BRAZORIA COUNTY
TOLL ROAD AUTHORITY

ANNUAL FINANCIAL REPORT

For The Year Ended
September 30, 2025

KM&L
CERTIFIED PUBLIC ACCOUNTANTS

8 WEST WAY COURT
LAKE JACKSON, TX 77566
(979) 297-4075


BRAZORIA COUNTY
TOLL ROAD AUTHORITY

BRAZORIA COUNTY TOLL ROAD AUTHORITY
Annual Financial Report
For The Year Ended September 30, 2025

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BRAZORIA COUNTY
TOLL ROAD AUTHORITY

FINANCIAL SECTION


BRAZORIA COUNTY
TOLL ROAD AUTHORITY

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Independent Auditor's Report

To the Board of Directors
Brazoria County Toll Road Authority
Brazoria County, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Brazoria County Toll Road Authority (the "Authority"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of September 30, 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 Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

To the Board of Directors
Brazoria County Toll Road Authority
Brazoria County, Texas

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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 Authority'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.

To the Board of Directors
Brazoria County Toll Road Authority
Brazoria County, Texas

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 14 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the other information 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 February 18, 2026, on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

KM&L, LLC

Lake Jackson, Texas
February 18, 2026


BRAZORIA COUNTY
TOLL ROAD AUTHORITY

As management of the Brazoria County Toll Road Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2025.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by $ 46,025,096 (net position). Of this amount, $ 32,025,799 represents unrestricted net position.

- The Authority's total net position increased by $ 6,480,080.

Enterprise Fund Financial Statements

The Authority is a local government corporation and a component unit of Brazoria County (the "County"). It is a single-purpose government with one business-type activity. Because the Authority is a single-purpose government, this report only includes the required Management Discussion and Analysis, the Enterprise Fund financial statements and the notes to the financial statements. The Enterprise Fund financial statements consist of the Statement of Net Position, Statement of Revenues, Expenses and Change in Net Position, and the Statement of Cash Flows.

The enterprise fund financial statements, which can be found on pages 15 through 17 of this report, are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to private-sector businesses.

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 enterprise fund financial statements. The notes to the financial statements can be found on pages 20 through 29 of this report.

Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $ 46,025,096 as of September 30, 2025.

The portion of the Authority's net position of $ 13,922,677 reflects its investments in capital assets (e.g., land, construction in progress, land improvements, furniture, equipment & vehicles, and infrastructure), less any debt used to acquire those assets that is still outstanding. The Authority uses capital assets to provide service to citizens and consequently these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CONDENSED STATEMENTS OF NET POSITION

	2025	2024
Assets:		
Current and other assets	$ 52,880,479	$ 33,617,771
Capital assets	119,462,208	110,242,036
Total assets	172,342,687	143,859,807
Liabilities:		
Current and other liabilities	2,958,362	11,684,814
Long-term liabilities	123,359,229	92,629,977
Total liabilities	126,317,591	104,314,791
Net Position:		
Net investment in capital assets	13,922,677	9,523,351
Restricted	76,620	79,668
Unrestricted	32,025,799	29,941,997
Total net position	$ 46,025,096	$ 39,545,016

As of September 30, 2025, the Authority had restricted net position of $ 76,620, which represents funds held by a trustee for debt service. The remaining balance is unrestricted net position of $ 32,025,799.

