

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**BRAZORIA COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**DECEMBER 31, 2023**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
Certified Public Accountants



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## **INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Brazoria County Emergency  
Services District No. 3  
Brazoria County, Texas

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and major fund of Brazoria County Emergency Services District No. 3 (the "District") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

### **Responsibilities of Management for the Financial Statements**

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

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



### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund, the Schedule of Changes in TCDRS Net Pension Liability and Related Ratios, the Schedule of District Contributions-TCDRS Pensions, and the Schedule of Changes in Proportionate Share of Net Pension Liability and Contributions to TESRS be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.





### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

May 13, 2024



# **BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE YEAR ENDED DECEMBER 31, 2023**

Management's discussion and analysis of Brazoria County Emergency Services District No. 3's (the "District") financial performance provides an overview of the District's financial activities for the year ended December 31, 2023. Please read it in conjunction with the District's financial statements.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The basic financial statements include: (1) fund financial statements and government-wide financial statements and (2) notes to the financial statements. The fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. This report also includes required and required and other supplementary information in addition to the basic financial statements.

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective like that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all the District's assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid.

#### **FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for resources not accounted for in another fund, property tax revenues, service revenues, costs of assessing and collecting taxes and general expenditures.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**FUND FINANCIAL STATEMENTS (Continued)**

Governmental funds are reported in each of the financial statements. The focus in the fund financial statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position, and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

**NOTES TO THE FINANCIAL STATEMENTS**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

**OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). The budgetary comparison schedule is included as RSI for the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$17,854,723 as of December 31, 2023.

A portion of the District's net position reflects its net investment in capital assets (e.g. land, buildings, trucks and equipment less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide additional vehicles, equipment and facilities to its service providers and to the District.

The following is a comparative analysis of government-wide changes in net position:

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

	Summary of Changes in the Statement of Net Position		
	2023	2022	Change Positive (Negative)
Current and Other Assets	\$ 23,038,080	\$ 22,656,589	\$ 381,491
Capital Assets and Right-of-Use Assets (Net of Accumulated Depreciation/Amortization)	13,932,388	10,840,988	3,091,400
Total Assets	\$ 36,970,468	\$ 33,497,577	\$ 3,472,891
Deferred Outflows of Resources	\$ 238,989	\$ 175,458	\$ (63,531)
Long-Term Liabilities	\$ 7,526,184	\$ 7,389,143	\$ (137,041)
Other Liabilities	1,234,816	1,593,901	359,085
Total Liabilities	\$ 8,761,000	\$ 8,983,044	\$ 222,044
Deferred Inflows of Resources	\$ 10,593,734	\$ 9,280,398	\$ (1,313,336)
Net Position:			
Net Investment in Capital Assets	\$ 5,908,161	\$ 3,054,531	\$ 2,853,630
Unrestricted	11,946,562	12,355,062	(408,500)
Total Net Position	\$ 17,854,723	\$ 15,409,593	\$ 2,445,130

The following table provides a summary of the District's operations for the year ended December 31, 2023, and for the year ended December 31, 2022.

	Summary of Changes in the Statement of Activities		
	2023	2022	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 9,194,639	\$ 7,773,438	\$ 1,421,201
Other Revenues	2,244,560	1,933,506	311,054
Total Revenues	\$ 11,439,199	\$ 9,706,944	\$ 1,732,255
Expenses for Services	8,994,069	7,465,579	(1,528,490)
Change in Net Position	\$ 2,445,130	\$ 2,241,365	\$ 203,765
Net Position, Beginning of Year	15,409,593	13,168,228	2,241,365
Net Position, End of Year	\$ 17,854,723	\$ 15,409,593	\$ 2,445,130

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The District's fund balance as of December 31, 2023, was \$11,329,489, a decrease of \$492,249 from the prior year. This decrease was primarily due to operating expenditures exceeding operating revenues.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Commissioners amended the budget during the current fiscal period. Actual revenues were \$164,103 more than budgeted revenues, actual expenditures were \$1,924,169 more than budgeted expenditures, and note proceeds were \$523,193, resulting in a negative variance of \$1,236,873.

**CAPITAL ASSETS**

Capital assets as of December 31, 2023, total \$13,472,159 (net of accumulated depreciation) and include land, buildings, trucks and equipment.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2023	2022	Change Positive (Negative)
Capitals Assets Not Being Depreciated:			
Land and Land Improvements	\$ 481,885	\$ 481,885	\$
Construction in Progress	40,938	5,448,448	(5,407,510)
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	8,633,794	1,278,406	7,355,388
Equipment and Vehicles	4,315,542	3,233,858	1,081,684
Total Net Capital Assets	<u>\$ 13,472,159</u>	<u>\$ 10,442,597</u>	<u>\$ 3,029,562</u>

Additional information on the District's capital assets can be found in Note 5 of this report.

**RIGHT-OF-USE ASSETS**

In accordance with the requirements of GASB Statement No. 87, the District reclassified certain capital assets to right-of-use assets. Right-of-use assets includes the Manvel Fire Station and Frazer Ford F550 ambulance, which totaled \$779,338, had current year amortization of \$75,867 and accumulated amortization of \$319,109 as of December 31, 2023.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**LONG-TERM DEBT ACTIVITY**

At the end of the current fiscal period, the District had total long-term debt payable of \$8,024,227.

The changes in the debt position of the District during the year ended December 31, 2023, are summarized as follows:

Leases Payable, January 1, 2023	\$ 265,618
Less: Principal Paid	<u>66,334</u>
Leases Payable, December 31, 2023	<u><u>\$ 199,284</u></u>
Notes Payable, January 1, 2023	\$ 7,658,544
Add: Note Proceeds	523,193
Less: Principal Paid	<u>356,794</u>
Notes Payable, December 31, 2023	<u><u>\$ 7,824,943</u></u>

