BRAZOS VALLEY GROUNDWATER

CONSERVATION DISTRICT

Financial Statements

with

Independent Auditor's Report

For the Year Ended December 31, 2025

Draft

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Brazos Valley Groundwater Conservation District

Opinion

We have audited the financial statements of the business-type activities of the Brazos Valley Groundwater Conservation District (the "District"), as of and for the year ended December 31, 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 present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2025, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Brazos Valley Groundwater Conservation 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement issuance date, including any currently known information that may raise substantial doubt shortly thereafter.

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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 opinion. 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 GAS 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 GAS, 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 Brazos Valley Groundwater Conservation 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 Brazos Valley Groundwater Conservation 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 and pension schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the

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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.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Brazos Valley Groundwater Conservation District's basic financial statements. The Schedule of Revenues, Expenses, and Changes in Net Position Budget and Actual is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues, Expenses, and Changes in Net Position Budget and Actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenses, and Changes in Net Position Budget and Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2026 on our consideration of the District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Brazos Valley Groundwater Conservation District's internal control over financial reporting and compliance.

Brenham, Texas
July 15, 2026

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Brazos Valley Groundwater Conservation District

112 West 3rd Street * Hearne, TX 77859 * Office: (979) 279 - 9350

Management's Discussion and Analysis for the Year Ended December 31, 2025

Governmental Accounting Standards Board Statement 34 requires that management of the District present an analysis and discussion of the attached financial statements and of the financial activities of the District.

Management will attempt to give a brief overview of the finances of the District.

Financial Highlights

- Total operating revenues for the 2025 fiscal year totaled $1,332,336.
- Total operating expenses for the 2025 fiscal year totaled $1,612,872 for a net operating loss of $280,536.
- Non-operating revenues totaled $37,040.
- The District's assets total $1,443,343 as of December 31, 2025.
- The District's net position as of December 31, 2025, is $1,079,675.
- The District liabilities total $406,432 as of December 31, 2025.

Overview of the Financial Statements

The District operates as a utility enterprise and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. The basic financial statements are comprised of the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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Condensed Financial Analysis

	2025	2024
Current assets	$ 982,446	$ 1,132,898
Non-current assets	127,949	105,030
Capital assets	332,948	355,565
Total Assets	1,443,343	1,593,493
Deferred Outflows of Resources	53,525	66,174
Current Liabilities	395,543	313,589
Noncurrent Liabilities	10,889	14,272
Total Liabilities	406,432	327,861
Deferred Inflows of Resources	10,761	8,634
Net investment in capital assets	318,676	338,074
Unrestricted	760,999	985,097
Total Net Position	$ 1,079,675	$ 1,323,171

	Year Ended December 31, 2025	Year Ended December 31, 2024
Operating revenues		
Assessments	$ 1,321,186	$ 791,604
Fees and permits	6,700	12,300
Other revenue	4,450	6,163
Total operating revenue	1,332,336	810,067
Expenses		
Professional fees	951,132	473,677
Personnel	431,019	395,415
Grant programs	69,329	220,051
Other	160,591	150,190
Interest expense	801	74
Total operating expenses	1,612,872	1,239,407
Operating Income (loss)	(280,536)	(429,340)
Non-operating revenues (expenses)		
Interest earned	37,040	51,495
Gain on sale of capital assets	-	3,300
Total non-operating revenues (expenses)	37,040	54,795
Change in Net Position	$ (243,496)	$ (374,545)

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FINANCIAL ANALYSIS

Total assets decreased from 2024 to 2025 by $150,150 primarily due to a net operating loss.

Total liabilities increased from 2024 to 2025 by $78,571 primarily due to an increase in accounts payable.

Operating revenues increased by $522,269 from 2024 to 2025 due to an increase in the assessment rates.

Operating expenses increased by $373,465 from 2024 to 2025. Legal fees were higher in 2025 compared to 2024 due to ongoing litigation. This increase was offset by a decrease in grant expenses of $150,722.

CAPITAL ASSETS

The District owns capital assets in the form of land, buildings, equipment, and vehicles. In 2025, capital assets have a value after depreciation of $332,948. In 2024, capital assets had a value after depreciation of $355,565.

