

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
BRAZORIA COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2025

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis 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, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of December 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

April 13, 2026

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025**

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, 2025. 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 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, 2025**

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") and other supplementary information. 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 \$24,146,045 as of December 31, 2025.

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, 2025**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2025</u>	<u>2024</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 31,281,337	\$ 26,682,029	\$ 4,599,308
Capital Assets and Right-of-Use Assets (Net of Accumulated Depreciation/Amortization)	<u>15,016,044</u>	<u>13,903,568</u>	<u>1,112,476</u>
Total Assets	<u>\$ 46,297,381</u>	<u>\$ 40,585,597</u>	<u>\$ 5,711,784</u>
Deferred Outflows of Resources	<u>\$ 335,602</u>	<u>\$ 309,046</u>	<u>\$ 26,556</u>
Long-Term Liabilities	<u>\$ 8,369,739</u>	<u>\$ 7,014,399</u>	<u>\$ (1,355,340)</u>
Other Liabilities	<u>1,118,849</u>	<u>1,584,788</u>	<u>465,939</u>
Total Liabilities	<u>\$ 9,488,588</u>	<u>\$ 8,599,187</u>	<u>\$ (889,401)</u>
Deferred Inflows of Resources	<u>\$ 12,998,350</u>	<u>\$ 11,685,362</u>	<u>\$ (1,312,988)</u>
Net Position:			
Net Investment in Capital Assets	\$ 6,001,645	\$ 6,377,384	\$ (375,739)
Restricted	115,020	41,332	73,688
Unrestricted	<u>18,029,380</u>	<u>14,191,378</u>	<u>3,838,002</u>
Total Net Position	<u>\$ 24,146,045</u>	<u>\$ 20,610,094</u>	<u>\$ 3,535,951</u>

The following table provides a summary of the District's operations for the year ended December 31, 2025, and for the year ended December 31, 2024.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2025</u>	<u>2024</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 11,716,241	\$ 10,600,834	\$ 1,115,407
Other Revenues	<u>3,832,687</u>	<u>2,975,928</u>	<u>856,759</u>
Total Revenues	<u>\$ 15,548,928</u>	<u>\$ 13,576,762</u>	<u>\$ 1,972,166</u>
Expenses for Services	<u>12,012,977</u>	<u>10,821,391</u>	<u>(1,191,586)</u>
Change in Net Position	<u>\$ 3,535,951</u>	<u>\$ 2,755,371</u>	<u>\$ 780,580</u>
Net Position, Beginning of Year	<u>20,610,094</u>	<u>17,854,723</u>	<u>2,755,371</u>
Net Position, End of Year	<u>\$ 24,146,045</u>	<u>\$ 20,610,094</u>	<u>\$ 3,535,951</u>

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's fund balance as of December 31, 2025, was \$17,254,673, an increase of \$3,841,321 from the prior year. This increase was primarily due to operating revenues exceeding operating expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissioners adopted an unappropriated budget for the current fiscal year. Actual revenues were \$1,479,496 more than budgeted revenues, actual expenditures were \$1,888,817 less than budgeted expenditures, resulting in a positive variance of \$3,418,313.

CAPITAL ASSETS

Capital assets as of December 31, 2025, total \$14,625,511 (net of accumulated depreciation) and include land, buildings, trucks and equipment.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2025	2024	Change Positive (Negative)
Capitals Assets Not Being Depreciated:			
Land and Land Improvements	\$ 915,909	\$ 915,909	\$
Construction in Progress	1,784,702	41,631	1,743,071
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	8,566,423	8,615,666	(49,243)
Equipment and Vehicles	3,358,477	3,891,132	(532,655)
Total Net Capital Assets	\$ 14,625,511	\$ 13,464,338	\$ 1,161,173

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 \$820,276, had current year amortization of \$48,697 and accumulated amortization of \$429,743 as of December 31, 2025.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal period, the District had total long-term debt payable of \$9,014,399.

The changes in the debt position of the District during the year ended December 31, 2025, are summarized as follows:

Leases Payable, January 1, 2025	\$ 130,031
Less: Principal Paid	<u>72,303</u>
Leases Payable, December 31, 2025	<u>\$ 57,728</u>
Loan Payable, January 1, 2025	\$ 7,396,153
Add: Loan Proceeds	2,000,000
Less: Principal Paid	<u>439,482</u>
Loan Payable, December 31, 2025	<u>\$ 8,956,671</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, 2025