STATEMENTS OF CHANGES IN NET POSITION

	2025	2024
Operating Revenues:		
Toll revenue	$ 17,597,457	$ 16,493,945
Total operating revenues	17,597,457	16,493,945
Operating Expenses:		
Services and fees	2,543,974	2,686,932
Repairs and maintenance	390,719	450,044
Utilities	7,683	8,052
Transportation, travel and other admin	303,688	262,999
Depreciation	5,039,242	5,010,066
Total operating expenses	8,285,306	8,418,093
Operating income	9,312,151	8,075,852

(continued)

	2025	2024
Non-operating Revenues (Expenses):		
Investment income	$ 2,605,086	$ 1,614,552
Interest and fiscal charges	(4,779,434)	(3,752,925)
Debt issuance costs	(657,723)	-
Total non-operating revenues (expenses)	(2,832,071)	(2,138,373)
Change in net position	6,480,080	5,937,479
Net position - beginning	39,545,016	33,607,537
Net position - ending	$ 46,025,096	$ 39,545,016

As of September 30, 2025 net position increased by $ 6,480,080. The key elements to the increase in net position were due to the following:

- Toll revenue of $ 17,597,457 due to steady traffic counts year over year, combined with a slight toll rate adjustment in accordance with demand.
- Operating expenses of $ 8,285,306 was a slight decrease over prior year, related to professional services that were utilized by the Authority during the fiscal year.
- Interest and fiscal charges of $ 4,779,434 represent an increase over last year, related to the final repayment on the loan from the primary government and payments related to new bonds issued in the current year. Debt issuance costs of $ 657,723 represent the cost of issuing the Limited Contract Tax Subordinate Lien Toll Road Revenues Bonds, Series 2024. These expenses were offset by a corresponding increase in investment income due to an increase in cash and temporary investments related to the issuance of the Limited Contract Tax Subordinate Lien Toll Road Revenue Fonds, Series 2024 in the current year.

Capital Assets - As of September 30, 2025, the Authority had $ 119,462,208 invested in land, construction in progress, land improvements, furniture, equipment & vehicles, and infrastructure, reflected in the following schedule:

CAPITAL ASSETS
Net of Accumulated Depreciation

	2025	2024
Land	$ 88,425	$ 88,425
Construction in progress	13,926,809	2,001,437
Land improvements	5,644,458	6,670,151
Furniture, equipment & vehicles	2,720,085	2,995,652
Infrastructure	97,082,431	98,486,371
Total	$ 119,462,208	$ 110,242,036

The overall decrease in capital assets was primarily the result of depreciation. Additional information on the Authority's capital assets can be found in Note 4 on pages 26 through 27.

Long-Term Debt - As of September 30, 2025, the Authority had total bonds outstanding of $ 123,359,229. The increase in long-term debt is due to the issuance of the Limited Contract Tax Subordinate Lien Toll Road Revenue Bonds, Series 2024.

LONG-TERM DEBT

	2025	2024
Revenue bonds	$ 116,160,000	$ 85,354,448
Premium on bonds	7,199,229	7,275,529
Total	$ 123,359,229	$ 92,629,977

Brazoria County, Texas and the Authority received ratings of Aa1, AAA, and AAA+ from Moody's, Fitch, and Standard & Poor's ("S&P"), respectively. Additional information on the Authority's long-term debt can be found in Note 5 on page 27 through 29.

Economic Factors

The County continues to enjoy growth. The population of the county is estimated at 393,694 and is projected to grow to 418,597 by 2029.

The most recent data available indicates the number of households has increased to 140,597 and is expected to grow to 150,185 by 2029. Estimated Average (Mean) Household Income is $ 119,039 and is expected to grow to $ 136,063 by 2029. Income per capita is currently at $ 42,052 and is expected to grow to $ 48,348.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Brazoria County Auditor, 237 E. Locust, Suite 403, Angleton, TX 77515, or call (979) 864-1275.