In 2025, the District had the following significant capital asset purchases:

- Office remodel construction in progress $4,824

DEBT

The District's outstanding debt at December 31, 2025 is related to the lease of equipment. The District owes $14,272, of which $3,383 is due in the next fiscal year.

ECONOMIC FACTORS

The District benefits from sound financial planning on the part of the Board of Directors to assure the operating budget and fund balance are sufficient to fulfill the obligation of successful groundwater management.

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Brazos Valley Groundwater Conservation District

Statement of Net Position

December 31, 2025

ASSETS	
Current assets:	
Cash and cash equivalents	$ 71,901
Certificates of deposit	859,470
Accounts receivable	38,536
Interest receivable	4,712
Prepaid expenses	7,827
Total current assets	982,446
Noncurrent assets:	
Capital and right-to-use assets	
Non-depreciable	95,733
Depreciable, net of depreciation and amortization	237,215
Restricted cash - Well assistance fund	41,845
Net Pension Asset	86,104
Total Assets	1,443,343
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pension	53,525
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	147,940
Other payable	200,000
Deposits	44,220
Lease liability, current	3,383
Total current liabilities	395,543
Noncurrent liabilities:	
Lease liability, long-term	10,889
Total Liabilities	406,432
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pension	10,761
NET POSITION	
Net investment in capital assets	318,676
Unrestricted	760,999
Total net position	$ 1,079,675

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The notes to the financial statements are an integral part of this statement.

Brazos Valley Groundwater Conservation District
Statement of Revenues, Expenses, and
Changes in Net Position
For the Year Ended December 31, 2025

Operating revenues:	
Assessments	$ 1,321,186
Fees and permits	6,700
Other revenue	4,450
Total revenues	1,332,336
Operating expenses:	
Office supplies	23,222
Public education	42,038
Professional fees	951,132
Personnel	431,019
Miscellaneous	67,890
Grant programs	69,329
Interest expense	801
Depreciation and amortization	27,441
Total operating expenses	1,612,872
Operating income (loss)	(280,536)
Non-operating revenues (expenses):	
Interest earned	37,040
Total non-operating income	37,040
Change in net position	(243,496)
Net position:	
Beginning balance	1,323,171
End of the year	$ 1,079,675

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The notes to the financial statements are an integral part of this statement.

Brazos Valley Groundwater Conservation District
Statement of Cash Flows
For the Year Ended December 31, 2025

Cash flows from operating activities:	
Cash received from customers	$ 1,311,560
Cash payments to suppliers for goods and services	(1,068,523)
Cash payments to employees	(445,028)
Net cash provided by (used in) operating activities	(201,991)
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(4,824)
Principal paid on capital and related leases	(3,219)
Net cash provided by (used in) capital and related financing activities	(8,043)
Cash flows from investing activities:	
Interest on cash and investments	41,287
(Increase) decrease in certificates of deposits, net	(40,574)
Net cash provided by (used in) investing activities	713
Net increase (decrease) in cash	(209,321)
Cash and cash equivalents, beginning of year	323,067
Cash and cash equivalents, end of year	$ 113,746
Reconciliation of cash and equivalents:	
Unrestricted cash and cash equivalents	$ 71,901
Restricted cash and cash equivalents	41,845
Total cash and cash equivalents	$ 113,746
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	$ (280,536)
Adjustments to reconcile to net cash provided by operating activities:	
Depreciation and amortization	27,441
Increase (decrease) in cash resulting from changes in assets and liabilities:	
Accounts receivable	(20,776)
Prepaids	4,099
Net pension asset	(28,785)
Deferred outflows related to pensions	12,649
Accounts payable and accrued expenses	81,790
Deferred inflows related to pensions	2,127
Net cash provided by (used in) operating activities	$ (201,991)
Supplemental cash flow information:	
Interest paid	$ 801

The notes to the financial statements are an integral part of this statement.