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash	\$ 817,690	\$	\$ 817,690
Investments	18,499,931		18,499,931
Due from Brazoria County Tax Assessor/Collector	3,820,862		3,820,862
Receivables:			
Property Taxes	6,750,472		6,750,472
Penalty and Interest on Delinquent Taxes		200,835	200,835
Other	4,860		4,860
Prepaid Costs	914,527		914,527
Net Pension Asset		272,160	272,160
Land		915,909	915,909
Construction in Progress		1,784,702	1,784,702
Capital Assets (Net of Accumulated Depreciation)		11,924,900	11,924,900
Right-of-Use Assets (Net of Accumulated Amortization)		390,533	390,533
TOTAL ASSETS	<u>\$ 30,808,342</u>	<u>\$ 15,489,039</u>	<u>\$ 46,297,381</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Plan Charges	\$ -0-	\$ 335,602	\$ 335,602
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 30,808,342</u>	<u>\$ 15,824,641</u>	<u>\$ 46,632,983</u>
LIABILITIES			
Accounts Payable	\$ 250,080	\$	\$ 250,080
Compensated Absences		78,040	78,040
Accrued Interest Payable		111,547	111,547
Net Pension Liability		34,522	34,522
Leases Payable:			
Due Within One Year		28,404	28,404
Due After One Year		29,324	29,324
Loan Payable:			
Due Within One Year		616,256	616,256
Due After One Year		8,340,415	8,340,415
TOTAL LIABILITIES	<u>\$ 250,080</u>	<u>\$ 9,238,508</u>	<u>\$ 9,488,588</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 13,303,589	\$ (344,447)	\$ 12,959,142
Deferred Pension Plan Charges		39,208	39,208
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 13,303,589</u>	<u>\$ (305,239)</u>	<u>\$ 12,998,350</u>
FUND BALANCE			
Nonspendable: Prepaid Costs	\$ 914,527	\$ (914,527)	\$
Restricted for Debt Service	115,020	(115,020)	
Unassigned	16,225,126	(16,225,126)	
TOTAL FUND BALANCE	<u>\$ 17,254,673</u>	<u>\$ (17,254,673)</u>	<u>\$ -0-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 30,808,342</u>		
NET POSITION			
Net Investment in Capital Assets		\$ 6,001,645	\$ 6,001,645
Restricted		115,020	115,020
Unrestricted		18,029,380	18,029,380
TOTAL NET POSITION		<u>\$ 24,146,045</u>	<u>\$ 24,146,045</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, 2025**

Total Fund Balance-Governmental Funds	\$ 17,254,673
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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.	534,032
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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.	15,016,044
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Deferred inflows of resources related to property tax revenues and penalty and interest receivables on delinquent taxes for the 2024 and prior tax levies became part of recognized revenues in the governmental activities of the District.	545,282
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Accrued vacation leave payable is not due and payable in the current period and, therefore, not reported in the governmental funds.	(78,040)
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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	\$ (111,547)	
Capital Leases Due Within One Year	(28,404)	
Capital Leases Due After One Year	(29,324)	
Loans Due Within One Year	(616,256)	
Loans Due After One Year	<u>(8,340,415)</u>	<u>(9,125,946)</u>

Total Net Position-Governmental Activities	<u>\$ 24,146,045</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, 2025

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 11,683,888	\$ 32,353	\$ 11,716,241
Emergency Services Revenue	2,350,458		2,350,458
Contract Payments	7,000		7,000
Penalty and Interest	164,743	21,504	186,247
Investment Revenues	806,750		806,750
Miscellaneous Revenues	432,232	50,000	482,232
TOTAL REVENUES	\$ 15,445,071	\$ 103,857	\$ 15,548,928
EXPENDITURES/EXPENSES			
Service Operations:			
Accounting and Auditing	\$ 88,152	\$	\$ 88,152
Appraisal District Fees	34,839		34,839
Communications	119,185		119,185
Contract Operations	3,516,486		3,516,486
Direct Operations	1,239,487		1,239,487
Legal Fees-General	85,800		85,800
Legal Fees-Delinquent Tax Collections	49,034		49,034
Salaries and Benefits	3,784,854	(81,703)	3,703,151
Tax Assessor/Collector Fees	23,903		23,903
Depreciation/Amortization		818,929	818,929
Repairs and Maintenance	691,157		691,157
Utilities	208,631		208,631
Other	447,900		447,900
Capital Outlay	2,635,571	(1,931,405)	704,166
Debt Service:			
Lease Principal	72,303	(72,303)	
Lease Interest	5,063	(1,273)	3,790
Loan Principal	439,482	(439,482)	
Loan Interest	211,903	66,464	278,367
TOTAL EXPENDITURES/EXPENSES	\$ 13,653,750	\$ (1,640,773)	\$ 12,012,977
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,791,321	\$ (1,791,321)	\$ -0-
OTHER FINANCING SOURCES (USES)			
Proceeds from Loan	\$ 2,000,000	\$ (2,000,000)	\$
Contributions from Other Entities	50,000	(50,000)	
TOTAL OTHER FINANCING SOURCES (USES)	\$ 2,050,000	\$ (2,050,000)	\$ -0-
NET CHANGE IN FUND BALANCE	\$ 3,841,321	\$ (3,841,321)	\$
CHANGE IN NET POSITION		3,535,951	3,535,951
FUND BALANCE/NET POSITION-JANUARY 1, 2025	13,413,352	7,196,742	20,610,094
FUND BALANCE/NET POSITION - DECEMBER 31, 2025	\$ 17,254,673	\$ 6,891,372	\$ 24,146,045

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, 2025**

Net Change in Fund Balance - Governmental Funds	\$ 3,841,321
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.	32,353
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.	21,504
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.	(818,929)
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.	1,981,405
The changes in the net pension liability as well as deferred inflows and outflows of resources are recorded in the government-wide financial statements.	81,703
Governmental funds report loan proceeds as other financing sources in the period received. However, in the government-wide financial statements, long-term debt is increased.	(2,000,000)
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.	511,785
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.	(65,191)
Change in Net Position - Governmental Activities	<u>\$ 3,585,951</u>

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

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

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, 2025

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, 2025

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 2024 tax levy collections during the period October 1, 2025, to December 31, 2025, and taxes collected from January 1, 2025, to December 31, 2025 for all prior levies. The 2025 tax levy has been fully deferred to meet the District’s planned expenditures in the 2026 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, 2025

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, 2025, 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 not 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.