BRAZORIA COUNTY TOLL ROAD AUTHORITY

Statement of Net Position
September 30, 2025

Assets:		
Cash and temporary investments	$	51,377,629
Receivables (net of allowance for uncollectibles):		
Due from other government		22,395
Tolls		1,476,569
Accrued interest		2,586
Prepaid expense		1,300
Capital Assets:		
Land		88,425
Construction in progress		13,926,809
Land improvements, net		5,644,458
Furniture, equipment & vehicles, net		2,720,085
Infrastructure, net		97,082,431
Total assets		172,342,687
Liabilities:		
Accounts payable		2,542,367
Accrued interest payable		415,995
Noncurrent Liabilities:		
Due within one year		961,922
Due in more than one year		122,397,307
Total liabilities		126,317,591
Net Position:		
Net investment in capital assets		13,922,677
Restricted for:		
Debt service		76,620
Unrestricted		32,025,799
Total net position	$	46,025,096

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

BRAZORIA COUNTY TOLL ROAD AUTHORITY

Statement of Revenues, Expenses and Change in Net Position
For the Year Ended September 30, 2025

Operating Revenues:	
Toll revenue	$ 17,597,457
Total operating revenues	17,597,457
Operating Expenses:	
Services and fees	2,543,974
Repairs and maintenance	390,719
Utilities	7,683
Transportation, travel and other admin	303,688
Depreciation	5,039,242
Total operating expenses	8,285,306
Operating income	9,312,151
Non-Operating Revenues (Expenses):	
Investment income	2,605,086
Interest and fiscal charges	(4,779,434)
Debt issuance costs	(657,723)
Total non-operating revenues (expenses)	(2,832,071)
Change in net position	6,480,080
Net position - beginning	39,545,016
Net position - ending	$ 46,025,096

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

BRAZORIA COUNTY TOLL ROAD AUTHORITY

Statement of Cash Flows
For the Year Ended September 30, 2025

Cash Flows from Operating Activities:	
Receipts from tolls and other	$ 17,579,240
Payment of toll operation expenses	(3,263,683)
Net cash provided by operating activities	14,315,557
Cash Flows from Investing Activities:	
Interest earned on investments	2,604,301
Net cash provided by investing activities	2,604,301
Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	(13,063,579)
Proceeds from revenue bonds	30,000,000
Payments on loan from primary government	(10,004,353)
Interest and fiscal charges	(4,605,570)
Net cash provided by capital and related financing activities	2,326,498
Net increase in cash and temporary investments	19,246,356
Cash and temporary investments - beginning	32,131,273
Cash and temporary investments - ending	$ 51,377,629
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Activities:	
Operating income	$ 9,312,151
Adjustments to Operations:	
Depreciation	5,039,242
Changes in Assets and Liabilities:	
Increase (Decrease) In:	
Tolls receivable	(18,217)
Prepaid expense	2,650
Accounts payable	(20,269)
Net cash provided for operating activities	$ 14,315,557
Noncash Capital and Related Financing Activities:	
Bond accretion	$ (480,552)
Bond premium amortization	411,391
Total Noncash Capital and Related Financing Activities	$ (69,161)

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


BRAZORIA COUNTY
TOLL ROAD AUTHORITY

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Brazoria County Toll Road Authority (the "Authority") was created by order of Brazoria County, Texas on December 16, 2003, to aid, assist and act on behalf of Brazoria County, Texas in the development of transportation projects within the County, including the Brazoria County Expressway, which subsequently may be extended and pooled with other projects as part of the Brazoria County Toll Road System. The Authority is a local government corporation established under Chapter 284 and 431 of the Texas Transportation Code.

Based on criteria prescribed by generally accepted accounting principles, the Authority is considered a discretely presented component unit of Brazoria County, Texas (the "County"). The primary criteria for inclusion of the Authority in the County's financial reporting entity is that of financial accountability. The Commissioners Court, the elected governing body of the County, appoints the Authority's governing body. The County has financial accountability because it appoints a voting majority of the Board and the County can impose its will on the Authority. As such, the County is financially accountable for the Authority and the Authority is considered a discretely presented component unit of the County.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying basic 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, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operations of these activities are included in the statement of net position.

Grants are considered earned to the extent of the expenditures are made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until the related and authorized expenditures have been made. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Cash and Investments

Cash and temporary investments include amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the Authority. For purposes of the cash flow statement, cash and temporary investments are considered cash equivalents. In accordance with GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments are stated at fair value.