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1. Summary of significant accounting policies

The basic financial statements of the Brazos Valley Groundwater Conservation District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Organization

The Brazos Valley Groundwater Conservation District ("the District") was created by an Act of May 28, 1999, 76th Leg., R.S., ch. 1331, Sec 1(a)(2), 1999 Tex. Gen. Laws 4536 (SB 1911) as a political subdivision. The District's creation was ratified by H.B. 1784 during the 77th Legislature in its Regular Session on September 1, 2001 and effective upon its confirmation election held November 5, 2002. Its boundaries are coextensive with the boundaries of Robertson and Brazos Counties. It was created to accomplish the purposes of Section 59, Article XVI, Texas Constitution, and operating pursuant to the provisions of the Texas Water Code, Chapter 36, relating to water conservation and development of natural resources for public use and benefit. The basic operations of the District are financed from water use fees assessed to water producers. The District is governed by an eight member board comprised of four members from Brazos County and four members from Robertson County. The Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Reporting Standards, since Board members are appointed by the respective County Commissioners' Courts, have decision making authority, the power to designate management and the responsibility to significantly influence operations and primary accountability for fiscal matters.

Reporting Entity

The basic financial statements of the District include all funds and operations which are controlled by or dependent upon the District, and include no component units. The District Board's responsibility is to appoint management, set budgets for the District and oversee operations included in these financial statements. The District does not have taxing authority.

Basis of Accounting and Financial Statement Presentation

The District utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual. Operating revenues consist primarily of water assessment fees and grant revenue. Operating expenses primarily consist of professional fees and payroll expenses. Revenues and expenses that are not directly related to core operations are reported as non-operating revenues and expenses.

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1. Summary of significant accounting policies - continued

Cash and cash equivalents

Cash and cash equivalents consist of demand and time deposits with financial institutions and are carried at cost. For purposes of the statement of cash flows, time deposits with an original maturity of three months or less when acquired are considered to be cash equivalents.

Capital assets

Capital assets are recorded at historical cost. Depreciation is computed using the straight-line method over useful lives of five to forty years.

Compensated absences

A liability is recorded for leave that is earned, accumulates, and is more likely than not to be used or otherwise paid or settled. While sick leave accumulates, the District presumes that current year leave is used before amounts accumulated in the prior year and the District's historical usage patterns show that employees use current-year sick leave. Because sick leave is not more likely than not to be used or paid/settled in future periods, no leave liability is recognized.

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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Position

Net position is divided into three components:

Invested in capital assets – this component consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – this component consists of external constraints imposed on net position by creditors, grantors, or laws or regulations of other governments or through constitutional provisions or enabling legislation.

Unrestricted – this component consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

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1. Summary of significant accounting policies - continued

Concentrations

The District's primary source of revenue is from groundwater charges levied to entities and individuals who extract water from the groundwater basin underlying the District. The amount of rainfall in the area can have a significant effect on the amount of water extracted. During the year ended December 31, 2025, assessment fees from three entities totaled approximately $1,007,000 or approximately 76% of operating revenue.

Assessments

The District is allowed by the Texas Legislature to assess fees to water producers. In 2025, the District transitioned from a usage based billing to an assessment based on permit production. A portion of the current year assessment was based on water usage in 2024, and an additional amount was assessed based on the permit. In future years, the assessed fees will be based on permitted production only.

In 2026, Municipal/ Public/ RPWSAII and other non-exempt producers will be assessed an annual fee of $0.04373/1,000 gallons permitted. Agricultural use production will be billed an annual fee of $0.21/acre foot permitted production. Steam Electric Generation will be billed an annual fee of $0.35/acre foot permitted. Each participant may pay its assessment monthly.

The District charges a transport fee of $0.17/1,000 gallons authorized on tier 1 and $0.21218/1,000 gallons on transported metered production on tier 2.

Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees and natural disasters. During the year ended December 31, 2025, the District purchased coverage with the Texas Municipal League Intergovernmental Risk Pool to cover property and general liabilities. In addition, the District purchased commercial insurance to cover commercial crime coverage and public official bonds. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage.

