,192

Capital Acquisition Costs

3,861,426

TOTAL EXPENDITURES

\$ 14,560,162

Number of employees employed by the District:

86

FORT BEND COUNTY DRAINAGE DISTRICT
TAXES LEVIED AND RECEIVABLE
September 30, 2025

TSI-4

	Maintenance Taxes	Debt Service Taxes	Total Taxes
Taxes receivable - Beginning of Year	\$ 285,650	\$ 47,009	\$ 332,659
Adjustments	(170,635)	(22,225)	(192,860)
Adjusted receivable	115,015	24,784	139,799
2024 Tax Levy:			
Original tax levy	11,938,511	-	11,938,511
Adjustments and corrections	(25,958)	-	(25,958)
Adjusted 2024 tax levy	11,912,553	-	11,912,553
Total to be Accounted for	12,027,568	24,784	12,052,352
Tax Collections:			
Current year	11,799,418	-	11,799,418
Prior years	(81,772)	-	(81,772)
Total Collections	11,717,646	-	11,717,646
Taxes Receivable - End of Year	\$ 309,922	\$ 24,784	\$ 334,706

Taxes Receivable - By Years:			
2024	\$ 113,135	\$ -	\$ 113,135
2023	53,289	6,711	60,000
2022	31,383	3,952	35,335
2021	18,720	2,358	21,078
2020	21,040	2,650	23,690
2019 and prior	72,355	9,113	81,468
Taxes Receivable - End of Year	\$ 309,922	\$ 24,784	\$ 334,706

Assessed					
Property Valuations:	2024	2023	2022	2021	2020
Land	\$ 37,191,302,050	\$ 28,237,253,953	\$ 25,168,213,762	\$ 24,241,089,121	\$ 23,075,086,780
Improvements	124,271,257,238	120,666,770,994	102,139,069,701	78,319,490,709	71,636,819,539
Personal property	10,867,649,836	10,396,331,227	7,835,412,762	6,870,306,794	6,113,826,326
Less: exemptions	(52,945,104,024)	(50,084,509,184)	(40,271,614,981)	(28,959,810,762)	(26,310,957,908)
	\$ 119,385,105,100	\$ 109,215,846,990	\$ 94,871,081,244	\$ 80,471,075,862	\$ 74,514,774,737

Tax Rates Per \$100					
Valuations					
Maintenance tax rates	\$ 0.010000	\$ 0.010800	\$ 0.010900	\$ 0.012000	\$ 0.013000
Debt service tax rates	-	0.001600	0.002000	0.002500	0.004331
Total Tax Rate per \$100 Valuation	\$ 0.010000	\$ 0.012400	\$ 0.012900	\$ 0.014500	\$ 0.017331
Original Tax Levy	\$ 11,938,511	\$ 13,542,765	\$ 12,238,369	\$ 11,668,306	\$ 12,914,156
Percent of Taxes Collected to Taxes Levied	99.05%	99.16%	99.08%	99.03%	99.54%

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

FORT BEND COUNTY DRAINAGE DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS
September 30, 2025

TSI-5

Fiscal Year Ending Sept.30,	Totals			Permanent Improvement Bonds Series 2020		Fort Bend County Certificate of Obligation Series 2024	
	Total	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 3,350,886	\$ 1,976,000	\$ 1,374,886	\$ 1,060,000	\$ 767,450	\$ 916,000	\$ 607,436
2027	4,926,683	2,945,000	1,981,683	1,115,000	713,075	1,830,000	1,268,608
2028	3,349,004	2,182,000	1,167,004	1,170,000	655,950	1,012,000	511,054
2029	3,350,080	2,295,000	1,055,080	1,230,000	595,950	1,065,000	459,130
2030	2,941,857	1,994,000	947,857	1,295,000	532,825	699,000	415,032
2031	2,941,604	2,096,000	845,604	1,360,000	466,450	736,000	379,154
2032	2,925,065	2,172,000	753,065	1,415,000	411,225	757,000	341,840
2033	2,926,136	2,255,000	671,136	1,460,000	368,100	795,000	303,036
2034	2,926,865	2,341,000	585,865	1,505,000	323,625	836,000	262,240
2035	2,440,600	1,931,000	509,600	1,550,000	277,800	381,000	231,800
2036	2,438,861	1,996,000	442,861	1,595,000	230,625	401,000	212,236
2037	2,439,693	2,066,000	373,693	1,645,000	182,025	421,000	191,668
2038	2,439,983	2,138,000	301,983	1,695,000	131,925	443,000	170,058
2039	2,443,586	2,216,000	227,586	1,750,000	80,250	466,000	147,336
2040	2,440,447	2,290,000	150,447	1,800,000	27,000	490,000	123,447
2041	613,338	515,000	98,338			515,000	98,338
2042	612,936	541,000	71,936			541,000	71,936
2043	613,170	569,000	44,170			569,000	44,170
2044	615,969	601,000	14,969			601,000	14,969
Totals	<u>\$ 46,736,762</u>	<u>\$ 35,119,000</u>	<u>\$ 11,617,762</u>	<u>\$ 21,645,000</u>	<u>\$ 5,764,275</u>	<u>\$ 13,474,000</u>	<u>\$ 5,853,487</u>