Receivables

Receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets

Capital assets, which include land and construction in progress are used in the Authority's operations. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of $ 5,000 or more and over two years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Land improvements	10 Years
Furniture, equipment & vehicles	7-15 Years
Infrastructure	15-75 Years

Long-Term Debt

Long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses at the time of the transaction.

Estimates

The preparation of the 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 disclosures 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 amounts could differ from those estimates.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on the use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. As of September 30, 2025, the Authority reported $ 76,620 of net position restricted to debt service.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Authority classifies deposits and investments for financial statement purposes as cash and temporary investments, and investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose, a temporary investment is one that when purchased had a maturity date of three months or less. See Note 1 for additional Governmental Accounting Standards Board Statement No. 31 disclosures. Cash and temporary investments as reported on the financial statements at September 30, 2025 are as follows:

	Total
Cash and Temporary Investments:	
Financial Institution Deposits:	
Demand deposits	$ 10,140,638
Local Government Investment Pools:	
Texpool	10,386,568
Texas CLASS	30,488,497
U.S. Bank Government Obligation Fund	361,926
Total cash and temporary investments	$ 51,377,629

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to them. The Authority requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

At September 30, 2025, the carrying amount, of the Authority's deposits, were $ 10,140,638, while the financial institution balances totaled $ 10,272,745. Of the financial institution balances, $ 250,000 was covered by federal depository insurance coverage, and $ 10,022,745 was covered by collateral held by the Authority's agent in the Authority's name.

Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the Authority to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

The Authority's deposits and investments are invested pursuant to the investment policy, which is approved by the Board of Directors. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it includes an "Investment Strategy Statement" that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the Authority will deposit funds is addressed. The Authority's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The Authority's management believes it complied with the requirements of the PFIA and the Authority's investment policy.

The Authority's Investment Officer submits an investment report each quarter to the Board of Directors. The report details the investment positions of the Authority and the compliance of the investment portfolio's as they relate to both the adopted investment strategy statements and Texas State law.

The Authority is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of the United States or its agencies and instrumentalities;
2. Direct obligations of the State of Texas or its agencies and instrumentalities;
3. No-load money market mutual funds: regulated by SEC, with a dollar-weighted average stated maturity of 90 days or less, includes in its investment objectives the maintenance of a stable $ 1.00 net asset value per each share, and limited in quantity to the requirements, set forth in Chapter 2256, Government Code Section 2256.014;
4. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities;
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
6. Certificates of deposit if issued by a state or national bank domiciled in the State of Texas and is: guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, secured in any manner and amount provided by law for deposits of the Authority;
7. Fully collateralized repurchase agreements, if it: has a defined termination date, is secured by obligations described by Section 2256.009(a)(1) of the Public Funds Investment Act, requires the securities being purchased by the Authority to be pledged to the Authority, held in the Authority's name, and deposited at the time the investment is made with the Authority or with a third party selected and approved by the Authority, is placed through a primary government securities dealer, approved by the Authority, or a financial institution doing business in the State of Texas;

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

8. Commercial paper is an authorized investment, if the commercial paper: has a stated maturity of 270 days or fewer from the date of its issuance, and is rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit agencies or one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state;
9. Eligible investment pools if the Board of Directors, by resolution, authorizes investment in the particular pool. An investment pool shall invest funds it receives from entities in authorized investments permitted by the Public Funds Investment Act. The Authority by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

The Authority participates in three Local Government Investment Pools (LGIPs): Texpool, Texas Class and U.S. Bank Government Obligation Fund. The State Comptroller oversees Texpool with Federated Securities Corporation managing the daily operations of the pool under a contract with the State Comptroller. Advisory boards consisting of participants or their designees, maintains oversight responsibility for Texas Class. The U.S. Bank Government Obligation Fund is managed by U.S. Bancorp Asset Management, Inc. for the daily operations. These external investment pools are not registered with the Securities and Exchange Commission, and the Authority's fair value of its position in these pools are not the same as the value of the pool shares. These funds seek to maintain a constant net asset value of $ 1.00, although this cannot be fully guaranteed.