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Brazoria County Emergency Services District No. 3, 6931 Masters Road, PO Box 1253, Manvel, TX 77578.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**DECEMBER 31, 2023**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Cash	\$ 14,916,050	\$	\$ 14,916,050
Investments	2,138,217		2,138,217
Cash with Brazoria County	304,078		304,078
Receivables:			
Property Taxes	5,354,298		5,354,298
Penalty and Interest on Delinquent Taxes		158,553	158,553
Prepaid Costs	105,757		105,757
Net Pension Asset		61,127	61,127
Land		481,885	481,885
Construction in Progress		40,938	40,938
Capital Assets (Net of Accumulated Depreciation)		12,949,336	12,949,336
Right-of-Use Assets (Net of Accumulated Amortization)		460,229	460,229
<b>TOTAL ASSETS</b>	<u>\$ 22,818,400</u>	<u>\$ 14,152,068</u>	<u>\$ 36,970,468</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Plan Charges	\$ -0-	\$ 238,989	\$ 238,989
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 22,818,400</u>	<u>\$ 14,391,057</u>	<u>\$ 37,209,457</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 653,008	\$	\$ 653,008
Accrued Interest Payable		51,733	51,733
Net Pension Liability		32,032	32,032
Leases Payable:			
Due Within One Year		69,253	69,253
Due After One Year		130,031	130,031
Notes Payable:			
Due Within One Year		428,790	428,790
Due After One Year		7,396,153	7,396,153
<b>TOTAL LIABILITIES</b>	<u>\$ 653,008</u>	<u>\$ 8,107,992</u>	<u>\$ 8,761,000</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	\$ 10,835,903	\$ (267,918)	\$ 10,567,985
Deferred Pension Plan Charges		25,749	25,749
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ 10,835,903</u>	<u>\$ (242,169)</u>	<u>\$ 10,593,734</u>
<b>FUND BALANCE</b>			
Nonspendable: Prepaid Costs	\$ 105,757	\$ (105,757)	\$
Assigned for Anticipated Purchases	769,359	(769,359)	
Unassigned	10,454,373	(10,454,373)	
<b>TOTAL FUND BALANCE</b>	<u>\$ 11,329,489</u>	<u>\$ (11,329,489)</u>	<u>\$ -0-</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 22,818,400</u>		
<b>NET POSITION</b>			
Net Investment in Capital Assets		\$ 5,908,161	\$ 5,908,161
Unrestricted		11,946,562	11,946,562
<b>TOTAL NET POSITION</b>		<u>\$ 17,854,723</u>	<u>\$ 17,854,723</u>

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



**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2023**

Total Fund Balance-Governmental Funds	\$ 11,329,489
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Portions of the change in net pension liability that are not immediately recognized as pension expense are recorded as deferred outflows and inflows of resources.	242,335
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Capital assets and right-of-use assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	13,932,388
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Deferred inflows of resources related to property tax revenues and penalty and interest receivables on delinquent taxes for the 2022 and prior tax levies became part of recognized revenues in the governmental activities of the District.	426,471
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

Accrued Interest Payable	\$	(51,733)	
Capital Leases Due Within One Year		(69,253)	
Capital Leases Due After One Year		(130,031)	
Notes Due Within One Year		(428,790)	
Notes Due After One Year		<u>(7,396,153)</u>	<u>(8,075,960)</u>

Total Net Position-Governmental Activities	<u>\$ 17,854,723</u>
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The accompanying notes to the financial  
statements are an integral part of this report.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	General Fund	Adjustments	Statement of Activities
<b>REVENUES</b>			
Property Taxes	\$ 9,187,368	\$ 7,271	\$ 9,194,639
Emergency Services Revenue	1,459,761		1,459,761
Contract Payments	7,000		7,000
East Texas Gulf Coast Administration Fee	19,586		19,586
Grant Revenue	89,655		89,655
Penalty and Interest	95,625	(1,037)	94,588
Investment Revenues	488,806		488,806
Miscellaneous Revenues	85,164		85,164
<b>TOTAL REVENUES</b>	<u>\$ 11,432,965</u>	<u>\$ 6,234</u>	<u>\$ 11,439,199</u>
<b>EXPENDITURES/EXPENSES</b>			
Service Operations:			
Accounting and Auditing	\$ 71,095	\$	\$ 71,095
Appraisal District Fees	66,738		66,738
Communications	44,245		44,245
Contract Operations	3,002,558		3,002,558
Direct Operations	926,193		926,193
Legal Fees-General	148,698		148,698
Legal Fees-Delinquent Tax Collections	38,986		38,986
Salaries and Benefits	2,242,022	(90,780)	2,151,242
Tax Assessor/Collector Fees	14,123		14,123
Depreciation/Amortization		562,149	562,149
Repairs and Maintenance	629,035		629,035
Utilities	162,809		162,809
Other	352,477		352,477
Capital Outlay	4,102,330	(3,515,844)	586,486
Debt Service:			
Lease Principal	66,334	(66,334)	
Lease Interest	11,035	(442)	10,593
Note Principal	356,794	(356,794)	
Note Interest	212,935	13,707	226,642
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 12,448,407</u>	<u>\$ (3,454,338)</u>	<u>\$ 8,994,069</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (1,015,442)</u>	<u>\$ 1,015,442</u>	<u>\$ -0-</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Note	\$ 523,193	\$ (523,193)	\$ -0-
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (492,249)</u>	<u>\$ 492,249</u>	<u>\$</u>
<b>CHANGE IN NET POSITION</b>		2,445,130	2,445,130
<b>FUND BALANCE/NET POSITION-JANUARY 1, 2023</b>	<u>11,821,738</u>	<u>3,587,855</u>	<u>15,409,593</u>
<b>FUND BALANCE/NET POSITION - DECEMBER 31, 2023</b>	<u>\$ 11,329,489</u>	<u>\$ 6,525,234</u>	<u>\$ 17,854,723</u>

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

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Net Change in Fund Balance - Governmental Funds	\$ (492,249)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.	7,271
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Governmental funds report delinquent tax penalty and interest when collected. However, in the government-wide financial statements, revenues are recorded when penalty and interest are assessed.	(1,037)
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Governmental funds do not account for depreciation or amortization. However, in the government-wide financial statements, capital assets are depreciated, Right-of-Use assets are amortized and depreciation/amortization expense is recorded in the Statement of Activities.	(562,149)
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Governmental funds report capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities.	3,515,844
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The changes in the net pension liability as well as deferred inflows and outflows of resources are recorded in the government-wide financial statements.	90,780
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Governmental funds report note proceeds as other financing sources in the period received. However, in the government-wide financial statements, long-term debt is increased.	(523,193)
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Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected.	423,128
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Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the long-term debt through fiscal year-end.	(13,265)
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Change in Net Position - Governmental Activities	<u>\$ 2,445,130</u>
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The accompanying notes to the financial  
statements are an integral part of this report.

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**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1. CREATION OF DISTRICT**

Brazoria County Emergency Services District No. 3 (the “District”), located in Brazoria County, Texas, was created as a political subdivision of the State of Texas under the provision of Section 48-d of Article III of the State Constitution in accordance with Title 44, Article 3351a-6 of The Revised Civil Statutes of the State of Texas. Voters of the District approved the creation of the District on May 15, 2004. The District operates under Chapter 775 of the Health and Safety Code. The District is empowered to provide fire protection, ambulance and rescue services to all residents, commercial interests and others within its boundaries for their public safety, health, welfare and convenience.

The District is governed by a Board of Commissioners consisting of five individuals residing within the District. The Commissioners are appointed by the Brazoria County Commissioners Court to staggered, two-year terms. The Board of Commissioners sets the policies of the District.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”).

The District is a political subdivision of the State of Texas governed by an appointed board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2.      SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position 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 improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenues and expenses in the government-wide Statement of Activities.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2.      SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Governmental Funds Balance Sheet and a Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Funds

The District has one governmental fund; therefore, it is a major fund.