Compensated Absences

The District permits employees to accumulate earned but unused vacation pay benefits up to certain limits. See Note 13.

Liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

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.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

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.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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.

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, 2025, the District levied an ad valorem tax at the rate of \$0.079229 per \$100 of assessed valuation. The tax rate consisted of \$0.003373 for debt service and \$0.075856 for maintenance. This resulted in a tax levy of \$12,959,142 on the adjusted taxable valuation of \$16,353,426,191 for the 2025 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 \$817,690 and the bank balance was \$1,649,431. The District was not exposed to custodial credit risk at year-end.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2025, as listed below:

		<u>Cash</u>
GENERAL FUND	\$	<u>817,690</u>

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.

The District invests in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. UMB Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2025, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Less Than 1 Year
GENERAL FUND		
TexPool	\$ 2,348,745	\$ 2,348,745
Texas CLASS	16,151,186	16,151,186
TOTAL INVESTMENTS	\$18,499,931	\$18,499,931

Credit Risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2025, the District’s investments in TexPool and Texas CLASS 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 and Texas CLASS 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.

NOTE 5. CAPITAL ASSETS

	January 1, 2025	Increase	Decreases	December 31, 2025
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 915,909	\$	\$	\$ 915,909
Construction in Progress	41,631	1,931,405	188,334	1,784,702
Total Capital Assets Not Being Depreciate	\$ 957,540	\$ 1,931,405	\$ 188,334	\$ 2,700,611
Capital Assets Subject to Depreciation				
Building & Improvements	\$ 9,225,070	\$	\$	\$ 9,225,070
Equipment & Vehicles	8,290,068	188,334		8,478,402
Total Capital Assets Subject to Depreciation	\$ 17,515,138	\$ 188,334	\$ - 0 -	\$ 17,703,472
Less Accumulated Depreciation				
Building & Improvements	\$ 609,404	\$ 49,243	\$	\$ 658,647
Equipment & Vehicles	4,398,936	720,989		5,119,925
Total Accumulated Depreciation	\$ 5,008,340	\$ 770,232	\$ - 0 -	\$ 5,778,572
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 12,506,798	\$ (581,898)	\$ - 0 -	\$ 11,924,900
Total Capital Assets, Net of Accumulated Depreciation	\$ 13,464,338	\$ 1,349,507	\$ 188,334	\$ 14,625,511

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

**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.

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”.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

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

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. LONG-TERM DEBT

On April 14, 2010, the District entered into a \$1,500,000 real estate lien 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.

On March 1, 2022, the District entered into a \$7,200,000 promissory loan 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 loan 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.

On August 20, 2025, the District entered into a \$2,000,000 promissory loan with Webster Bank to finance the renovation of EMS Station 1. The interest rate is 4.11%. Principal and interest payments of \$247,934 are due annually beginning August 20, 2026 with the final payment due August 20, 2035.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 7. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding loan payable for the year ended December 31, 2025:

Loan Payable, January 1, 2025	\$	7,396,153
Add: Loan Proceeds		2,000,000
Less: Principal Paid		<u>439,482</u>
Loan Payable, December 31, 2025	\$	<u>8,956,671</u>
Amount Due Within One Year	\$	616,256
Amount Due After One Year		<u>8,340,415</u>
Notes Payable, Net	\$	<u><u>8,956,671</u></u>

As of December 31, 2025, debt service requirements on the loans are as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 616,256	\$ 277,910	\$ 894,166
2027	634,470	255,536	890,006
2028	653,335	232,543	885,878
2029	672,880	208,803	881,683
2030	693,134	184,394	877,528
2031-2035	2,928,345	631,120	3,559,465
2036-2040	2,080,024	239,772	2,319,796
2041-2042	<u>678,227</u>	<u>17,710</u>	<u>695,937</u>
Grand Total	<u>\$ 8,956,671</u>	<u>\$ 2,047,788</u>	<u>\$ 11,004,459</u>

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 \$581,086 at December 31, 2025. Accumulated amortization/depreciation through December 31, 2025, was \$270,205. 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%. The lease was paid in the current fiscal year.

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, 2025, 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 a previous fiscal year.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 8. LEASES (Continued)

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, 2025	Increase	Decreases	December 31, 2025
Right-of-Use Assets Subject to Amortization				
Manvel Fire Station	\$ 581,086	\$	\$	\$ 581,086
Equipment & Vehicles	<u>239,190</u>	<u> </u>	<u> </u>	<u>239,190</u>
Total Capital Assets Subject to Depreciation	<u>\$ 820,276</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 820,276</u>
Less Accumulated Amortization				
Manvel Fire Station	\$ 270,205	\$ 14,527	\$	\$ 284,732
Equipment & Vehicles	<u>110,841</u>	<u>34,170</u>	<u> </u>	<u>145,011</u>
Total Accumulated Depreciation	<u>\$ 381,046</u>	<u>\$ 48,697</u>	<u>\$ - 0 -</u>	<u>\$ 429,743</u>
Total Depreciable Right-of-Use Assets, Net of Accumulated Amortization	<u>\$ 439,230</u>	<u>\$ (48,697)</u>	<u>\$ - 0 -</u>	<u>\$ 390,533</u>

The following is a summary of transactions regarding leases payable for the year ended December 31, 2025:

Leases Payable, January 1, 2025	\$ 130,031
Less: Principal Paid	<u>72,303</u>
Leases Payable, December 31, 2025	<u>\$ 57,728</u>
Amount Due Within One Year	\$ 28,404
Amount Due After One Year	<u>29,324</u>
Leases Payable, Net	<u>\$ 57,728</u>

The following is a schedule of future minimum lease payments under the leases as of December 31, 2025. The obligations of the District contain a non-appropriation provision.