The Authority invests in Texpool, Texas Class and U.S. Bank Government Obligation Fund to provide its liquidity needs. Texpool, Texas Class and U.S. Bank Government Obligation Fund are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. Texpool and Texas Class are 2(a)7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of $ 1.00, although this cannot be fully guaranteed. Texpool, Texas Class and U.S. Bank Government Obligation Fund are rated AAA and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit.

At September 30, 2025 Texpool, Texas Class and U.S. Bank Government Obligation Fund had a weighted average maturity of 44 days, 43 days and 42 days, respectively. Although Texpool, Texas Class and U.S. Bank Government Obligation Fund portfolios had a weighted average maturity of 44 days, 43 days and 42 days, respectively, the Authority considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

As of September 30, 2025, the Authority had the following investments:

Investment Type	Interest Rate	Fair Value	Weighted Avg. Maturity (Days)
Local Government Investment Pools:			
Texpool	Varies	$ 10,386,568	44
Texas Class	Varies	30,488,497	43
U.S. Bank Government Obligation Fund	Varies	361,926	42
		$ 41,236,991	43

Credit Risk - As of September 30, 2025, the LGIPs (which represent approximately 100.00% of the investment portfolio) are rated AAAm by Standard and Poor's or AAA by Fitch.

Interest rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lesser of a dollar weighted average maturity of 365 days or the anticipated cash flow requirements of the funds. Quality short-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the County's cash flow requirements.

Fair Value Measures

Government Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

Fair Value Measures - Continued

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Authority had no assets or liabilities that were required to be measured at fair value as of September 30, 2025.

NOTE 3 - RECEIVABLES

Receivables as of September 30, 2025 consists of toll revenue due from the Harris County Toll Road Authority.

NOTE 4 - CAPITAL ASSETS

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

	Balance 10-01-24	Additions	Retirements	Balance 09-30-25
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 88,425	$ -	$ -	$ 88,425
Construction in progress	2,001,437	11,925,372	-	13,926,809
Total capital assets not being depreciated	2,089,862	11,925,372	-	14,015,234
Capital Assets, Being Depreciated:				
Land improvements	10,256,932	-	-	10,256,932
Furniture, equipment & vehicles	3,960,137	-	-	3,960,137
Infrastructure	111,456,907	2,334,042	-	113,790,949
Total capital assets being depreciated	125,673,976	2,334,042	-	128,008,018
Less Accumulated Depreciation For:				
Land improvements	3,586,781	1,025,693	-	4,612,474
Furniture, equipment & vehicles	964,485	275,567	-	1,240,052
Infrastructure	12,970,536	3,737,982	-	16,708,518
Total accumulated depreciation	17,521,802	5,039,242	-	22,561,044
Total capital assets being depreciated, net	108,152,174	(2,705,200)	-	105,446,974
Total capital assets	$ 110,242,036	$ 9,220,172	$ -	$ 119,462,208

Depreciation expense for the Authority for the year ended September 30, 2025 totaled $ 5,039,242.

NOTE 4 - CAPITAL ASSETS - Continued

The construction commitments as of September 30, 2025 are as follows:

	Projects Authorized	Expended to Date	Commitment
Brazoria County Expressway	$ 2,544,712	$ -	$ 2,544,712
Brazoria County Expressway Extension	21,507,482	12,170,277	9,337,205
	$ 24,052,194	$ 12,170,277	$ 11,881,917

NOTE 5 - LONG-TERM DEBT

The Authority issued limited contract tax and subordinate lien revenue bonds, which were issued in part as current interest bonds and in part as convertible capital appreciation bonds. The convertible capital appreciation bonds have a conversion date of March 1, 2025, where they will convert to current interest bonds. These subordinate lien revenue bonds are paid through the Authority's Debt Service Fund from toll fees collected by the Authority.

