

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**BRAZORIA COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**DECEMBER 31, 2018**



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

**BRAZORIA COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2018**



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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and major fund of Brazoria County Emergency Services District No. 3 as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.





## **Opinions**

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, 2018, 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.

## **Other Matters**

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

### *Other Information*

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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

May 21, 2019



**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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, 2018. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for resources not accounted for in another fund, property tax revenues, 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, 2018**

**FUND FINANCIAL STATEMENTS (Continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$7,769,123 as of December 31, 2018.

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, 2018**

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

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	\$ 11,224,202	\$ 10,408,116	\$ 816,086
Capital Assets (Net of Accumulated Depreciation)	4,561,780	4,804,272	(242,492)
Total Assets	\$ 15,785,982	\$ 15,212,388	\$ 573,594
Deferred Outflows of Resources	\$ 481	\$ 5,987	\$ 5,506
Long-Term Liabilities	\$ 1,975,623	\$ 2,377,699	\$ 402,076
Other Liabilities	573,572	541,000	(32,572)
Total Liabilities	\$ 2,549,195	\$ 2,918,699	\$ 369,504
Deferred Inflows of Resources	\$ 5,468,145	\$ 5,170,038	\$ (298,107)
Net Position:			
Net Investment in Capital Assets	\$ 2,184,081	\$ 2,031,605	\$ 152,476
Unrestricted	5,585,042	5,098,033	487,009
Total Net Position	\$ 7,769,123	\$ 7,129,638	\$ 639,485

The following table provides a summary of the District's operations for the year ended December 31, 2018, and for the year ended December 30, 2017.

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 5,203,508	\$ 4,638,905	\$ 564,603
Other Revenues	303,032	125,562	177,470
Total Revenues	\$ 5,506,540	\$ 4,764,467	\$ 742,073
Expenses for Services	(4,867,055)	(3,740,633)	(1,126,422)
Change in Net Position	\$ 639,485	\$ 1,023,834	\$ (384,349)
Net Position, Beginning of Year	7,129,638	6,105,804	1,023,834
Net Position, End of Year	\$ 7,769,123	\$ 7,129,638	\$ 639,485

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

The District's fund balance as of December 31, 2018, was \$5,414,711, an increase of \$532,531 from the prior year. This increase was primarily due to operating revenues exceeding operating expenditures.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Commissioners did not amend the budget during the current fiscal period. Actual revenues were \$65,331 less than budgeted revenues. Actual expenditures were \$101,247 more than budgeted expenditures. This is primarily due to actual expenditures for provider payments, note principal payments, and repairs and maintenance being greater than budgeted, while capital outlay expenditures were less than budgeted. The District received radios and two vehicles from Manvel EMS during the current fiscal year and paid off the remaining related notes payable at time of transfer.

**CAPITAL ASSETS**

Capital assets as of December 31, 2018, total \$4,561,780 (net of accumulated depreciation) and include land, buildings, trucks and equipment.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capitals Assets Not Being Depreciated:			
Land and Land Improvements	\$ 156,559	\$ 156,559	\$
Construction in Progress		1,289,180	(1,289,180)
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	1,779,900	1,837,289	(57,389)
Equipment and Vehicles	2,625,321	1,521,244	1,104,077
Total Net Capital Assets	\$ 4,561,780	\$ 4,804,272	\$ (242,492)

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

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**LONG-TERM DEBT ACTIVITY**

At the end of the current fiscal period, the District had total long-term debt payable of \$2,377,699.

The changes in the debt position of the District during the year ended December 31, 2018, are summarized as follows:

Capital Leases Payable, January 1, 2018	\$ 1,802,668
Less: Principal Paid	<u>320,353</u>
Capital Leases Payable, December 31, 2018	<u><u>\$ 1,482,315</u></u>
Notes Payable, January 1, 2018	\$ 969,999
Add: Principal Assumed	60,357
Less: Principal Paid	<u>134,972</u>
Notes Payable, December 31, 2018	<u><u>\$ 895,384</u></u>

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Brazoria County Emergency Services District No. 3, c/o Coveler & Peeler, P.C., Two Memorial City Plaza, 820 Gessner, Suite 1710, Houston, TX 77024-8261.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**DECEMBER 31, 2018**