Fiscal Year	Principal	Interest	Total
2026	\$ 28,404	\$ 1,870	\$ 30,274
2027	<u>29,324</u>	<u>950</u>	<u>30,274</u>
Grand Total	<u>\$ 57,728</u>	<u>\$ 2,820</u>	<u>\$ 60,548</u>

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

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.

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, 2025, there were 244 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 10th Street, Suite 309, Austin, TX 78701 or at 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, 2025, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled but not yet receiving benefits	11
Active employees	7

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 10. PENSION PLAN (TESRS) (Continued)

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 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, 2025, 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, 2025, the amount of expense recognized by the District for the TESRS plan for provider members was \$3,900. The District’s proportionate share of the collective net pension liability was \$34,522 and the District’s proportion of the collective pension liability was 0.071% as of the measurement date of August 31, 2025, which is the date of the most recent TESRS Report on Pension Information, an increase of 0.006% from the prior year. The District has made \$3,900 in contributions on behalf of Provider members as of December 31, 2025, of which none was after the measurement date of August 31, 2025. The District has recognized \$11,370 of deferred outflows of resources and \$25,337 of deferred inflows of resources.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

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 \$40,659 Support Expense-LOSAP for the District's contribution toward the Providers plan.

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, 2025, 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 an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

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

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 12. PENSION PLAN (TCDRS) (Continued)

Plan Description (Continued)

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, 2024, the most recent valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-0-
Inactive employees entitled but not yet receiving benefits	44
Active employees	34

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 8.82% for calendar year 2025. The deposit rate payable by the employee members for calendar year 2025 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.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 12. PENSION PLAN (TCDRS) (Continued)

Annual Pension Cost

For the District’s accounting year ended December 31, 2025, the annual pension cost for the TCDRS plan for its employees was \$266,324 and the actual contributions were \$266,324. The employees contributed \$211,368 to the plan for the 2025 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, 2024, the basis for determining the contribution rates for calendar year 2025. The December 31, 2024 actuarial valuation is the most recent valuation.

	<u>Actuarial Valuation Information</u>
Actuarial valuation date	12/31/24
Actuarial cost method	entry age
Amortization method	Level percentage of payroll, closed
Amortization period	13.7
Asset Valuation Method:	5-year smoothed market
Actuarial Assumptions:	
Investment return ¹	7.5%
Projected salary increases ¹	4.7%
Inflation	2.50%
Cost-of-living adjustments	0.0%

¹Includes inflation at the stated rate

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.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 12. PENSION PLAN (TCDRS) (Continued)

Net Pension Liability (Continued)

The demographic assumptions were developed from an actuarial experience investigation of TCERS over the years 2017-2020. They were recommended by Milliman and adopted by the TCERS Board of Trustees in December of 2021. All economic assumptions were recommended by Milliman and adopted by the TCERS 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, 2024. 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 TCERS Act:

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 12. PENSION PLAN (TCDRS) (Continued)

Discount Rate (Continued)

- 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.
- 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 2025 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, 2025

NOTE 12. PENSION PLAN (TCDRS) (Continued)

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	13.00 %	5.35 %
Private Equity	25.00	8.15
Global Equities	4.00	5.15
International Equities-Developed Markets	6.00	4.75
International Equities-Emerging Markets	0.00	4.75
Investment-Grade Bonds	3.00	2.55
Strategic Credit	9.00	3.70
Direct Lending	16.00	6.85
Distressed Debt	4.00	6.80
REIT Equities	2.00	3.95
Master Limited Partnerships (MLPs)	2.00	4.95
Commodities	2.00	1.00
Private Real Estate Partnerships	6.00	5.75
Hedge Funds	6.00	3.60
Cash Equivalents	2.00	1.10
	100.00 %	

As of December 31, 2025, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 50,660	\$ 12,777
Changes of assumptions	6,318	1,094
Net differences between projected and actual earnings	930	
Contributions subsequent to the measurement date	266,324	
Total	\$ 324,232	\$ 13,871

\$266,324 was reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2025 (i.e. recognized in the District's financial statements for the year ending December 31, 2026). Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2025	\$ 15,226
2026	21,497
2027	2,129
2028	472
2029	4,713
Thereafter	-0-

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 12. PENSION PLAN (TCDRS) (Continued)