General Fund - To account for resources not required to be accounted for in another fund, property tax revenues, service revenues, costs of assessing and collecting taxes and general expenditures.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include the 2022 tax levy collections during the period October 1, 2022, to December 31, 2023, and taxes collected from January 1, 2023, to December 31, 2023 for all prior levies. The 2023 tax levy has been fully deferred to meet the District's planned expenditures in the 2024 fiscal year.

Capital Assets and Right-of-Use Assets

Capital assets, which include land, buildings and equipment, are reported in the government-wide Statement of Net Position. 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 fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset after completion.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2.      SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets and Right-of-Use Assets (Continued)

Capital assets are capitalized if they have an original cost of \$10,000 or more (including installation costs and professional fees) and a useful life of two years or more. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Buildings, equipment, trucks and vehicles are amortized over periods ranging from 2 to 40 years.

In accordance with GASB Statement No. 87, at December 31, 2023, the District recorded the Manvel Fire Station and Frazor Ford F550 ambulance as a right-of-use asset (see Note 8). The Right-of-Use assets are being amortized over the estimated useful life using the straight-line method of amortization.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial accounting. The original General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and final budgeted amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District contributes to an agent multi-employer defined benefit plan for eligible employees. See Note 12. The District is legally obligated to contribute for certain provider departments as a non-employer contributing entity for the provider's participants in a defined benefit plan. See Note 10. The District contributes for certain provider departments for the provider's participants in a defined contribution plan. See Note 11.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets, liabilities, and deferred inflows and outflows of resources associated with the activities are reported. Fund equity is classified as net position.



**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2.      SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Governmental Funds Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources.

Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy.

*Nonspendable:* amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted:* amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances.

*Committed:* amounts that can be spent only for purposes determined by a formal action of the Board of Commissioners. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

*Assigned:* amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The Board has assigned \$769,359 of its General Fund fund balance for grant matching, vehicle replacement, building improvements, equipment and PPE.

*Unassigned:* all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount 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 expenditures during the reporting period. Actual results could differ from those estimates.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 3. TAX LEVY**

On May 15, 2004, voters of the District approved a maximum tax rate of \$0.10 per \$100 of assessed valuation on all taxable property within the District. During the year ended December 31, 2023, the District levied an ad valorem tax at the rate of \$0.077385 per \$100 of assessed valuation. The tax rate consisted of \$0.004018 for debt service and \$0.073367 for maintenance. This resulted in a tax levy of \$10,567,985 on the adjusted taxable valuation of \$13,645,354,144 for the 2023 tax year. All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attached thereafter.

**NOTE 4. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was \$14,916,050 and the bank balance was \$11,444,229. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2023, as listed below:

	Cash
GENERAL FUND	<u>\$ 14,916,050</u>

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 4. DEPOSITS AND INVESTMENTS (Continued)**

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Commissioners.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas State Comptroller of Public Accounts has oversight of the pool. Federated Hermes, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

As of December 31, 2023, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	<u>\$2,138,217</u>	<u>\$2,138,217</u>

Credit Risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2023, the District's investments in TexPool were rated "AAAm" by Standard and Poor's. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool to have a maturity of less than one year due to the fact that the share positions can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 5. CAPITAL ASSETS**

	January 1. 2023	Increase	Decreases	December 31, 2023
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 481,885	\$	\$	\$ 481,885
Construction in Progress	<u>5,448,448</u>	<u>3,515,844</u>	<u>8,923,354</u>	<u>40,938</u>
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 5,930,333</u>	<u>\$ 3,515,844</u>	<u>\$ 8,923,354</u>	<u>\$ 522,823</u>
<b>Capital Assets Subject to Depreciation</b>				
Building & Improvements	\$ 1,791,622	\$ 7,402,198	\$	\$ 9,193,820
Equipment & Vehicles	<u>6,480,820</u>	<u>1,521,156</u>	<u></u>	<u>8,001,976</u>
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 8,272,442</u>	<u>\$ 8,923,354</u>	<u>\$ - 0 -</u>	<u>\$ 17,195,796</u>
<b>Less Accumulated Depreciation</b>				
Building & Improvements	\$ 513,216	\$ 46,810	\$	\$ 560,026
Equipment & Vehicles	<u>3,246,962</u>	<u>439,472</u>	<u></u>	<u>3,686,434</u>
<b>Total Accumulated Depreciation</b>	<u>\$ 3,760,178</u>	<u>\$ 486,282</u>	<u>\$ - 0 -</u>	<u>\$ 4,246,460</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 4,512,264</u>	<u>\$ 8,437,072</u>	<u>\$ - 0 -</u>	<u>\$ 12,949,336</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 10,442,597</u>	<u>\$ 11,952,916</u>	<u>\$ 8,923,354</u>	<u>\$ 13,472,159</u>

**NOTE 6. CONTRACTS FOR PROVIDING FIRE PROTECTION, FIRE SUPPRESSION AND RESCUE SERVICES**

The District has contracted with area volunteer fire departments, emergency medical services (the “Departments”), the City of Angleton and the City of Alvin to provide fire protection and suppression services to protect life and property from fire, conserve natural and human resources and provide rescue services to persons and commercial interests located in various areas within the boundaries of the District. Quarterly payments are made to the providers. Payments to the City of Angleton, the City of Alvin, Manvel Volunteer Fire Department, Danbury EMS, Santa Fe Fire and Rescue, Brazoria Municipal Utility District No. 21 (MUD 21) and Brazoria Municipal Utility District No. 22 (MUD 22) are based upon an agreed-upon amount in their contract. The term of the current agreements is for a calendar year.

Payments for Departments expenses are based upon annual operating and capital budgets submitted to the District. The Departments agree to submit preliminary annual capital and operating budgets at the District’s July meeting each year, with final budgets to be presented for District approval at the District’s September meeting. The District approves monthly Department expenses that are paid directly by the District.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 6.      CONTRACTS FOR PROVIDING FIRE PROTECTION, FIRE  
SUPPRESSION AND RESCUE SERVICES (Continued)**

For all capital items exceeding \$50,000, preliminary approval from the District at the bid solicitation stage and final approval from the District at the bid award stage is required. As unexpected or emergency expenditures arise, the Departments may submit a written proposal to the District itemizing those additional expenses for review and action. From time-to-time, the District may approve an advance to a Department to fund the purchase of vehicles until other Department funds are available.

Title and ownership of all assets of the Departments purchased prior to the effective date of the contract shall remain with the Department during the term of this contract. Thereafter, title to all assets, capital and otherwise, (specifically including vehicles, apparatus and all equipment used therein) and all land, buildings and substantial renovations made/purchased with District appropriated funds shall be taken in the name of the District and be owned by the District.

Regarding Department assets acquired subsequent to the effective date of the contract, in the event of dissolution of the Department or termination of the contract for any reason, the ownership and possession of all such non-disposable assets purchased in whole by District appropriated funds shall revert to the District, and ownership and possession all non-disposable assets purchased partly with District appropriated funds shall revert to the District, subject to reimbursement to the Department for its pro rata share of the fair market value of such asset based upon the ratio of the purchase price paid for with non-District appropriated funds or trade-in on apparatus purchased with non-District appropriated funds. The Department agrees to insure all capital assets of the Department, to the extent available, for full replacement costs with the District listed as the "loss payee".