The following is a summary of the outstanding subordinate lien revenues bonds as of September 30, 2025:

	Interest Rate %	Series Dates			Outstanding 09-30-25
		Issued	Maturity	Callable	
Revenue Bonds:					
Limited Contract Tax Subordinate Lien 2017A Current Interest Bonds	5.000	2017	2049	2027	$ 34,150,000
Limited Contract Tax Subordinate Lien 2017A Capital Appreciation Bonds	4.000	2017	2045	2030	26,700,000
Limited Contract Tax Subordinate Lien 2020 Refunding Bonds	5.000	2020	2049	2027	24,985,000
Limited Contract Tax Subordinate Lien Toll Road Revenue Bonds Series 2024	3.750	2024	2054	-	30,325,000
Total Revenue Bonds					$116,160,000

NOTE 5 - LONG-TERM DEBT - Continued

Revenue bond transactions for the year ended September 30, 2025 were as follows:

Bonds outstanding, October 1, 2024	$ 85,354,448
Issued	30,325,000
Accretion	480,552
Bonds outstanding, September 30, 2025	$ 116,160,000

On June 1, 2017, the Authority sold $ 53,838,313 of Limited Contract Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2017A. These bonds were issued to finance the cost of the Brazoria County Expressway and to pay for the costs of the issuance associated with the bonds.

On January 30, 2020, the Authority sold $ 24,985,000 of Limited Contract Tax and Subordinate Lien Toll Road Revenue Refunding Bonds, Series 2020. The net proceeds of $ 29,915,325 were placed in escrow for the defeasement of $ 29,700,000 in the Limited Contract Tax and Subordinate Lien Toll Road Revenue Bond Anticipation Notes, Series 2017B. These refunding bonds (Series 2020) were issued to provide for long-term financing of the costs of the Brazoria County Expressway by refunding the Limited Contract Tax and Subordinate Lien Toll Road Revenue Bond Anticipation Notes, Series 2017B and to pay for the costs of issuance associated with the Series 2020 bonds. This refunding issue defeased all of the outstanding bond anticipation notes from the original issue of 2017. All future debt service payments on the original bonds were provided for by placing the proceeds of the refunding bonds in an irrevocable trust. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's basic financial statements. This is a conversion of old debt to new debt, therefore, there are no differences between cash flow required to service the old debt to service the new debt and there is no economic gain for the refunding of the old bonds to the new bonds.

On October 17, 2024, the Authority issued $ 30,325,000 of Limited Contract Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2024, for the purpose of pre-development costs of the Brazoria County Expressway for surveying, geotechnical investigations, environmental investigations and preliminary engineering. The bonds have a stated interest rate of 3.75% and will mature in 2054.

The following is a summary of revenue bond requirements by year as of September 30, 2025:

Year Ended September 30,	Principal	Interest	Total Requirement
2026	$ 550,000	$ 4,978,188	$ 5,528,188
2027	580,000	5,329,000	5,909,000
2028	2,160,000	5,260,500	7,420,500
2029	2,270,000	5,149,750	7,419,750
2030	2,390,000	5,033,250	7,423,250
2031-2035	13,880,000	23,200,750	37,080,750
2036-2040	18,460,000	19,407,225	37,867,225
2041-2045	23,130,000	14,948,750	38,078,750
2046-2050	27,890,000	9,419,375	37,309,375
2051-2054	24,850,000	2,562,500	27,412,500
	$ 116,160,000	$ 95,289,288	$ 211,449,288

NOTE 5 - LONG-TERM DEBT - Continued

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

	Balance 10-01-24	Additions	Retirements	Balance 09-30-25	Due Within One Year
Business-Type Activities:					
Revenue bonds	$ 85,354,448	$ 30,805,552	$ -	$116,160,000	$ 550,000
Premium on bonds	7,275,529	335,091	(411,391)	7,199,229	411,922
Total business-type activities	$ 92,629,977	$ 31,140,643	$ (411,391)	$123,359,229	$ 961,922