Pensions

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

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1. Summary of significant accounting policies - continued

Leases

Right-to-use assets and lease obligations are recognized upon lease commencement based on the present value of lease payments expected to be made during the remaining lease term. The incremental borrowing rate is used in determining the present value of lease payments unless an implicit rate is provided in the lease. Subsequent amortization of the right to-use asset is recognized as lease expense on a straight-line basis over the lease term, and accretion of the lease liability is recognized as interest expense using the effective interest method.

Right-to-use assets and lease liabilities are not recognized for leases with an initial term of twelve months or less. For these leases, lease expense is recognized on a straight-line basis over the lease term.

Subscription-Based Information Technology Arrangements

Right-to-use assets and subscription liability are recognized upon commencement of the subscription term. The incremental borrowing rate is used in determining the present value of subscription payments unless an implicit rate is provided in the subscription term. Amortization of the subscription asset is recognized as an outflow of resources over the subscription term.

2. Cash and deposits with financial institutions

Custodial credit risk is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be returned to it. The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. Of the District's bank balances of $974,411, $364,941 was covered by FDIC insurance at two institutions and $609,470 was collateralized with securities held by the pledging financial institutions.

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3. Capital assets

Capital asset activity for the year ended December 31, 2025 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable:				
Land	$ 90,909	$ -	$ -	$ 90,909
Construction in progress	-	4,824	-	4,824
Depreciable:				
Computer equipment	4,586	-	-	4,586
Field equipment	15,282	-	-	15,282
Office building	212,767	-	-	212,767
Office equipment	32,199	-	-	32,199
Vehicles	121,305	-	-	121,305
Total depreciable	386,139	-	-	386,139
Total at historical cost	477,048	4,824	-	481,872
Less accumulated depreciation:				
Computer equipment	4,586	-	-	4,586
Field equipment	15,282	-	-	15,282
Office building	57,137	5,635	-	62,772
Office equipment	17,281	4,454	-	21,735
Vehicles	44,653	13,802	-	58,455
Total accumulated depreciation	138,939	23,891	-	162,830
Total depreciable, net	338,109	(19,067)	-	319,042
Lease right-to-use assets				
Copier	17,752	-	-	17,752
Total lease right-to-use assets	17,752	-	-	17,752
Less accumulated amortization for:				
Copier	296	3,550	-	3,846
Total accumulated amortization	296	3,550	-	3,846
Lease right-to-use assets, net	17,456	(3,550)	-	13,906
Total capital assets, net	$ 355,565	$ (22,617)	$ -	$ 332,948

Depreciation and amortization expense totaled $27,441 for the year ending December 31, 2025.

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4. Leases

The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term and (3) lease payments.

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and any purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a re-measurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Leased assets are reported on Statement of Net Position and lease liabilities are reported as current and long-term liabilities on the Statement of Net Position.

The future principal and interest payments as of December 31, 2025 were as follows:

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2026	$ 3,383	$ 637	$ 4,020
2027	3,556	464	4,020
2028	3,738	282	4,020
2029	3,595	90	3,685
	$ 14,272	$ 1,473	$ 15,745

During the year ended December 31, 2025, the following changes occurred in the long-term liabilities:

	Beginning Balance	Increases/ (Decreases)	Ending Balance	Due Within One- Year
Lease liability	$ 17,491	$ (3,219)	$ 14,272	$ 3,383
	$ 17,491	$ (3,219)	$ 14,272	$ 3,383

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5. Retirement Plan

Plan description

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional, defined benefit plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of non-traditional defined benefit plans. TCDRS in the aggregate issues an Annual Comprehensive Financial Report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 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 8 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.

Funding Policy

The employer has elected the annually determined contribution rate 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. The rate was 13.81% for the calendar year 2025. The deposit 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 may be changed by the governing body of the employer within the options available in the TCDRS Act.

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5. Retirement Plan - continued

Employees covered by benefit terms

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

Active employees	3
Inactive employees entitled to but not yet receiving benefits	2

Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Position Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

	December 31, 2023	December 31, 2024
Discount rate	7.60%	7.60%
Long-term expected rate of return, net of investment expense	7.60%	7.60%

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

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 assumption 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 time horizon.