The District has contracted to provide emergency services for the benefit of MUD 21 and MUD 22 as outlined in the contract for a two-year period beginning January 1, 2020. The annual fee is currently \$312,500 per MUD, to be adjusted at renewal and annually thereafter under the terms of the contract. Additionally, the District has the use of certain facilities within the MUD 21 for the benefit of both MUDs. The contract will automatically renew for additional two-year periods unless terminated as provided for in the agreement.

**NOTE 7.      NOTES PAYABLE**

On April 14, 2010, the District entered into a \$1,500,000 real estate lien note with Prosperity Bank to finance construction of a facility for the Manvel Emergency Medical Service. The interest rate is 5.50%. Interest is due and payable semi-annually, as it accrues, beginning on or before October 14, 2010, and continuing regularly and on the same day of each semi-annual period thereafter until April 14, 2030; and annual principal payments in the amount of at least \$75,000 are due and payable on or before April 14, 2011, and continuing regularly and on the same day of each year thereafter until April 14, 2030, when the entire balance of this note, principal and interest then remaining unpaid, shall be due and payable in full. Effective January 28, 2013, the required principal payment was reduced to \$74,615.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 7. NOTES PAYABLE (Continued)**

On March 1, 2022, the District entered into a \$7,200,000 promissory note with Government Capital Corporation to finance construction of the Iowa Colony Emergency Services Station. The interest rate is 2.6%. Principal and interest payments of \$231,980 are due semi-annually beginning September 10, 2022, with the final payment due March 10, 2042.

On May 17, 2023 the District entered into a \$523,193 promissory note with Trustmark National Bank to finance the purchase of an ambulance. The interest rate is 4.82%. Principal and interest payments of \$89,829 are due semi-annually beginning May 17, 2024 with the final payment due May 17, 2030.

The following is a summary of transactions regarding notes payable for the year ended December 31, 2023:

Notes Payable, January 1, 2023	\$ 7,658,544
Add: Note Proceeds	523,193
Less: Principal Paid	<u>356,794</u>
Notes Payable, December 31, 2023	<u>\$ 7,824,943</u>
Amount Due Within One Year	\$ 428,790
Amount Due After One Year	<u>7,396,153</u>
Notes Payable, Net	<u>\$ 7,824,943</u>

As of December 31, 2023, debt service requirements on the note are as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 428,790	\$ 225,843	\$ 654,633
2025	439,482	210,912	650,394
2026	450,522	195,710	646,232
2027	461,924	180,148	642,072
2028	473,698	164,246	637,944
2029-2033	2,052,635	602,585	2,655,220
2034-2038	1,975,288	344,507	2,319,795
2039-2042	<u>1,542,604</u>	<u>81,252</u>	<u>1,623,856</u>
Grand Total	<u>\$ 7,824,943</u>	<u>\$ 2,005,203</u>	<u>\$ 9,830,146</u>

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 8. LEASES**

On August 24, 2005, the District entered into a lease-purchase agreement with Wells Fargo Brokerage Services, LLC for the construction of a fire station to be used by Manvel Volunteer Fire Department in the amount of \$580,000. Assets under this capital lease total \$581,085 at December 31, 2023. Accumulated amortization/depreciation through December 31, 2023, was \$241,111. Lease payments and related interest of \$47,095 are due annually beginning August 24, 2006 and ending August 24, 2025. The District's incremental borrowing rate is 5.14%.

On September 21, 2021, the District entered into a lease-purchase agreement with Frazer, Ltd. for a Ford F550 ambulance in the amount of \$191,928. Assets under this capital lease total \$198,252. Accumulated amortization/depreciation through December 31, 2023, was \$63,472. Lease payments and related interest of \$30,274 are due annually beginning December 15, 2021 and ending December 15, 2027. The District's incremental borrowing rate is 3.24%. This lease was paid in the current fiscal year.

In accordance with the requirements of GASB Statement No. 87, the District reclassified the remaining fire station lease related capital assets above to right-of-use assets. Right-of-use assets, current year amortization expense, and accumulated amortization is summarized below:

	January 1, 2023	Increase	Decreases	December 31, 2023
<b>Right-of-Use Assets Subject to Amortization</b>				
Manvel Fire Station	\$ 581,086	\$	\$	\$ 581,086
Equipment & Vehicles	<u>60,547</u>	<u>137,705</u>	<u></u>	<u>198,252</u>
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 641,633</u>	<u>\$ 137,705</u>	<u>\$ - 0 -</u>	<u>\$ 779,338</u>
<b>Less Accumulated Amortization</b>				
Manvel Fire Station	\$ 241,111	\$ 14,527	\$	\$ 255,638
Equipment & Vehicles	<u>2,131</u>	<u>61,340</u>	<u></u>	<u>63,471</u>
<b>Total Accumulated Depreciation</b>	<u>\$ 243,242</u>	<u>\$ 75,867</u>	<u>\$ - 0 -</u>	<u>\$ 319,109</u>
<b>Total Depreciable Right-of-Use Assets, Net of Accumulated Amortization</b>	<u>\$ 398,391</u>	<u>\$ 61,838</u>	<u>\$ - 0 -</u>	<u>\$ 460,229</u>

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 8. LEASES (Continued)**

The following is a summary of transactions regarding leases payable for the year ended December 31, 2023:

Leases Payable, January 1, 2023	\$ 265,618
Less: Principal Paid	<u>66,334</u>
Leases Payable, December 31, 2023	<u>\$ 199,284</u>
Amount Due Within One Year	\$ 69,253
Amount Due After One Year	<u>130,031</u>
Leases Payable, Net	<u>\$ 199,284</u>

The following is a schedule of future minimum lease payments under the leases as of December 31, 2023. The obligations of the District contain a non-appropriation provision.

Fiscal Year	Principal	Interest	Total
2024	\$ 69,253	\$ 8,116	\$ 77,369
2025	72,303	5,064	77,367
2026	28,404	1,870	30,274
2027	<u>29,324</u>	<u>950</u>	<u>30,274</u>
Grand Total	<u>\$ 199,284</u>	<u>\$ 16,000</u>	<u>\$ 215,284</u>

**NOTE 9. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.



**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 10. PENSION PLAN (TESRS)**

On June 1, 2015, the District signed agreements with the Manvel Volunteer Fire Department and the Liverpool Volunteer Fire Department (Providers) as a non-employer contributing entity to the Providers' pension plan. The Liverpool Volunteer Fire Department has since left the plan. The Providers provide retirement for their participating members through a non-traditional defined benefit pension plan in the statewide Texas Emergency Services Retirement System. (TESRS). The State of Texas is responsible for the administration of the statewide cost-sharing multiple-employer public employee retirement system. As of August 31, 2023, there were 241 contributing fire or emergency departments, which is the most recent valuation report available. TESRS in the aggregate issues an audited annual financial report (AAFR) on a fiscal year basis. The AAFR is available upon written request from the TESRS Board of Trustees at 208 East 10<sup>th</sup> Street, Suite 309, Austin, TX 78701 or at [www.tesrs.org](http://www.tesrs.org).