FORT BEND COUNTY DRAINAGE DISTRICT
CHANGES IN LONG-TERM BONDED DEBT
September 30, 2025

TSI-6

	Permanent Improvement Bonds, Series 2020	Fort Bend County Certificates of Obligation, Series 2024
Interest Rates	3.0% - 5.0%	5.0%
Dates Interest Payable	9/1 - 3/1	9/1 - 3/1
Maturity Dates	3/1/2040	3/1/2044
Beginning Bonds Outstanding	\$ 22,655,000	\$ -
Bonds Sold During the Fiscal Year	-	13,474,000
Bonds Retired During the Fiscal Year	<u>(1,010,000)</u>	<u>-</u>
Ending Bonds Outstanding	<u>\$ 21,645,000</u>	<u>\$ 13,474,000</u>
Interest Paid During the Fiscal Year	<u>\$ 819,200</u>	<u>\$ -</u>
Paying Agent's Name and City	Amegy Bank, Houston, Texas	
Bond Authority:	Tax Bonds	
Amount Authorized by Voters	\$ 83,900,000	
Amounts Issued	<u>25,405,000</u>	
Remaining to be Issued	<u>\$ 58,495,000</u>	

FORT BEND COUNTY DRAINAGE DISTRICT
GENERAL FUND
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
Last Five Fiscal Years

TSI-7a

Page 1 of 2

	Amounts				
	2025	2024	2023	2022	2021
Revenues:					
Property taxes	\$ 11,682,264	\$ 11,544,878	\$ 10,259,666	\$ 9,471,620	\$ 9,603,259
Earnings on investments	295,817	594,535	875,402	150,809	15,459
Impact fees	-	-	-	-	-
Intergovernmental revenues	5,628,265	46,533	1,709,827	1,948,480	25,497,426
Miscellaneous	43,423	46,125	163,648	155,965	182,515
Total Revenues	17,649,769	12,232,071	13,008,543	11,726,874	35,298,659
Expenditures:					
Current operating:					
Flood control-maintenance	10,698,736	10,227,013	12,858,508	9,408,045	8,172,128
Capital outlay	3,861,426	3,058,586	-	1,948,480	25,512,006
Total Expenditures	14,560,162	13,285,599	12,858,508	11,356,525	33,684,134
Excess (Deficiency) Revenues Over (Under) Expenditures	\$ 3,089,607	\$ (1,053,528)	\$ 150,035	\$ 370,349	\$ 1,614,525

NOTE 1: The District does not have active retail water or wastewater connections.

FORT BEND COUNTY DRAINAGE DISTRICT
GENERAL FUND
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
Last Five Fiscal Years

TSI-7a

Page 2 of 2

	Percent of Total Fund Revenues				
	2025	2024	2023	2022	2021
Revenues:					
Property taxes	66%	94%	79%	81%	27%
Earnings on investments	2%	5%	7%	1%	0%
Impact fees					
Intergovernmental revenues	32%	0%	13%	17%	72%
Miscellaneous	0%	0%	1%	1%	1%
Total Revenues	100%	100%	100%	100%	100%
Expenditures:					
Current operating:					
Flood control-maintenance	61%	84%	99%	80%	23%
Capital outlay	22%	25%		17%	72%
Total Expenditures	82%	109%	99%	97%	95%
Excess (Deficiency) Revenues Over (Under) Expenditures	18%	-9%	1%	3%	5%

NOTE 1: The District does not have active retail water or wastewater connections.

FORT BEND COUNTY DRAINAGE DISTRICT
DEBT SERVICE FUND
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
Last Five Fiscal Years

TSI-7b

Page 1 of 2

	Amounts				
	2025	2024	2023	2022	2021
Revenues:					
Property taxes	\$ -	\$ 1,710,352	\$ 1,884,908	\$ 1,979,585	\$ 3,199,733
Earnings on investments	162,755	258,610	215,477	32,719	4,197
Miscellaneous	-	27,744	-	-	-
Total Revenues	162,755	1,996,706	2,100,385	2,012,304	3,203,930
Expenditures:					
Principal	1,010,000	960,000	915,000	875,000	-
Interest and fiscal charges	819,500	870,250	916,325	952,325	667,078
Total Expenditures	1,829,500	1,830,250	1,831,325	1,827,325	667,078
Excess (Deficiency) Revenues Over (Under) Expenditures	\$ (1,666,745)	\$ 166,456	\$ 269,060	\$ 184,979	\$ 2,536,852

NOTE 1: The District does not have active retail water or wastewater connections.

NOTE 2: Prior to fiscal year 2020, the District did not have any debt outstanding nor did the District levy debt service taxes.