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5. Retirement Plan - continued

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return
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) Index	6.00%	4.75%
Int'l Equities-Emerging Markets	MCSI 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 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	4.00%	6.80%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Glbal 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	HFR, Inc. Fund of Funds Composite Index	6.00%	3.60%
Cash Equivalents	90-Day U. S. Treasury	2.00%	1.10%
		100.00%	

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances as of December 31, 2023	$ 695,338	$ 752,658	$ (57,320)
Changes for the year:			
Service cost	50,708	-	50,708
Interest on total pension liability	56,700	-	56,700
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	1,993	-	1,993
Effect of assumptions changes or inputs	-	-	-
Administrative expenses	-	(485)	485
Member contributions	-	18,797	(18,797)
Net investment income	-	77,936	(77,936)
Employer contributions	-	38,557	(38,557)
Other	-	3,380	(3,380)
Net changes	109,401	138,185	(28,784)
Balances as of December 31, 2024	$ 804,739	$ 890,843	$ (86,104)

Draft

5. Retirement Plan - continued

Sensitivity of the net pension asset to changes in the discount rate

The following presents the pension asset of the District, calculated using the discount rate of 7.6%, as well as what the District's pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.6%) or 1-percentage-point higher (8.6%) than the current rate:

	1% Decrease Discount Rate (6.60%)	Current Discount Rate Discount Rate (7.60%)	1% Increase Discount Rate (8.60%)
Total pension liability	$ 899,638	$ 804,739	$ 723,250
Fiduciary net position	890,843	890,843	890,843
Net pension liability (asset)	$ 8,795	$ (86,104)	$ (167,593)

Related to Pensions

For the year ended December 31, 2025, the District recognized pension expense of $26,126.

At December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred inflows of Resources	Deferred outflows of Resources
Defferences between expected and actual experience	$ 4,832	$ 5,968
Changes of assumptions	1,137	7,423
Net difference between projected and actual earnings	4,792	-
Contributions made subsequent to measurement date	-	40,134
	$ 10,761	$ 53,525

Contributions of $40,134 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Plan year ended December 31:	
2025	$ (567)
2026	13,191
2027	(8,131)
2028	(2,725)
2029	862
	$ 2,630

Draft

6. Contingent Liabilities

The District is subject to claims and lawsuits which arise primarily in the ordinary course of business. The District is a defendant in litigation involving a challenge to certain District groundwater pumping regulations. The plaintiff seeks injunctive and declaratory relief that would require the District to modify its groundwater pumping restrictions and permit increased groundwater production within the District. The plaintiff has also asserted a claim for recovery of attorneys' fees and related costs in the event the plaintiff prevails. The District is vigorously defending the litigation and is currently pursuing dismissal through summary judgment proceedings. At the date of these financial statements, management is unable to evaluate the likelihood of an unfavorable or favorable outcome or estimate the amount or range of potential loss, if any. Accordingly, no liability has been recorded in the accompanying financial statements related to this matter.

7. Well Assistance Agreement

Effective October 20, 2022, the District signed a Water Well Assistance Agreement ("agreement") with a private land owner ("permittee"), whereby the permittee can produce groundwater in accordance with existing production permits and to deliver water (under future transport permits) from Robertson County, Texas, to customers to meet their significant water supply demands. The agreement was designed to facilitate early, proactive, and voluntary mitigation measures, conducted by the District, to support community relations effected by the decrease in water levels of the groundwater supply. The District received $200,000 in advance funding and began phase one during 2023.

The grant agreement contained a provision stating that in the event the District took action to revise its fee schedule to be based on permitted production and transport amounts rather than actual production and transported amounts, the previously awarded funding would be applied as a credit toward future amounts otherwise payable by the permittee. During 2024, the District made changes to the schedule, thereby triggering the provision. As the full amount received will have to be returned to the permittee as credits against future amounts due, the District has reported the $200,000 as an other payable.

8. Commitment

In October 2025, the District entered into an agreement for a social economic impact study not to exceed $200,000. As of December 31, 2025, $25,820 of the study has been paid.

9. Subsequent events

Management has evaluated subsequent events through July 15, 2026, the date the financial statements were available to be issued. No additional disclosures or modifications were deemed necessary.