Plan Description

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases. Members are 50% vested after the 10th year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

At December 31, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	<u>0</u>
Inactive employees entitled but not yet receiving benefits	<u>0</u>
Active employees	<u>9</u>

Funding Policy

The plan provisions are adopted by the governing body of the participating departments. No contributions are required from the individuals who are members of the system, nor are they allowed. The governing bodies of each participating department are required to make contributions of at least \$36 per member for each month a member performs emergency services for a department. This is referred to as a Part One contribution, which is the legacy portion of the system contribution that directly impacts future retiree annuities. The District has agreed to

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 10. PENSION PLAN (TESRS) (Continued)**

make monthly contributions of \$55 per participating active member per month.

The State of Texas is required to contribute an amount necessary to make the TESRS system “actuarially sound” each year, which may not exceed one-third of all contributions made by participating governing bodies in a particular year.

The TESRS board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the most recent actuarial valuation as of August 31, 2022, the Part Two contributions are not required for an adequate contribution arrangement.

Additional contributions may be made by governing bodies within two years of joining the system, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

Pension Expense and Net Pension Liability

For the District’s accounting year ending December 31, 2023, the amount of expense recognized by the District for the TESRS plan for provider members was \$3,600. The District’s proportionate share of the collective net pension liability was \$32,032 and the District’s proportion of the collective pension liability was 0.074% as of the measurement date of August 31, 2023, which is the date of the most recent TESRS Report on Pension Information, a decrease of 0.001% from the prior year. The District has made \$3,600 in contributions on behalf of Provider members as of December 31, 2023, of which none was after the measurement date of August 31, 2023. The District has recognized \$10,051 of deferred outflows of resources and \$62 of deferred inflows of resources.

**NOTE 11. LENGTH OF SERVICE AWARD PLAN (LOSAP)**

On November 9, 2015, County Road 143 Volunteer Fire Department and Rosharon Volunteer Fire Department signed agreements to provide retirement for their participating members through a non-traditional defined contribution length of service award plan (LOSAP) managed by VFIS of Texas. In 2021, Liverpool, Iowa Colony, Danbury and Demi-John Volunteer Fire Departments were added. The District budgets a specific amount each year as a contributing entity to the Providers’ LOSAP plan but does not meet the requirements as a non-employer contributing entity under current Governmental Accounting Standards Board standards. The District recorded \$55,800 Support Expense-LOSAP for the District’s contribution toward the Providers plan.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 11. LENGTH OF SERVICE AWARD PLAN (LOSAP) (Continued)**

Upon reaching age 55 and completing at least 5 years of participation in the plan, each vested member may retire and receive a lump-sum benefit equal to his account balance in the plan. Members are 100% vested after the 5th year of service, with active emergency service prior to participation in the plan included. At December 31, 2023, 50 active employees were covered by the benefit terms.

The plan provisions are adopted by the governing body of the participating departments. No contributions are required from the individuals who are members of the system, nor are they allowed. The governing bodies of each participating department set the contribution rate annually per member. The District has agreed to make monthly contributions of \$50 per participating active member per month. This amount funds the LOSAP benefit contribution plus \$10,000 group term life insurance premiums and administration fees.

**NOTE 12. PENSION PLAN (TCDRS)**

Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of more than 850 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR 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 5 or more years of service, with 20 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 10 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 District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the District'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. At December 31, 2022, the most recent valuation date, the following employees were covered by the benefit terms:

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 12. PENSION PLAN (Continued)**

Inactive employees or beneficiaries currently receiving benefits	-0-
Inactive employees entitled but not yet receiving benefits	38
Active employees	24

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

The employer contributed using the actuarially determined rate of 9.8% for calendar year 2023. The deposit rate payable by the employee members for calendar year 2023 is 7.00% as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

Annual Pension Cost

For the District's accounting year ended December 31, 2023, the annual pension cost for the TCDRS plan for its employees was \$157,994 and the actual contributions were \$157,994. The employees contributed \$112,849 to the plan for the 2023 fiscal year. The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with GASB parameters based on the actuarial valuations as of December 31, 2022, the basis for determining the contribution rates for calendar year 2023. The December 31, 2022 actuarial valuation is the most recent valuation.

	<u>Actuarial Valuation Information</u>
Actuarial valuation date	12/31/22
Actuarial cost method	entry age
Amortization method	Level percentage of payroll, closed
Amortization period	10.7
Asset Valuation Method:	5-year smoothed market
Actuarial Assumptions:	
Investment return <sup>1</sup>	7.5%
Projected salary increases <sup>1</sup>	4.7%
Inflation	2.50%
Cost-of-living adjustments	0.0%

<sup>1</sup>Includes inflation at the stated rate

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 12. PENSION PLAN (Continued)**

Net Pension Liability

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions above, except as noted. The discount rate reflects the long-term rate of return funding valuation assumption of 7.50%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68. The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017-2020. They were recommended by Milliman and adopted by the TCDRS Board of Trustees in December of 2021. All economic assumptions were recommended by Milliman and adopted by the TCDRS Board of Trustees in March of 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2022. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

Mortality rates were based on the following:

Depositing members – 135% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 Active Employee Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Service retirees, beneficiaries and non-depositing members – 135% of the Pub-2010 General Retirees Amount Weighted Mortality Table for males and 120% of the Pub-2010 General Retirees Amount Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Disabled retirees – 160% of the Pub-2010 General Disabled Retirees Amount Weighted Mortality Table for males and 125% of the Pub-2010 General Disabled Retirees Amount Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Discount Rate

The discount rate used to measure the total pension liability was 7.6%. The discount rate used in the previous year was 7.6%.

In order to determine the discount rate to be used, the actuary used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under the funding policy and the legal requirements under the TCDRS Act:

- 1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 12. PENSION PLAN (Continued)**

Discount Rate (Continued)

- 2) Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
- 3) The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
- 4) Any increased cost due to the adoption of a cost-of-living adjustment is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, the actuary has used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2023 information for a 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 12. PENSION PLAN (Continued)**

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	11.50 %	4.95 %
Private Equity	25.00	7.95
Global Equities	2.50	4.95
International Equities-Developed Markets	5.00	4.95
International Equities-Emerging Markets	6.00	4.95
Investment-Grade Bonds	3.00	2.40
Strategic Credit	9.00	3.39
Direct Lending	16.00	6.95
Distressed Debt	4.00	7.60
REIT Equities	2.00	4.15
Master Limited Partnerships (MLPs)	2.00	5.30
Private Real Estate Partnerships	6.00	5.70
Hedge Funds	6.00	2.90
Cash Equivalents	2.00	0.20
	100.00 %	

As of December 31, 2023, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,330	\$ 22,409
Changes of assumptions	12,636	3,278
Net differences between projected and actual earnings	44,978	
Contributions subsequent to the measurement date	157,994	
Total	\$ 228,938	\$ 25,687