NOTE 6 - CONTINGENCIES AND COMMITMENTS

The Authority is contingently liable with respect to lawsuits and other claims in the ordinary course of its operations. In August 2025, a material settlement was reached regarding a breach of contract claim. *Pulice Construction, Inc. v. Brazoria County, Texas and Brazoria County Toll Road Authority*, originally filed in 2024. Under the terms of the court-approved settlement agreement, the Authority agreed to a total payment of $ 2,334,042 to resolve all outstanding claims. This amount was paid during the year ended September 30, 2025 and was recognized as an infrastructure capital asset due to the settlement's direct relation to the construction of the Brazoria County Expressway.

NOTE 7 - EVALUATION OF SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through February 18, 2026, the date which the financial statements were available to be issued.


BRAZORIA COUNTY
TOLL ROAD AUTHORITY

OTHER INFORMATION (UNAUDITED)

BRAZORIA COUNTY TOLL ROAD AUTHORITY

Statement of Revenues, Expenses and Change in Net Position
Last Nine Fiscal Years
(Unaudited)

	2017	2018	2019	2020	2021
Operating Revenues:					
Toll Revenue	$ -	$ -	$ -	$ -	$ 7,489,712
Miscellaneous revenue	-	-	-	162,177	37,823
Total operating revenues	-	-	-	162,177	7,527,535
Operating Expenses:					
Services and fees	3,227	60,637	371,828	195,339	651,778
Repairs and maintenance	-	-	-	-	633,887
Utilities	-	-	-	-	4,974
Transportation, travel and other admin	-	-	-	-	281,380
Depreciation	-	-	-	-	2,498,670
Total operating expenses	3,227	60,637	371,828	195,339	4,070,689
Operating income/(loss)	(3,227)	(60,637)	(371,828)	(33,162)	3,456,846
Non-Operating Revenues (Expenses):					
Investment income	300,241	1,465,825	1,360,175	352,027	16,441
Interest and fiscal charges	(663,470)	(2,552,156)	(2,589,758)	(3,029,252)	(3,299,768)
Debt issuance costs	(1,435,527)	-	-	(497,761)	-
Total non-operating revenues (expenses)	(1,798,756)	(1,086,331)	(1,229,583)	(3,174,986)	(3,283,327)
Net income/(loss) before capital contributions	(1,801,983)	(1,146,968)	(1,601,411)	(3,208,148)	173,519
Capital contributions	17,532,672	2,311,462	6,383,529	7,572,481	1,227,289
Change in net position	15,730,689	1,164,494	4,782,118	4,364,333	1,400,808
Net position - beginning	-	15,730,689	16,895,183	21,677,301	26,041,634
Net position - ending	$ 15,730,689	$ 16,895,183	$ 21,677,301	$ 26,041,634	$ 27,442,442

Note: The Brazoria County Expressway became operational in November 2020.

Table 1

2022	2023	2024	2025
$ 12,217,945	$ 15,363,422	$ 16,493,945	$ 17,597,457
-	-	-	-
12,217,945	15,363,422	16,493,945	17,597,457
1,789,657	1,932,628	2,686,932	2,543,974
434,861	421,710	450,044	390,719
5,598	6,910	8,052	7,683
187,937	198,219	262,999	303,688
5,006,239	5,006,827	5,010,066	5,039,242
7,424,292	7,566,294	8,418,093	8,285,306
4,793,653	7,797,128	8,075,852	9,312,151
151,971	1,124,567	1,614,552	2,605,086
(3,337,512)	(4,421,063)	(3,752,925)	(4,779,434)
-	-	-	(657,723)
(3,185,541)	(3,296,496)	(2,138,373)	(2,832,071)
1,608,112	4,500,632	5,937,479	6,480,080
33,956	22,395	-	-
1,642,068	4,523,027	5,937,479	6,480,080
27,442,442	29,084,510	33,607,537	39,545,016
$ 29,084,510	$ 33,607,537	$ 39,545,016	$ 46,025,096