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Required Supplementary Information

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Brazos Valley Groundwater Conservation District
Required Supplementary Information
December 31, 2025
Schedule of Changes in Net Pension Liability And Related Ratios
Last 10 years
(unaudited)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service Cost	$ 50,709	$ 46,497	$ 44,941	$ 44,701	$ 41,624	$ 38,932	$ 43,081	$ 35,547	$ 30,456	$ 33,086
Interest on total pension liability	56,700	48,852	42,061	36,083	30,349	24,899	20,726	15,398	10,218	8,598
Effect of plan changes	-	-	-	-	-	-	-	-	-	(2,329)
Effect of assumption changes or inputs	-	-	-	(2,649)	23,953	-	-	1,918	-	1,595
Effect of economic/demographic (gains) or losses	1,993	3,691	798	284	1,103	751	(8,130)	5,370	2,664	(16,525)
Benefit payments/refunds of contributions	-	-	-	-	-	-	-	-	-	(6,862)
Net change in total pension liability	109,402	99,040	87,801	78,419	97,029	64,583	55,676	58,234	43,338	17,564
Total pension liability - beginning	695,338	596,298	508,497	430,078	333,049	268,466	212,790	154,556	111,218	93,654
Total pension liability - ending (a)	$ 804,740	$ 695,338	$ 596,298	$ 508,497	$ 430,078	$ 333,049	$ 268,466	$ 212,790	$ 154,556	$ 111,218
Plan Fiduciary Net Position										
Contributions - employer	$ 38,557	$ 38,028	$ 32,702	$ 51,972	$ 27,987	$ 25,732	$ 30,133	$ 26,414	$ 22,201	$ 36,481
Contributions - employee	18,797	17,819	16,386	15,804	15,876	14,789	13,311	15,226	11,836	11,806
Net investment income	77,936	69,233	(39,866)	103,487	36,673	44,036	(3,755)	24,221	8,746	(3,013)
Benefit payments, including refunds of employee contributions	-	-	-	-	-	-	-	-	-	(6,862)
Administrative expense	(485)	(393)	(366)	(329)	(319)	(270)	(216)	(151)	(95)	(71)
Other	3,380	3,046	7,420	2,040	1,333	1,437	1,317	557	4,143	(8)
Net change in plan fiduciary net position	138,185	127,733	16,275	172,974	81,550	85,724	40,790	66,266	46,831	38,333
Plan fiduciary net position - beginning	752,658	624,925	608,650	435,676	354,125	268,402	227,612	161,346	114,515	76,182
Plan fiduciary net position - ending (b)	890,843	752,658	624,925	608,650	435,676	354,125	268,402	227,612	161,346	114,515
Net pension liability (asset) - ending (a) - (b)	$ (86,103)	$ (57,320)	$ (28,627)	$ (100,153)	$ (5,598)	$ (21,077)	$ 64	$ (14,822)	$ (6,790)	$ (3,297)
Plan fiduciary net position as a percentage of total pension liability	110.70%	108.24%	104.80%	119.70%	101.30%	106.33%	99.98%	106.97%	104.39%	102.96%
Covered employee payroll	$ 268,527	$ 254,561	$ 234,086	$ 225,766	$ 226,800	$ 211,268	$ 190,154	$ 217,508	$ 169,087	$ 166,664
Net pension liability as a percentage of covered employee payroll	-32.06%	-22.52%	-12.23%	-44.36%	-2.47%	-9.98%	0.03%	-6.81%	-4.02%	-1.98%

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Brazos Valley Groundwater Conservation District
Required Supplementary Information
December 31, 2025

Schedule of Contributions
Last 10 Fiscal Years
(unaudited)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution	$ 40,105	$ 37,110	$ 35,028	$ 32,702	$ 27,972	$ 27,987	$ 25,732	$ 22,990	$ 26,414	$ 22,201
Contributions in relation to the actuarially determined contributions	$ 40,134	$ 38,557	$ 38,028	$ 32,702	$ 51,972	$ 27,987	$ 25,732	$ 30,133	$ 26,414	$ 22,201
Contribution deficiency (excess)	(29)	(1,447)	(3,000)	-	(24,000)	-	-	(7,143)	-	-
Covered employee payroll	$ 290,407	$ 268,527	$ 254,561	$ 234,086	$ 225,766	$ 226,800	$ 211,268	$ 190,154	$ 217,508	$ 169,087
Contributions as a percentage of covered employee payroll	13.8%	14.4%	14.9%	14.0%	23.0%	12.3%	12.2%	15.8%	12.1%	13.1%