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$157,994 will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

The Changes in Net Pension Liability:

Year ended December 31:	
2023	\$ 11,415
2024	10,813
2025	9,951
2026	16,222
2027	(3,144)
Thereafter	-0-

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 12. PENSION PLAN (Continued)**

Changes in Net Pension Liability/(Assets) for the measurement year ended December 31, 2022 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances of December 31, 2021	\$ 441,322	\$ 495,310	\$ (53,988)
Changes for the year:			
Service Costs	159,520		159,520
Interest on total pension liability	44,394		44,394
Effect of economic/demographic gains or losses	(18,864)		(18,864)
Refund of contributions	(34,041)	(34,041)	
Administrative Expense		(383)	383
Member contributions		86,451	(86,451)
Net investment income		(44,157)	44,157
Employer contributions		124,900	(124,900)
Other		25,378	(25,378)
Balances of December 31, 2022	<u>\$ 592,331</u>	<u>\$ 653,458</u>	<u>\$ (61,127)</u>

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

	1% Decrease 6.6%	Current Discount Rate 7.6%	1% Increase 8.6%
Total pension liability	\$ 720,698	\$ 592,331	\$ 490,948
Piduciary net position	<u>653,458</u>	<u>653,458</u>	<u>653,458</u>
Net pension liability/(asset)	<u>\$ 67,240</u>	<u>\$ (61,127)</u>	<u>\$ (162,510)</u>



**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

**REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2023**



**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 9,241,617	\$ 9,241,617	\$ 9,187,368	\$ (54,249)
Emergency Services Revenues	1,540,654	1,540,654	1,459,761	(80,893)
Contract Payments	7,000	7,000	7,000	
East Texas Gulf Coast Administration Fees		20,000	19,586	(414)
Grant Revenues	30,341	30,341	89,655	59,314
Penalty and Interest			95,625	95,625
Investment Revenues	120,000	385,000	488,806	103,806
Miscellaneous Revenues		44,250	85,164	40,914
<b>TOTAL REVENUES</b>	<u>\$ 10,939,612</u>	<u>\$ 11,268,862</u>	<u>\$ 11,432,965</u>	<u>\$ 164,103</u>
<b>EXPENDITURES</b>				
Service Operations:				
Accounting and Auditing	\$ 66,000	\$ 66,000	\$ 71,095	\$ (5,095)
Appraisal District Fees	57,000	57,000	66,738	(9,738)
Communications	150,000	150,000	44,245	105,755
Contract Operations	3,357,192	3,357,192	3,002,558	354,634
Direct Operations	710,615	772,838	926,193	(153,355)
Legal Fees-General	85,000	85,000	148,698	(63,698)
Legal Fees-Delinquent Tax Collections			38,986	(38,986)
Salaries and Benefits	3,107,885	3,132,245	2,242,022	890,223
Tax Assessor/Collector Fees	25,000	25,000	14,123	10,877
Repairs and Maintenance	471,260	471,260	629,035	(157,775)
Utilities	189,179	189,179	162,809	26,370
Other	387,747	403,747	352,477	51,270
Capital Outlay	619,484	712,231	4,102,330	(3,390,099)
Debt Service:				
Capital Lease Principal	75,000	75,000	66,334	8,666
Capital Lease Interest	30,938	30,938	11,035	19,903
Note Principal	800,573	800,573	356,794	443,779
Note Interest	196,035	196,035	212,935	(16,900)
<b>TOTAL EXPENDITURES</b>	<u>\$ 10,328,908</u>	<u>\$ 10,524,238</u>	<u>\$ 12,448,407</u>	<u>\$ (1,924,169)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 610,704</u>	<u>\$ 744,624</u>	<u>\$ (1,015,442)</u>	<u>\$ (1,760,066)</u>
<b>OTHER FINANCING SOURCES(USES)</b>				
Note Proceeds	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 523,193</u>	<u>\$ 523,193</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 610,704	\$ 744,624	\$ (492,249)	\$ (1,236,873)
<b>FUND BALANCE - JANUARY 1, 2023</b>	<u>11,821,738</u>	<u>11,821,738</u>	<u>11,821,738</u>	
<b>FUND BALANCE - DECEMBER 31, 2023</b>	<u><u>\$ 12,432,442</u></u>	<u><u>\$ 12,566,362</u></u>	<u><u>\$ 11,329,489</u></u>	<u><u>\$ (1,236,873)</u></u>

See accompanying independent auditor's report.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**SCHEDULE OF CHANGES IN TCDRS NET**  
**PENSION LIABILITY AND CONTRIBUTIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Year Ended December 31,			
	2019	2020	2021	2022
Total Pension Liability				
Service Cost	\$ 90,242	\$ 126,965	\$ 144,258	\$ 159,520
Interest on total pension liability	7,310	18,084	29,992	44,394
Effect of plan changes		22,113	(5,462)	
Effect of economic/demographic (gains) or losses	72	(11,705)	22,158	(18,864)
Effect of assumption changes or inputs				
Benefit payments/refunds of contributions		(2,705)		(34,041)
Net change in total pension liability	\$ 97,624	\$ 152,752	\$ 190,946	\$ 151,009
Total pension liability, beginning		97,624	250,376	441,322
Total pension liability, ending (a)	<u>\$ 97,624</u>	<u>\$ 250,376</u>	<u>\$ 441,322</u>	<u>\$ 592,331</u>
Fiduciary Net Position				
Employer contributions	\$ 40,572	\$ 88,561	\$ 99,800	\$ 124,900
Member contributions	31,208	66,970	78,363	86,451
Investment income net of investment expenses	(73)	7,969	73,033	(44,157)
Benefit payments/refunds of contributions		(2,705)	0	(34,041)
Administrative Expense	(56)	(175)	(268)	(383)
Other	2,468	4,529	5,114	25,378
Net change in fiduciary net position	\$ 74,119	\$ 165,149	\$ 256,042	\$ 158,148
Fiduciary net position, beginning		74,119	239,268	495,310
Fiduciary net position, ending (b)	<u>\$ 74,119</u>	<u>\$ 239,268</u>	<u>\$ 495,310</u>	<u>\$ 653,458</u>
Net pension liability/(asset), ending = (a) - (b)	<u>\$ 23,505</u>	<u>\$ 11,108</u>	<u>\$ (53,988)</u>	<u>\$ (61,127)</u>
Fiduciary net position as a percentage of total pension liability	75.92%	95.56%	112.23%	110.32%
Pensionable covered payroll	\$ 445,823	\$ 956,711	\$ 1,119,478	\$ 1,235,011
Net pension liability as a percentage of covered payroll	5.27%	1.16%	-4.82%	-4.95%

\* Amended by TCDRS

See accompanying independent auditor's report.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**SCHEDULE OF DISTRICT TCDRS CONTRIBUTIONS**  
**DECEMBER 31, 2023**

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll <sup>(1)</sup>	Actual Contribution as a Percentage of Covered Payroll
2019	\$ 39,678	\$ 40,572	\$ (894)	\$ 445,823	9.1%
2020	\$ 85,147	\$ 88,561	\$ (3,414)	\$ 956,711	9.3%
2021	\$ 98,962	\$ 99,800	\$ (838)	\$ 1,119,478	8.9%
2022	\$ 124,860	\$ 124,900	\$ (40)	\$ 1,235,011	10.1%
2023	\$ 157,994	\$ 157,994	\$ - 0 -	\$ 1,612,129	9.8%

<sup>(1)</sup> *Payroll is calculated based on contributions as reported to TCDRS.*

A full 10-year schedule will be displayed as it becomes available.