Changes in Net Pension Liability/(Assets) for the measurement year ended December 31, 2024 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances of December 31, 2023	\$ 875,290	\$ 1,030,106	\$ (154,816)
Changes for the year:			
Service Costs	265,040		265,040
Interest on total pension liability	84,318		84,318
Effect of economic/demographic gains or losses	28,283		28,283
Refund of contributions	(62,930)	(62,930)	
Administrative Expense		(796)	796
Member contributions		161,999	(161,999)
Net investment income		111,450	(111,450)
Employer contributions		205,275	(205,275)
Other		17,057	(17,057)
Balances of December 31, 2024	<u>\$ 1,190,001</u>	<u>\$ 1,462,161</u>	<u>\$ (272,160)</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	\$ 1,446,270	\$ 1,190,001	\$ 989,123
	Fiduciary net position	<u>1,462,161</u>	<u>1,462,161</u>	<u>1,462,161</u>
Net pension liability/(asset)	<u>\$ (15,891)</u>	<u>\$ (272,160)</u>	<u>\$ (473,038)</u>	

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 13. COMPENSATED ABSENCES

The District provides vacation to eligible full-time employees. New employees will start accruing time their first pay period; however, they will not be eligible to use their vacation time until after completion of 90 days of full-time employment. Each full-time employee will accrue hours based on their length of service per pay period. Vacation time must be pre-approved by the employee's supervisor. Administrative employees are only permitted to carry a maximum of 40 hours of PTO each calendar year and Clinical employees are only permitted to carry a maximum of 48 hours of PTO each calendar year. Amounts in excess that are unused will be forfeited.

Employees are granted the ability to utilize, and be paid out, up to 50% of the total PTO accrual amount from January 1st – June 30th of each calendar year. Subsequently, the second 50% of employee's PTO accrual amount may be utilized, and paid out, from July 1st – December 31st of each calendar year. If an employee chooses to take their entire allotted PTO at one time, the employee would be required to schedule, and take off, in the second half of the calendar year in order to be eligible for payout of the time taken.

Only full-time employees are eligible to accrue vacation time.

As of December 31, 2025, compensated absences totals \$78,040, of which \$54,627 is expected to be expensed within the next fiscal year.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2025

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, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property Taxes	\$ 11,565,792	\$ 11,683,888	\$ 118,096
Emergency Services Revenues	1,800,243	2,350,458	550,215
Contract Payments	7,000	7,000	
Penalty and Interest	72,500	164,743	92,243
Investment Revenues	506,000	806,750	300,750
Miscellaneous Revenues	14,040	432,232	418,192
TOTAL REVENUES	<u>\$ 13,965,575</u>	<u>\$ 15,445,071</u>	<u>\$ 1,479,496</u>
EXPENDITURES			
Service Operations:			
Accounting and Auditing	\$ 97,000	\$ 88,152	\$ 8,848
Appraisal District Fees	70,000	34,839	35,161
Communications	165,820	119,185	46,635
Contract Operations	3,503,286	3,516,486	(13,200)
Direct Operations	1,548,286	1,239,487	308,799
Legal Fees-General	110,000	85,800	24,200
Legal Fees-Delinquent Tax Collections		49,034	(49,034)
Salaries and Benefits	4,036,948	3,784,854	252,094
Tax Assessor/Collector Fees	25,000	23,903	1,097
Repairs and Maintenance	697,975	691,157	6,818
Utilities	199,800	208,631	(8,831)
Other	477,697	447,900	29,797
Capital Outlay	3,929,506	2,635,571	1,293,935
Debt Service:			
Capital Lease Principal	74,615	72,303	2,312
Capital Lease Interest	22,571	5,063	17,508
Loan Principal	392,380	439,482	(47,102)
Loan Interest	191,683	211,903	(20,220)
TOTAL EXPENDITURES	<u>\$ 15,542,567</u>	<u>\$ 13,653,750</u>	<u>\$ 1,888,817</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (1,576,992)</u>	<u>\$ 1,791,321</u>	<u>\$ 3,368,313</u>
OTHER FINANCING SOURCES(USES)			
Loan Proceeds	\$ 2,000,000	\$ 2,000,000	\$
Contributions from Other Entities	<u> </u>	<u>50,000</u>	<u>50,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 2,000,000</u>	<u>\$ 2,050,000</u>	<u>\$ 50,000</u>
NET CHANGE IN FUND BALANCE	\$ 423,008	\$ 3,841,321	\$ 3,418,313
FUND BALANCE - JANUARY 1, 2025	<u>13,413,352</u>	<u>13,413,352</u>	<u> </u>
FUND BALANCE - DECEMBER 31, 2025	<u>\$ 13,836,360</u>	<u>\$ 17,254,673</u>	<u>\$ 3,418,313</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, 2025