	General	Adjustments	Statement of Net Position
<b>ASSETS</b>			
Cash	\$ 6,086,523	\$	\$ 6,086,523
Investments	1,948,466		1,948,466
Cash with Brazoria County	270,075		270,075
Receivables:			
Property Taxes	2,760,860		2,760,860
Penalty and Interest on Delinquent Taxes		123,485	123,485
Prepaid Costs	34,793		34,793
Land		156,559	156,559
Capital Assets (Net of Accumulated Depreciation)		4,405,221	4,405,221
<b>TOTAL ASSETS</b>	<u>\$ 11,100,717</u>	<u>\$ 4,685,265</u>	<u>\$ 15,785,982</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Plan Charges	\$ -0-	\$ 481	\$ 481
<b>TOTAL ASSETS AND DEFERRED</b>			
<b>OUTFLOWS OF RESOURCES</b>	<u>\$ 11,100,717</u>	<u>\$ 4,685,746</u>	<u>\$ 15,786,463</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 8,675	\$	\$ 8,675
Accrued Interest Payable		34,001	34,001
Net Pension Liability		128,820	128,820
Capital Leases Payable:			
Due Within One Year		327,461	327,461
Due After One Year		1,154,854	1,154,854
Notes Payable:			
Due Within One Year		74,615	74,615
Due After One Year		820,769	820,769
<b>TOTAL LIABILITIES</b>	<u>\$ 8,675</u>	<u>\$ 2,540,520</u>	<u>\$ 2,549,195</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	\$ 5,677,331	\$ (216,642)	\$ 5,460,689
Deferred Pension Plan Charges		7,456	7,456
<b>TOTAL DEFERRED INFLOWS OF</b>			
<b>RESOURCES</b>	<u>\$ 5,677,331</u>	<u>\$ (209,186)</u>	<u>\$ 5,468,145</u>
<b>FUND BALANCE/NET POSITION</b>			
<b>FUND BALANCE</b>			
Nonspendable: Prepaid Costs	\$ 34,793	\$ (34,793)	\$
Assigned for Apparatus Purchase	290,695	(290,695)	
Unassigned	5,089,223	(5,089,223)	
<b>TOTAL FUND BALANCE</b>	<u>\$ 5,414,711</u>	<u>\$ (5,414,711)</u>	<u>\$ -0-</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS</b>			
<b>OF RESOURCES AND FUND BALANCE</b>			
	<u>\$ 11,100,717</u>		
<b>NET POSITION</b>			
Net Investment in Capital Assets		\$ 2,184,081	\$ 2,184,081
Unrestricted		5,585,042	5,585,042
<b>TOTAL NET POSITION</b>		<u>\$ 7,769,123</u>	<u>\$ 7,769,123</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, 2018**

Total Fund Balance--Governmental Funds	\$ 5,414,711
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
<p>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.</p>	(135,795)
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.</p>	4,561,780
<p>Deferred inflows of resources related to property tax revenues and penalty and interest receivables on delinquent taxes for the 2017 and prior tax levies became part of recognized revenues in the governmental activities of the District.</p>	340,127
<p>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:</p>	
Accrued Interest Payable	\$ (34,001)
Capital Leases Due Within One Year	(327,461)
Capital Leases Due After One Year	(1,154,854)
Notes Due Within One Year	(74,615)
Notes Due After One Year	<u>(820,769)</u>
	<u>(2,411,700)</u>
Total Net Position---Governmental Activities	<u><u>\$ 7,769,123</u></u>