See accompanying independent auditor's report.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE 1. NET PENSION LIABILITY - TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM**

Assumptions

The following methods and assumptions were used to determine contribution rates:

Valuation Date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	10.7 years (based on contribution rate calculated in 12/31/22 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 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 MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions reflected in Schedule*	2015-2022: No changes in plan provisions were reflected in the Schedule.

\*Only changes that affect the benefit amount and that are effective 2015 and later are shown in Notes to Schedule

See accompanying independent auditor's report.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**SCHEDULE OF CHANGES IN PROPORTIONATE SHARE OF NET**  
**PENSION LIABILITY AND CONTRIBUTIONS TO TESRS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

<b>Nonemployer Contributing Entity's Proportionate Share of Collective Net Pension Liability</b>								
Date of Actuarial Valuation	8/31/2023	8/31/2022	8/31/2021	8/31/2020	8/31/2019	8/31/2018	8/31/2017	8/31/2016
Participating Departments:								
Brazoria ESD 3	0.074%	0.074%	0.075%					
Liverpool VFD	**	**	**	0.039%	0.130%	*	0.130%	0.067%
Manvel VFD	**	**	**	0.051%	0.099%	*	0.099%	0.215%
	<u>0.074%</u>	<u>0.074%</u>	<u>0.075%</u>	<u>0.090%</u>	<u>0.229%</u>	<u>0.595%</u>	<u>0.229%</u>	<u>0.282%</u>
TESRS Net Pension Liability	\$ 41,030,076	\$ 41,030,076	\$ 10,714,152	\$ 25,210,882	\$ 28,345,563	\$ 21,650,451	\$ 24,001,678	\$ 29,128,103
proportionate share	\$ 30,362	\$ 30,362	\$ 8,036	\$ 22,690	\$ 64,911	\$ 128,820	\$ 54,964	\$ 82,141
<b>Nonemployer Contributing Entity's Contributions to TESRS</b>								
Contributions	\$ 3,600	\$ 3,600	\$ 3,600	\$ 4,200	\$ 10,277	\$ 28,473	\$ 11,100	\$ 5,350

\*Not available

\*\* In 2021, TESRS began reporting all under Brazoria ESD 3.

See accompanying independent auditor's report.

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**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**OTHER SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2023**



**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**SCHEDULE OF INSURANCE AND BONDING COVERAGE**  
**DECEMBER 31, 2023**

Type of Coverage	From To	Amount of Coverage	Insurer/Name
<b>PUBLIC OFFICIAL BONDS</b> Blanket Employee Dishonesty Bond Computer and Funds Transfer Fraud Fraudulent Impersonation Identity Fraud Expense	01/01/23 01/01/24	\$ 100,000	National Union Insurance Fire Company
<b>GENERAL LIABILITY</b> General Aggregate Per Occurrence	01/01/23 01/01/24	\$ 10,000,000 1,000,000	National Union Insurance Fire Company
<b>MANAGEMENT LIABILITY</b> Each Offense or Wrongful Act Annual Aggregate	01/01/23 01/01/24	\$ 1,000,000 10,000,000	National Union Insurance Fire Company
<b>EXCESS LIABILITY</b> General Aggregate Per Occurrence	01/01/23 01/01/24	\$ 4,000,000 2,000,000	National Union Insurance Fire Company
<b>AUTOMOBILE LIABILITY</b> Combined Single Limit	01/01/23 01/01/24	\$ 1,000,000	National Union Insurance Fire Company
<b>PROPERTY-various addresses</b> Buildings Contents Generators Carport Towers/antennae	01/01/23 01/01/24	\$ 5,197,335 827,850 220,817 3,796 38,892	National Union Insurance Fire Company
<b>WORKERS COMPENSATION</b> Bodily Injury by Accident Bodily Injury by Disease Disease Policy Limit	01/01/23 01/01/24	\$ 1,000,000 1,000,000 1,000,000	Texas Mutual Insurance Company
<b>ACCIDENT &amp; SICKNESS POLICY</b> AD&D Medical in excess of workers comp. Disability- first 4 weeks Disability - after 4 weeks	01/01/23 01/01/24	\$ 100,000 100,000 300 600	National Union Insurance Fire Company

See accompanying independent auditor's report.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Total Taxes</u>	
TAXES RECEIVABLE -January 1, 2023	\$ 4,361,641	
Adjustments to Beginning Balance	<u>(38,230)</u>	\$ 4,323,411
Original 2023 Tax Levy	\$ 9,981,362	
Adjustment to 2023 Tax Levy	<u>586,623</u>	<u>10,567,985</u>
TOTAL TO BE ACCOUNTED FOR		\$ 14,891,396
TAX COLLECTIONS:		
Prior Years	\$ 4,055,493	
Current Tax Year	<u>5,481,605</u>	<u>9,537,098</u>
TAXES RECEIVABLE - DECEMBER 31, 2023		<u>\$ 5,354,298</u>
TAXES RECEIVABLE BY YEAR:		
2023		\$ 5,086,380
2022		100,120
2021		42,569
2020		25,501
2019		18,711
2018		13,793
2017		12,119
2016		9,102
2015		7,701
2014		6,448
2013		6,003
2012		7,352
2011		4,668
2010		2,399
2009		2,273
2008		2,228
2007		2,180
2006		1,544
2005		1,365
2004		<u>1,842</u>
TOTAL		<u>\$ 5,354,298</u>

See accompanying independent auditor's report.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
PROPERTY VALUATIONS	\$ <u>13,645,354,144</u>	\$ <u>9,442,961,312</u>	\$ <u>7,746,614,191</u>	\$ <u>6,973,575,979</u>
TAX RATE PER \$100 VALUATION	\$ <u>0.077385</u>	\$ <u>0.097745</u>	\$ <u>0.10</u>	\$ <u>0.10</u>
ADJUSTED TAX LEVY *	\$ <u>10,567,985</u>	\$ <u>9,232,869</u>	\$ <u>7,747,149</u>	\$ <u>6,974,230</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>51.87</u> %	<u>98.92</u> %	<u>99.45</u> %	<u>99.63</u> %

\* Based on the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

See accompanying independent auditor's report.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND – FIVE YEARS**