	Year Ended December 31,					
	2019	2020	2021	2022	2023	2024
Total Pension Liability						
Service Cost	\$ 90,242	\$ 126,965	\$ 144,258	\$ 159,520	\$ 198,390	\$ 265,040
Interest on total pension liability	7,310	18,084	29,992	44,394	59,618	84,318
Effect of plan changes		22,113	(5,462)			
Effect of economic/demographic (gains) or losses	72	(11,705)	22,158	(18,864)	37,739	28,283
Effect of assumption changes or inputs						
Benefit payments/refunds of contributions		(2,705)		(34,041)	(12,788)	(62,930)
Net change in total pension liability	\$ 97,624	\$ 152,752	\$ 190,946	\$ 151,009	\$ 282,959	\$ 314,711
Total pension liability, beginning		97,624	250,376	441,322	592,331	875,290
Total pension liability, ending (a)	\$ 97,624	\$ 250,376	\$ 441,322	\$ 592,331	\$ 875,290	\$ 1,190,001
Fiduciary Net Position						
Employer contributions	\$ 40,572	\$ 88,561	\$ 99,800	\$ 124,900	\$ 184,333	\$ 205,275
Member contributions	31,208	66,970	78,363	86,451	116,305	161,999
Investment income net of investment expenses	(73)	7,969	73,033	(44,157)	74,664	111,450
Benefit payments/refunds of contributions		(2,705)	0	(34,041)	(12,788)	(62,930)
Administrative Expense	(56)	(175)	(268)	(383)	(538)	(796)
Other	2,468	4,529	5,114	25,378	14,672	17,057
Net change in fiduciary net position	\$ 74,119	\$ 165,149	\$ 256,042	\$ 158,148	\$ 376,648	\$ 432,055
Fiduciary net position, beginning		74,119	239,268	495,310	653,458	1,030,106
Fiduciary net position, ending (b)	\$ 74,119	\$ 239,268	\$ 495,310	\$ 653,458	\$ 1,030,106	\$ 1,462,161
Net pension liability/(asset), ending = (a) - (b)	\$ 23,505	\$ 11,108	\$ (53,988)	\$ (61,127)	\$ (154,816)	\$ (272,160)
Fiduciary net position as a percentage of total pension liability	75.92%	95.56%	112.23%	110.32%	117.69%	122.87%
Pensionable covered payroll	\$ 445,823	\$ 956,711	\$ 1,119,478	\$ 1,235,011	\$ 1,661,504	\$ 2,314,276
Net pension liability as a percentage of covered payroll	5.27%	1.16%	-4.82%	-4.95%	-9.32%	-11.76%

* Amended by TCDRS

Note : This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

See accompanying independent auditor's report.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
SCHEDULE OF DISTRICT TCDRS CONTRIBUTIONS
DECEMBER 31, 2025

Year Ending December 31	Actuarially Determined Contribution ⁽¹⁾	Actual Employer Contribution ⁽¹⁾	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽²⁾	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	\$ 162,827	\$ 184,333	\$ (21,506)	\$ 1,661,504	11.1%
2024	\$ 205,275	\$ 205,275	\$ - 0 -	\$ 2,314,276	8.9%
2025	\$ 266,324	\$ 266,324	\$ - 0 -	\$ 3,019,543	8.8%

⁽¹⁾ TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

⁽²⁾ 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, 2025**

**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	13.7 years (based on contribution rate calculated in 12/31/24 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*	2015-2018: Not applicable, prior to TCDRS participation. 2019-2024: 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, 2025

Nonemployer Contributing Entity's Proportionate Share of Collective Net Pension Liability					
Date of Actuarial Valuation	8/31/2025	8/31/2024	8/31/2023	8/31/2022	8/31/2021
Participating Departments:					
Brazoria ESD 3	0.071%	0.065%	0.074%	0.074%	0.075%
Liverpool VFD	**	**	**	**	**
Manvel VFD	**	**	**	**	**
	<u>0.071%</u>	<u>0.065%</u>	<u>0.074%</u>	<u>0.074%</u>	<u>0.075%</u>
TESRS Net Pension Liability	\$ 48,621,858	\$ 107,374,812	\$ 43,287,107	\$ 41,030,076	\$ 10,714,152
proportionate share	\$ 34,522	\$ 69,794	\$ 32,032	\$ 30,362	\$ 8,036
Nonemployer Contributing Entity's Contributions to TESRS					
Contributions	\$ 3,900	\$ 3,350	\$ 3,600	\$ 3,600	\$ 3,600

Nonemployer Contributing Entity's Proportionate Share of Collective Net Pension Liability					
Date of Actuarial Valuation	8/31/2020	8/31/2019	8/31/2019	8/31/2018	8/31/2017
Participating Departments:					
Brazoria ESD 3					
Liverpool VFD	0.039%	0.130%	0.130%	*	0.130%
Manvel VFD	<u>0.051%</u>	<u>0.099%</u>	<u>0.099%</u>	*	<u>0.099%</u>
	<u>0.090%</u>	<u>0.229%</u>	<u>0.229%</u>	<u>0.595%</u>	<u>0.229%</u>
TESRS Net Pension Liability	\$ 25,210,882	\$ 28,345,563	\$ 28,345,563	\$ 21,650,451	\$ 24,001,678
proportionate share	\$ 22,690	\$ 64,911	\$ 64,911	\$ 128,820	\$ 54,964
Nonemployer Contributing Entity's Contributions to TESRS					
Contributions	\$ 4,200	\$ 10,277	\$ 10,277	\$ 28,473	\$ 11,100

*Not available

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

See accompanying independent auditor's report.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
OTHER SUPPLEMENTARY INFORMATION
DECEMBER 31, 2025