FORT BEND COUNTY DRAINAGE DISTRICT
DEBT SERVICE FUND
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
Last Five Fiscal Years

TSI-7b

Page 2 of 2

	Percent of Total Fund Revenues				
	2025	2024	2023	2022	2021
Revenues:					
Property taxes		86%	90%	98%	100%
Earnings on investments	100%	13%	10%	2%	0%
Miscellaneous		1%			
Total Revenues	100%	100%	100%	100%	100%
Expenditures:					
Principal	621%	48%	44%	43%	
Interest and fiscal charges	504%	44%	44%	47%	21%
Total Expenditures	1124%	92%	87%	91%	21%
Excess (Deficiency) Revenues Over (Under) Expenditures	-1024%	8%	13%	9%	79%

NOTE 1: The District does not have active retail water or wastewater connections.

NOTE 2: Prior to fiscal year 2020, the District did not have any debt outstanding nor did the District levy debt service taxes.

FORT BEND COUNTY DRAINAGE DISTRICT
BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
For the Year Ended September 30, 2025

TSI-8

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

<u>Names:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid * 09/30/25</u>	<u>Expense Reimburse- ments 09/30/25</u>	<u>Title at Year-end</u>
<u>Board Members:</u>				
Kyle George	(Elected) 1/23-12/26	\$ 2,400	\$ -	Chairman
Vincent Morales	(Elected) 1/25 - 12/28	2,400	-	Board Member
Grady Prestage	(Elected) 1/23-12/26	2,400	-	Board Member
Andy Meyers	(Elected) 1/25 - 12/28	2,400	-	Board Member
Dexter McCoy	(Elected) 1/23-12/26	2,400	-	Board Member
<u>Key Administrative Personnel:</u>				
	1/1/07	\$ 213,786	1,387	Drainage District Manager/ Chief Engineer
<u>Consultants:</u>				
Halff Associates Inc.		\$ 5,400		Engineering Consultant
Freese & Nichols, Inc.		57,700		Engineering Consultant
Whitley Penn, L.L.P.		13,525		Independent Auditor
Costello, Inc		48,819		Engineering Consultant
Huitt Zollars, Inc.		31,680		Engineering Consultant
IGET Services, LLC		23,633		Engineering Consultant
Wetland Technologies		47,000		Engineering Consultant

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

**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***

Independent Auditor's Report

Board of Directors
Fort Bend County Drainage District
Fort Bend 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 (*Government Auditing Standards*), the financial statements of the governmental activities and each major fund of the Fort Bend County Drainage District (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 23, 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-001, that we consider to be a material weakness.

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*.

The District's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Forvis Mazars, LLP

**Houston, Texas
March 23, 2026**

**Fort Bend County Drainage District
 Schedule of Findings and Responses
 Year Ended September 30, 2025**

Reference Number	Finding
2025-001	<p>Criteria: Management is responsible for maintaining effective internal control over financial reporting and for preparing financial statements in accordance with generally accepted accounting principles (GAAP). This includes ensuring that intergovernmental receivables and intergovernmental revenue are recorded accurately and updated timely for known changes in grant awards, including reductions communicated by the grantor, and that year-end balances are supported by appropriate reconciliations to grant documentation and confirmations/award notices.</p> <p>Condition: The District's intergovernmental revenue and related receivables were overstated by approximately \$487 thousand as of year-end. An audit adjustment was proposed and recorded by management to correct the revenue and receivable balances.</p> <p>Cause: In September 2025, the grantor reduced the District's grant award by approximately \$487 thousand; however, the District did not have a process to ensure grant award modifications were communicated, reviewed, and reflected in the general ledger and financial statements prior to year-end. As a result, the receivable and revenue were not adjusted for the reduction.</p> <p>Effect or potential effect: If not corrected, this overstatement would have resulted in a misstatement of the District's financial statements, including an overstatement of receivables, intergovernmental revenues, and net position at year-end. Management recorded the audit adjustment to correct the misstatement.</p> <p>Recommendation: We recommend the District implement and document controls to ensure intergovernmental grant activity is recorded completely and accurately, including:</p> <ol style="list-style-type: none"> 1. Monitoring grant award notices/modifications throughout the year and promptly communicating changes to finance personnel responsible for recording revenue and receivables; 2. Performing a periodic (at least quarterly and at year-end) reconciliation of intergovernmental receivables and revenues to grantor documentation (award letters, amendments, reimbursement requests, and/or grantor confirmations); and 3. Requiring supervisory review of the reconciliation and any related journal entries before the financial statements are finalized. <p>Views of responsible officials and planned corrective actions: Management agrees with the finding. See separate report for planned corrective actions.</p>



COUNTY AUDITOR

Fort Bend County, Texas

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County Auditor

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FORT BEND COUNTY DRAINAGE DISTRICT

Corrective Action Plan

Finding Number

Finding and Corrective Action Plan

2025-001

Intergovernmental Receivables

Status:

In progress.

Corrective Action:

Disaster-related grants that are federally funded will have formal receivable balance confirmation communications sent to both the internal staff that manage those grants as well as external consultants engaged to assist with the projects on a semi-annual basis. Those confirmation communication responses will be used to book adjusting entries at year end, if needed, to ensure balances in deferred revenues, revenues, and accounts receivable are correct.

Anticipated
Completion:

June 30, 2026

Responsible Contact
Person:

Yvonne Mager