Notes to Schedule of Contributions

Valuation Date:	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial cost method	Entry Age (level percentage of pay)
Amortization method	Level percentage of payroll, closed
Remaining amortization period	0.0 years (based on contribution rate calculated in 12/31/2024 valuation)
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	Varies by age and service. 4.7% average over career including inflation.
Investment rate of return	7.50%, net of administrative and investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2015: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in plan provisions reflected in the schedule of employer contributions	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule. 2022: No changes in plan provisions were reflected in the Schedule. 2023: No changes in plan provisions were reflected in the Schedule. 2024: No changes in plan provisions were reflected in the Schedule.

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Other Supplementary Information

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Brazos Valley Groundwater Conservation District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
For the Year Ended December 31, 2025

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenue:				
Assessments	$ 783,748	$ 783,748	$ 1,321,186	$ 537,438
Fees and permits	-	-	6,700	6,700
Other revenues	-	-	4,450	4,450
Total revenues	783,748	783,748	1,332,336	548,588
Expenditures:				
Current:				
Office supplies	28,700	28,700	23,222	(5,478)
Public education	53,100	53,100	42,038	(11,062)
Professional fees	478,000	1,013,000	951,132	(61,868)
Personnel	528,291	528,291	431,019	(97,272)
Miscellaneous	52,500	74,500	67,890	(6,610)
Grant programs	89,000	89,000	69,329	(19,671)
Interest expense	-	-	801	801
Depreciation and amortization	30,000	30,000	27,441	(2,559)
Total expenditures	1,259,591	1,816,591	1,612,872	(203,719)
Operating income (loss)	(475,843)	(1,032,843)	(280,536)	752,307
Non-operating revenues (expenses):				
Interest earned	-	-	37,040	37,040
Total non-operating income	-	-	37,040	37,040
Change in net position	(475,843)	(1,032,843)	(243,496)	789,347
Beginning net position	1,323,171	1,323,171	1,323,171	-
Ending fund balance	$ 847,328	$ 290,328	$ 1,079,675	$ 789,347

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Brazos Valley Groundwater Conservation District

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 business-type activities of Brazos Valley Groundwater Conservation District (the "District") as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Brazos Valley Groundwater Conservation District's basic financial statements, and have issued our report thereon dated July 15, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Brazos Valley Groundwater Conservation 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 Brazos Valley Groundwater Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Brazos Valley Groundwater Conservation 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 Brazos Valley Groundwater Conservation District'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.

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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 certain 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 Brazos Valley Groundwater Conservation 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*.

District's Response to Findings

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 auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brenham, Texas
July 15, 2026

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Brazos Valley Groundwater Conservation District
Schedule of Findings and Responses
December 31, 2025

2025-001 Segregation of Duties

Condition: The District's office manager performs all accounting functions. In this role, she prepares invoices, makes and records deposits, transfers cash in bank accounts, enters payroll, prepares checks, initiates online payments, posts transactions to the general ledger, and reconciles the bank accounts. As offsetting controls, the office manager does not have signature authority and the General Manager reviews all bank reconciliations, bank statements, and check images. In addition, all disbursements are reviewed by the Board of Directors and the General Manager.

Criteria: To properly segregate duties, the functions of initiating, recording and reconciling transactions are performed by different individuals.

Cause: Due to limited staffing, duties are not fully segregated.

Effect: Due to the limited segregation of duties, transactions could be recorded inaccurately and not be detected by the internal controls of the District.

Recommendation: We recommend that the District continue to practice the offsetting controls.

Response: The District will continue to practice the offsetting controls.