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
SCHEDULE OF INSURANCE AND BONDING COVERAGE
DECEMBER 31, 2025

Type of Coverage	From To	Amount of Coverage	Insurer/Name
PUBLIC OFFICIAL BONDS Blanket Employee Dishonesty Bond- Treasurer Computer and Funds Transfer Fraud Fraudulent Impersonation Identity Fraud Expense	01/01/25 01/01/26	\$ 100,000 100,000 100,000 100,000 100,000	National Union Insurance Fire Company
GENERAL LIABILITY General Aggregate Per Occurrence	01/01/25 01/01/26	\$ 10,000,000 1,000,000	National Union Insurance Fire Company
MANAGEMENT LIABILITY Each Offense or Wrongful Act Annual Aggregate	01/01/25 01/01/26	\$ 1,000,000 10,000,000	National Union Insurance Fire Company
EXCESS LIABILITY General Aggregate Per Occurrence	01/01/25 01/01/26	\$ 4,000,000 2,000,000	National Union Insurance Fire Company
AUTOMOBILE LIABILITY Combined Single Limit	01/01/25 01/01/26	\$ 1,000,000	National Union Insurance Fire Company
PROPERTY-various addresses Buildings Contents Generators Carport Towers/antennae	01/01/25 01/01/26	\$ 12,130,151 968,465 248,388 4,270 58,887	National Union Insurance Fire Company
WORKERS COMPENSATION Bodily Injury by Accident Bodily Injury by Disease Disease Policy Limit	01/01/25 01/01/26	\$ 1,000,000 1,000,000 1,000,000	Texas Mutual Insurance Company
ACCIDENT & SICKNESS POLICY AD&D Medical in excess of workers comp. Disability- first 4 weeks Disability - after 4 weeks	01/01/25 01/01/26	\$ 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, 2025

		<u>Total Taxes</u>
TAXES RECEIVABLE -January 1, 2025	\$ 5,916,991	
Adjustments to Beginning Balance	<u>50,658</u>	\$ 5,967,649
Original 2025 Tax Levy	\$ 12,662,294	
Adjustment to 2025 Tax Levy	<u>296,848</u>	<u>12,959,142</u>
TOTAL TO BE ACCOUNTED FOR		\$ 18,926,791
TAX COLLECTIONS:		
Prior Years	\$ 5,623,201	
Current Tax Year	<u>6,553,118</u>	<u>12,176,319</u>
TAXES RECEIVABLE - DECEMBER 31, 2025		<u>\$ 6,750,472</u>
TAXES RECEIVABLE BY YEAR:		
2025		\$ 6,406,024
2024		119,432
2023		63,824
2022		42,413
2021		22,650
2020		16,874
2019		14,276
2018		10,766
2017		9,875
2016		7,376
2015		6,649
2014		4,831
2013		3,784
2012		6,511
2011		3,946
2010		2,105
2009		2,034
2008		1,768
2007		1,709
2006		1,323
2005		1,162
2004		<u>1,140</u>
TOTAL		<u>\$ 6,750,472</u>