	Amount		
	2023	2022	2021
<b>REVENUES</b>			
Property Taxes	\$ 9,187,368	\$ 7,743,236	\$ 6,992,412
Emergency Services Revenues	1,459,761	1,474,341	1,276,472
Contract Payments	7,000	7,000	93,847
East Texas Gulf Coast Administration Fees	19,586	20,000	22,000
Grant Revenue	89,655	122,132	206,429
Settlement Revenue			
Penalty and Interest	95,625	70,567	66,122
Investment Revenues	488,806	162,961	8,781
Miscellaneous Revenues	85,164	59,803	61,796
<b>TOTAL REVENUES</b>	<b>\$ 11,432,965</b>	<b>\$ 9,660,040</b>	<b>\$ 8,727,859</b>
<b>EXPENDITURES</b>			
District Services:			
Accounting and Auditing	\$ 71,095	\$ 61,283	\$ 61,305
Appraisal District Fees	66,738	56,352	48,263
Communications	44,245	56,790	57,122
Consulting Fees			221,991
Contract Operations	3,002,558	2,715,061	2,468,002
Direct Operations	926,193	818,686	723,609
Facilities Expense			
Legal Fees-General	148,698	66,507	41,430
Legal Fees-Delinquent Tax Collections	38,986	29,870	29,072
Office Supplies and Expense			
Salaries and Benefits	2,242,022	1,740,484	1,501,015
Tax Assessor/Collector Fees	14,123	16,762	13,418
Travel Expenses			
Support Expense-TCDRS, TESRS and LOSAP			
Repairs and Maintenance	629,035	426,424	333,513
Other	515,286	385,027	370,658
Capital Outlay	4,102,330	5,854,732	1,103,361
Capital Lease Principal	66,334	349,937	342,247
Capital Lease Interest	11,035	14,473	22,277
Note Principal	356,794	212,995	74,615
Note Interest	212,935	128,939	39,465
<b>TOTAL EXPENDITURES</b>	<b>\$ 12,448,407</b>	<b>\$ 12,934,322</b>	<b>\$ 7,451,363</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (1,015,442)</b>	<b>\$ (3,274,282)</b>	<b>\$ 1,276,496</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Note Proceeds	\$ 523,193	\$ 7,200,000	\$ - 0 -
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (492,249)</b>	<b>\$ 3,925,718</b>	<b>\$ 1,276,496</b>
<b>BEGINNING FUND BALANCE</b>	<b>11,821,738</b>	<b>7,896,020</b>	<b>6,619,524</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 11,329,489</b>	<b>\$ 11,821,738</b>	<b>\$ 7,896,020</b>

See accompanying independent auditor's report.

		Percentage of Total Revenues											
		2023		2022		2021		2020		2019			
2020		2019		2023		2022		2021		2020		2019	
\$	6,155,460	\$	5,499,729	80.3	%	80.1	%	80.0	%	78.1	%	84.5	%
	654,232		699,440	12.8		15.3		14.6		8.3		10.7	
	625,000			0.1		0.1		1.1		7.9			
	25,333		15,661	0.2		0.2		0.3		0.3		0.2	
	200,000			0.8		1.3		2.4		2.5			
	90,410									1.1			
	68,908		55,197	0.8		0.7		0.8		0.9		0.8	
	40,888		126,194	4.3		1.7		0.1		0.5		1.9	
	28,431		124,977	0.7		0.6		0.7		0.4		1.9	
\$	7,888,662	\$	6,521,198	100.0	%	100.0	%	100.0	%	100.0	%	100.0	%
\$	50,580	\$	17,250	0.6		0.6		0.7		0.6		0.3	
	42,510		39,727	0.6		0.6		0.6		0.5		0.6	
	62,714		38,874	0.4		0.6		0.7		0.8		0.6	
	6,463							2.5		0.1			
	2,392,546		2,091,980	26.3		28.1		28.3		30.3		32.1	
	531,328		382,735	8.1		8.5		8.3		6.7		5.9	
			56,680									0.9	
	95,674		125,585	1.3		0.7		0.5		1.2		1.9	
	27,709		24,316	0.3		0.3		0.3		0.4		0.4	
	1,524		62,325									1.0	
	1,377,867		1,343,131	19.6		18.0		17.2		17.5		20.6	
	17,219		13,583	0.1		0.2		0.2		0.2		0.2	
			10,595									0.2	
	394,100		355,203	5.5		4.4		3.8		5.0		5.4	
	311,878		161,753	4.5		4.0		4.2		4.0		2.5	
	1,264,366		935,255	35.9		60.6		12.6		16.0		14.3	
	334,757		327,461	0.6		3.6		3.9		4.2		5.0	
	29,653		36,949	0.1		0.1		0.3		0.4		0.6	
	74,615		74,615	3.1		2.2		0.9		0.9		1.1	
	43,717		47,810	1.9		1.3		0.5		0.6		0.7	
\$	7,059,220	\$	6,145,827	108.9	%	133.8	%	85.5	%	89.4	%	94.3	%
\$	829,442	\$	375,371	(8.9)	%	(33.8)	%	14.5	%	10.6	%	5.7	%
\$	- 0 -	\$	- 0 -										
\$	829,442	\$	375,371										
	5,790,082		5,414,711										
\$	6,619,524	\$	5,790,082										

See accompanying independent auditor's report.

District Mailing Address - Brazoria County Emergency Services District No. 3  
6931 Masters Road  
PO Box 1253  
Manvel, TX 77578

Commissioners	Term of Office Appointed Expires	Fees of Office for the year ended December 31, 2023	Expense Reimbursements for the year ended December 31, 2023	Title
Darrell Valusek	01/01/23 12/31/24	\$ 3,600	\$ -0-	President
Frank Hagdorn	01/01/23 12/31/24	\$ -0-	\$ -0-	Vice President
Matt Graves	01/01/23 12/31/24	\$ 5,700	\$ -0-	Secretary/Treasurer
George Bullington	01/01/22 12/31/23	\$ -0-	\$ -0-	Assistant Secretary
Andy Bouse	01/01/22 12/31/23	\$ -0-	\$ -0-	Assistant Treasurer

See accompanying independent auditor's report.



**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**BOARD OF COMMISSIONERS AND CONSULTANTS**  
**DECEMBER 31, 2023**

<b>Consultants:</b>	<b>Date Hired</b>	<b>Fees for the year ended December 31, 2023*</b>	<b>Title</b>
Coveler & Peeler, P.C.	**	\$ 71,901	Attorney
Locke Lord, LLP	**	\$ 47,452	Litigation
McCall Gibson Swedlund Barfoot PLLC	04/13/09	\$ 21,000	Auditor
JAG Argueta	04/21/20	\$ 50,095	Bookkeeper
Perdue, Brandon, Fiedler, Collins & Mott, L.L.P.	04/11/00	\$ 38,986	Delinquent Tax Attorney
Brazoria County Tax Assessor/Collector	Legislative Action	\$ 14,123	Tax Assessor/ Collector

\* Accrual basis

\*\* Not available

See accompanying independent auditor's report.