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July 15, 2026

To the Board of Directors
Brazos Valley Groundwater Conservation District

We have audited the financial statements of the Brazos Valley Groundwater Conservation District as of and for the year ended December 31, 2025, and have issued our report thereon dated July 15, 2026. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated October 14, 2025, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of the system of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the system of internal control of the Brazos Valley Groundwater Conservation District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding material weaknesses over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated July 15, 2026.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

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Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

Significant Changes to Planned Audit Strategy or Significant Risks Initially Identified

There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated as part of our audit planning communications.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Brazos Valley Groundwater Conservation District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant account policies or their application during 2025. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

> Management's estimated depreciation of property and equipment was determined using the straight-line method and is based on estimates of the useful lives of said assets. We evaluated the key factors and assumptions used to develop the useful life estimates and have determined that they are reasonable in relation to the financial statements taken as a whole.
>
> Management's reported pension balances were determined using actuarial assumptions and other factors. We evaluated the key factors and assumptions used to develop the pension balances and have determined that they are reasonable in relation to the financial statements taken as a whole.
>
> Management's reported lease balances were determined using the incremental borrowing rate and are based on the term of the lease. We evaluated the key factors and assumptions used to develop the lease balances and have determined that they are reasonable in relation to the financial statements taken as a whole.

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Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Brazos Valley Groundwater Conservation District's financial statements relate to its revenue recognition and pension activities.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The attached schedule summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

Change in net position for the year ended December 31,2025	$ (164,854)
Adjustments:	
Cash	(73,553)
Accounts receivable	6,726
Accrued interest receivable	(4,247)
Prepaids	(4,228)
Capital assets	(22,617)
Accounts payable	(15,056)
Other payable	3,219
Accrued liabilities	17,106
Pension	14,008
Net effect of adjustments	(78,642)
Change in net position, as adjusted, for the year ended December 31, 2025	$ (243,496)

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Representations Requested from Management

We have requested certain written representations from management, which are included in a separate letter.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Brazos Valley Groundwater Conservation District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Brazos Valley Groundwater Conservation District's auditors.

Very truly yours,
Seidel Schroeder

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Brazos Valley Groundwater Conservation District
Schedule of Unadjusted Audit Differences
December 31, 2025

Description of Audit Difference	Total Assets	Total Defered Outflows	Total Liabilities	Total Deferred Inflows	Net Position	Change in Net Position
ENTERPRISE FUND						
Prior year unrecorded adjustments affecting the current year	$ -	$ -	$ -	$ -	$ 2,901	$ (2,901)
Total unadjusted audit differences	$ -	$ -	$ -	$ -	$ 2,901	$ (2,901)
Financial statement caption totals	$ 1,443,343	$ 53,525	$ 406,432	$ 10,761	$ 1,079,675	$ (243,496)
Net audit differences as a percentage of financial statement caption totals	0.00%	0.00%	0.00%	0.00%	0.27%	1.19%

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July 15, 2026

Mr. Alan Day
Brazos Valley Groundwater Conservation District
112 W 3rd St.
Hearne, TX 77859

Dear Mr. Day:

In planning and performing our audit of the financial statements of Brazos Valley Groundwater Conservation District for the year ended December 31, 2025, we considered its internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

During our audit we became aware of the following matters that are opportunities for strengthening internal control and operating efficiencies:

There are many deposits in transit and outstanding items on the District's checking account bank reconciliation that net to zero but should be marked as cleared. We recommend that these reconciling items be reviewed and cleared.

There was a difference on covered pay from the 2024 TCDRS Census data report and the wages reported on the W2 of two employees. The difference is between the two employees, but impacts the actuarial assumptions made by TCDRS. We recommend that management strengthen internal controls over TCDRS reporting by requiring an annual reconciliation of reportable compensation to payroll records and W-2 information. Any differences should be identified, supported, and reviewed prior to submission to ensure employee compensation is reported accurately in accordance with TCDRS requirements.

This letter does not affect our report dated July 15, 2026 on the December 31, 2025 financial statements of Brazos Valley Groundwater Conservation District.

Sincerely,

SEIDEL SCHROEDER

By: _____
Michele Kohring Kwiatkowski, CPA
Audit Partner

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