See accompanying independent auditor's report.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2025**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
PROPERTY VALUATIONS	<u>\$ 16,353,426,191</u>	<u>\$ 15,057,088,353</u>	<u>\$ 13,645,354,144</u>	<u>\$ 9,442,961,312</u>
TAX RATE PER \$100 VALUATION	<u>\$ 0.079229</u>	<u>\$ 0.077459</u>	<u>\$ 0.077385</u>	<u>\$ 0.097745</u>
ADJUSTED TAX LEVY *	<u>\$ 12,959,142</u>	<u>\$ 11,665,583</u>	<u>\$ 10,567,985</u>	<u>\$ 9,232,869</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>50.57 %</u>	<u>98.98 %</u>	<u>99.40 %</u>	<u>99.54 %</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		
	2025	2024	2023
REVENUES			
Property Taxes	\$ 11,683,888	\$ 10,556,658	\$ 9,187,368
Emergency Services Revenues	2,350,458	2,045,658	1,459,761
Contract Payments	7,000	7,000	7,000
East Texas Gulf Coast Administration Fees			19,586
Grant Revenue			89,655
Penalty and Interest	164,743	91,121	95,625
Investment Revenues	806,750	595,939	488,806
Miscellaneous Revenues	432,232	215,432	85,164
TOTAL REVENUES	<u>\$ 15,445,071</u>	<u>\$ 13,511,808</u>	<u>\$ 11,432,965</u>
EXPENDITURES			
District Services:			
Accounting and Auditing	\$ 88,152	\$ 97,681	\$ 71,095
Appraisal District Fees	34,839	79,063	66,738
Communications	119,185	117,312	44,245
Consulting Fees			
Contract Operations	3,516,486	3,379,805	3,002,558
Direct Operations	1,239,487	1,085,424	926,193
Legal Fees-General	85,800	104,690	148,698
Legal Fees-Delinquent Tax Collections	49,034	40,693	38,986
Salaries and Benefits	3,784,854	3,111,079	2,242,022
Tax Assessor/Collector Fees	23,903	46,277	14,123
Repairs and Maintenance	691,157	623,153	629,035
Other	656,531	815,388	515,286
Capital Outlay	2,635,571	1,194,478	4,102,330
Capital Lease Principal	72,303	69,253	66,334
Capital Lease Interest	5,063	8,115	11,035
Loan Principal	439,482	428,790	356,794
Loan Interest	211,903	226,744	212,935
TOTAL EXPENDITURES	<u>\$ 13,653,750</u>	<u>\$ 11,427,945</u>	<u>\$ 12,448,407</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 1,791,321</u>	<u>\$ 2,083,863</u>	<u>\$ (1,015,442)</u>
OTHER FINANCING SOURCES (USES)			
Loan Proceeds	\$ 2,000,000	\$	\$ 523,193
Contribution from Other Entities	50,000		
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 2,050,000</u>	<u>\$ - 0 -</u>	<u>\$ 523,193</u>
NET CHANGE IN FUND BALANCE	\$ 3,841,321	\$ 2,083,863	\$ (492,249)
BEGINNING FUND BALANCE	13,413,352	11,329,489	11,821,738
ENDING FUND BALANCE	<u>\$ 17,254,673</u>	<u>\$ 13,413,352</u>	<u>\$ 11,329,489</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2022	2021	2025	2024	2023	2022	2021
\$ 7,743,236	\$ 6,992,412	75.7 %	78.1 %	80.3 %	80.1 %	80.0 %
1,474,341	1,276,472	15.2	15.1	12.8	15.3	14.6
7,000	93,847		0.1	0.1	0.1	1.1
20,000	22,000			0.2	0.2	0.3
122,132	206,429			0.8	1.3	2.4
70,567	66,122	1.1	0.7	0.8	0.7	0.8
162,961	8,781	5.2	4.4	4.3	1.7	0.1
59,803	61,796	2.8	1.6	0.7	0.6	0.7
<u>\$ 9,660,040</u>	<u>\$ 8,727,859</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 61,283	\$ 61,305	0.6	0.7	0.6	0.6	0.7
56,352	48,263	0.2	0.6	0.6	0.6	0.6
56,790	57,122	0.8	0.9	0.4	0.6	0.7
	221,991					2.5
2,715,061	2,468,002	22.8	25.0	26.3	28.1	28.3
818,686	723,609	8.0	8.0	8.1	8.5	8.3
66,507	41,430	0.6	0.8	1.3	0.7	0.5
29,870	29,072	0.3	0.3	0.3	0.3	0.3
1,740,484	1,501,015	24.5	23.0	19.6	18.0	17.2
16,762	13,418	0.2	0.3	0.1	0.2	0.2
426,424	333,513	4.5	4.6	5.5	4.4	3.8
385,027	370,658	4.3	6.0	4.5	4.0	4.2
5,854,732	1,103,361	17.1	8.8	35.9	60.6	12.6
349,937	342,247	0.5	0.5	0.6	3.6	3.9
14,473	22,277		0.1	0.1	0.1	0.3
212,995	74,615	2.8	3.2	3.1	2.2	0.9
128,939	39,465	1.4	1.7	1.9	1.3	0.5
<u>\$ 12,934,322</u>	<u>\$ 7,451,363</u>	<u>88.6 %</u>	<u>84.5 %</u>	<u>108.9 %</u>	<u>133.8 %</u>	<u>85.5 %</u>
<u>\$ (3,274,282)</u>	<u>\$ 1,276,496</u>	<u>11.4 %</u>	<u>15.5 %</u>	<u>(8.9) %</u>	<u>(33.8) %</u>	<u>14.5 %</u>
\$ 7,200,000	\$					
<u>\$ 7,200,000</u>	<u>\$ - 0 -</u>					
\$ 3,925,718	\$ 1,276,496					
7,896,020	6,619,524					
<u>\$ 11,821,738</u>	<u>\$ 7,896,020</u>					

See accompanying independent auditor's report.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
BOARD OF COMMISSIONERS AND CONSULTANTS
DECEMBER 31, 2025

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

District Telephone Number - (281) 519-8779

<u>Commissioners</u>	<u>Term of Office Appointed Expires</u>	<u>Fees of Office for the year ended December 31, 2025</u>	<u>Expense Reimbursements for the year ended December 31, 2025</u>	<u>Title</u>
Darrell Valusek	01/01/25 12/31/26	\$ 3,750	\$ -0-	President
Frank Hagdorn	01/01/25 12/31/26	\$ 7,200	\$ 773	Vice President
Matt Glaves	01/01/25 12/31/26	\$ 7,200	\$ 787	Secretary/ Treasurer
George Bullington	01/01/24 12/31/25	\$ 4,650	\$ -0-	Assistant Secretary
DeWayne Davis	07/08/25 12/31/25	\$ 2,700	\$ -0-	Assistant Treasurer

The limit on fees of office that a Commissioner may receive during a year is as set by the Health and Safety Code-Chapter 775. Effective September 1, 2017, a Commissioner is entitled to receive compensation in the same manner and amount as are provided by Section 49.060 of the Texas Water Code, currently \$7,200 per fiscal year. The above fees of office and expense reimbursements are the amounts paid to a Commissioner during the District's current fiscal year.

See accompanying independent auditor's report.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3
BOARD OF COMMISSIONERS AND CONSULTANTS
DECEMBER 31, 2025

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2025*</u>	<u>Title</u>
Coveler & Peeler, P.C.	**	\$ 64,994	Attorney
Locke Lord, LLP	**	\$ -0-	Litigation
McCall Gibson Swedlund Barfoot Ellis PLLC	04/13/09	\$ 24,000	Auditor
Randall F. Parr, CPA	08/12/24	\$ 50,500	Bookkeeper
JAG Argueta	04/21/20	\$ 8,202	Former Bookkeeper
Perdue, Brandon, Fiedler, Collins & Mott, L.L.P.	04/11/00	\$ 49,034	Delinquent Tax Attorney
Brazoria County Tax Assessor/Collector	Legislative Action	\$ 23,903	Tax Assessor/ Collector

* Accrual basis
** Not available

See accompanying independent auditor's report.