BRAZORIA COUNTY TOLL ROAD AUTHORITY Table 2

Revenues by Toll Road Components/Segments
Last Five Fiscal Years
(Unaudited)

	2021	2022	2023	2024	2025
Brazoria County Expressway:					
Croix Northbound	$ 477,334	$ 1,165,380	$ 1,613,231	$ 1,692,172	$ 1,783,597
Croix Southbound	536,226	1,221,878	1,610,686	1,732,955	1,867,746
McHard Northbound	3,031,058	4,479,569	5,763,635	6,103,141	6,259,518
McHard Southbound	2,701,979	3,935,457	4,903,041	5,360,351	5,697,088
Total Brazoria County Expressway	6,746,597	10,802,284	13,890,593	14,888,619	15,607,949
Revenues not allocated due to timing differences:					
Toll violations	743,115	1,415,661	1,472,829	1,605,326	1,989,508
Total Revenues	$ 7,489,712	$ 12,217,945	$ 15,363,422	$ 16,493,945	$ 17,597,457

BRAZORIA COUNTY TOLL ROAD AUTHORITY Table 3

Tolling Transactions Table
Last Five Fiscal Years
(Unaudited)

	2021	2022	2023	2024	2025
Brazoria County Expressway:					
Croix Northbound	905,103	1,317,710	1,445,013	1,421,254	1,500,728
Croix Southbound	1,014,238	1,378,405	1,448,374	1,452,473	1,571,727
McHard Northbound	2,432,009	3,099,575	3,474,884	3,343,302	3,373,193
McHard Southbound	2,127,240	2,667,991	2,897,318	2,839,298	3,015,249
Total Brazoria County Expressway	6,478,590	8,463,681	9,265,589	9,056,327	9,460,897

BRAZORIA COUNTY TOLL ROAD AUTHORITY Table 4

Historical Toll Road Operating Results and Coverages
Last Five Fiscal Years
(Unaudited)

Fiscal Year Ending	Project Revenues	Other Earnings	O & M Expenses	Revenues Available for Unlimited Subordinate Lien Tax Bonds	Debt Service Bonds	Coverage Ratio On Unlimited Subordinate Lien Tax Bonds
2021	$ 7,489,712	$ 54,264	$ 1,572,019	$ 5,971,957	$ 2,796,083	2.136
2022	12,217,945	151,971	2,418,053	9,951,863	2,797,450	3.557
2023	15,363,422	1,124,567	2,559,467	13,928,522	2,798,317	4.977
2024	16,493,945	1,614,552	3,408,027	14,700,470	2,798,450	5.253
2025	17,597,457	2,605,086	3,246,064	16,956,479	4,322,630	3.923

BRAZORIA COUNTY TOLL ROAD AUTHORITY Table 5

Toll Rate Schedule
(Unaudited)

Toll Rate Schedule Effective as of January 1, 2024	
Two-Axle Vehicles	
Croix Toll Plaza	$ 1.17
McHard Toll Plaza	$ 1.92
Three to Six Axle Vehicles	
Croix Toll Plaza	$ 2.34 - 5.85
McHard Toll Plaza	$ 4.68 - 11.70

Toll Rate Schedule Effective as of July 1, 2025	
Two-Axle Vehicles	
Croix Toll Plaza	$ 1.09 - 1.19
McHard Toll Plaza	$ 1.86 - 1.96
Three to Six Axle Vehicles	
Croix Toll Plaza	$ 2.38 - 5.95
McHard Toll Plaza	$ 3.92 - 9.80


BRAZORIA COUNTY
TOLL ROAD AUTHORITY