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, 2018**

	General	Adjustments	Statement of Activities
<b>REVENUES</b>			
Property Taxes	\$ 5,180,292	\$ 23,216	\$ 5,203,508
Emergency Services Revenue	82,074		82,074
East Texas Gulf Coast Administration Fee	10,000		10,000
Penalty and Interest	81,110	15,765	96,875
Investment Revenues	94,808		94,808
Miscellaneous Revenues	12,500	6,775	19,275
	<u>5,460,784</u>	<u>45,756</u>	<u>5,506,540</u>
<b>TOTAL REVENUES</b>	<b>\$ 5,460,784</b>	<b>\$ 45,756</b>	<b>\$ 5,506,540</b>
<b>EXPENDITURES/EXPENSES</b>			
Service Operations:			
District Services:			
Alvin EMS	\$ 350,000	\$	\$ 350,000
Alvin VFD	350,000		350,000
Angleton EMS	335,000		335,000
Angleton VFD	280,000		280,000
CR 143 VFD	66,200		66,200
Danbury EMS	302,384		302,384
Danbury VFD	87,100		87,100
Demi-John VFD	56,200		56,200
Iowa Colony VFD	56,627		56,627
Liverpool VFD	46,893		46,893
Manvel EMS	453,398		453,398
Manvel VFD	450,100		450,100
Rosharon VFD	110,000		110,000
ESD Operations/Emergencies & Grants	193,924		193,924
Auditing	14,725		14,725
Appraisal District Fees	34,231		34,231
Bookkeeping	16,715		16,715
Legal Fees-General	84,948		84,948
Legal Fees-Delinquent Tax Collections	21,652		21,652
Salaries and Benefits	533,848		533,848
Tax Assessor/Collector Fees	15,036		15,036
Depreciation		326,186	326,186
Support Expense - TESRS	29,336	86,818	116,154
Support Expense - LOSAP	10,200		10,200
Repairs and Maintenance	410,333		410,333
Utilities	8,052		8,052
Other	43,256		43,256
Capital Outlay	16,562	(16,562)	
Debt Service:			
Capital Lease Principal	320,353	(320,353)	
Capital Lease Interest	44,056	(1,430)	42,626
Note Principal	134,972	(134,972)	
Note Interest	52,152	(885)	51,267
	<u>4,928,253</u>	<u>(61,198)</u>	<u>4,867,055</u>
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 4,928,253</b>	<b>\$ (61,198)</b>	<b>\$ 4,867,055</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 532,531</b>	<b>\$ (532,531)</b>	<b>\$</b>
<b>CHANGE IN NET POSITION</b>		639,485	639,485
<b>FUND BALANCE/NET POSITION -</b> <b>  JANUARY 1, 2018</b>	<u>4,882,180</u>	<u>2,247,458</u>	<u>7,129,638</u>
<b>FUND BALANCE/NET POSITION -</b> <b>  DECEMBER 31, 2018</b>	<u>\$ 5,414,711</u>	<u>\$ 2,354,412</u>	<u>\$ 7,769,123</u>

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

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balance - Governmental Funds	\$ 532,531
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.	23,216
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.	15,765
Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(326,186)
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.	23,337
The changes in the net pension liability as well as deferred inflows and outflows of resources are recorded in the government-wide financial statements.	(86,818)
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.	455,325
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.	2,315
Change in Net Position - Governmental Activities	<u>\$ 639,485</u>

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

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**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**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”).

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, 2018**

**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, 2018**

**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, 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 2017 tax levy collections during the period October 1, 2017, to December 31, 2018, and taxes collected from January 1, 2018, to December 31, 2018 for all prior levies. The 2018 tax levy has been fully deferred to meet the District's planned expenditures in the 2019 fiscal year.

Capital 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, 2018**

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

Capital Assets (Continued)

Capital assets are capitalized if they have an original cost of \$5,000 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. Estimated useful lives are as follows:

	Years
Buildings	40
Equipment	2-15
Trucks and Vehicles	5-25

Budgeting

In compliance with governmental accounting principles, the Board of Commissioners annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

Pensions

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

Measurement Focus

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

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 appropriate resources.



**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

Measurement Focus (Continued)

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

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

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

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

*Assigned:* amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District has assigned \$290,695 of its General Fund fund balance to set aside funds for a Pierce Saber Pumper quoted at \$490,695 less the \$200,000 cost share grant awarded by the Texas A&M Forest Service.

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

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

Accounting Estimates

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

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**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, 2018, the District levied an ad valorem tax at the rate of \$0.09935 per \$100 of assessed valuation, which resulted in a tax levy of \$5,460,690 on the adjusted taxable valuation of \$5,496,094,015 for the 2018 tax year.

Levy Date - Before the later of September 30 or the 60<sup>th</sup> day after receipt of the certified tax roll.

Lien Date - January 1.

Due Date - Not later than January 31.

Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

**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 \$6,086,523 and the bank balance was \$6,125,055. Of the bank balance, \$500,000 was covered by federal depository insurance and the balance was covered by the pledge of securities held in safekeeping by a third-party institution in the District's name or a letter of credit issued in the District's name.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2018, as listed below:

	Cash
GENERAL FUND	\$ 6,086,523

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

Investments

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

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

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

As of December 31, 2018, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Less Than 1 Year
<b><u>GENERAL FUND</u></b>		
TexPool	<u>\$1,948,466</u>	<u>\$1,948,466</u>

Credit Risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2018, the District’s investments in TexPool were rated “AAAm” by Standard and Poor’s. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool to have a maturity of less than one year due to the fact that the share positions can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 5. CAPITAL ASSETS**

	January 1, 2018	Increase	Decreases	December 31, 2018
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 156,559	\$ - 0 -	\$ - 0 -	\$ 156,559
Construction in Progress	<u>1,289,180</u>	<u>16,562</u>	<u>1,305,742</u>	
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 1,445,739</u>	<u>\$ 16,562</u>	<u>\$ 1,305,742</u>	<u>\$ 156,559</u>
<b>Capital Assets Subject to Depreciation</b>				
Building & Improvements	\$ 2,295,537	\$	\$	\$ 2,295,537
Equipment & Vehicles	<u>3,335,918</u>	<u>1,372,874</u>	<u>50,000</u>	<u>4,658,792</u>
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 5,631,455</u>	<u>\$ 1,372,874</u>	<u>\$ 50,000</u>	<u>\$ 6,954,329</u>
<b>Less Accumulated Depreciation</b>				
Building & Improvements	\$ 458,248	\$ 57,389	\$	\$ 515,637
Equipment & Vehicles	<u>1,814,674</u>	<u>268,797</u>	<u>50,000</u>	<u>2,033,471</u>
<b>Total Accumulated Depreciation</b>	<u>\$ 2,272,922</u>	<u>\$ 326,186</u>	<u>\$ 50,000</u>	<u>\$ 2,549,108</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 3,358,533</u>	<u>\$ 1,046,688</u>	<u>\$ - 0 -</u>	<u>\$ 4,405,221</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 4,804,272</u>	<u>\$ 1,063,250</u>	<u>\$ 1,305,742</u>	<u>\$ 4,561,780</u>

During the current year, the District assumed ownership of radios and two vehicles from the Manvel EMS. At the time of transfer, the District paid off the associated debt.

**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 and the City of Alvin are based upon an agreed-upon amount in their contract. The term of the current agreements is for a period beginning January 1, 2018 and ending December 31, 2018.

Payments to the Departments 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 the monthly and quarterly monetary amounts that will be invoiced to the District by each Department.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

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

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

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

**NOTE 7.      NOTES PAYABLE**

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

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

The following is a summary of transactions regarding notes payable for the year ended December 31, 2018:

Notes Payable, January 1, 2018	\$	969,999
Add: Principal Assumed		60,357
Less: Principal Paid		134,972
Notes Payable, December 31, 2018	<u>\$</u>	<u>895,384</u>
Amount Due Within One Year	\$	74,615
Amount Due After One Year		820,769
Notes Payable, Net	<u>\$</u>	<u>895,384</u>

As of December 31, 2018, debt service requirements on the note are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 74,615	\$ 46,955	\$ 121,570
2020	74,615	42,919	117,534
2021	74,615	38,633	113,248
2022	74,615	34,472	109,087
2023	74,615	30,311	104,926
2024-2028	373,075	89,258	462,333
2029-2030	<u>149,234</u>	<u>6,532</u>	<u>155,766</u>
Grand Total	<u>\$ 895,384</u>	<u>\$ 289,080</u>	<u>\$ 1,184,464</u>

**NOTE 8. CAPITAL LEASES**

On August 24, 2005, the District entered into a lease-purchase agreement with Wells Fargo Brokerage Services, LLC for the construction of a fire station to be used by Manvel Volunteer Fire Department in the amount of \$580,000. Assets under this capital lease total \$581,085 at December 31, 2018. Accumulated amortization/depreciation through December 31, 2018, was \$182,062. Lease payments and related interest of \$47,095 are due annually beginning August 24, 2006 and ending August 24, 2025. The District's incremental borrowing rate is 5.14%.

On April 28, 2017, the District entered into a lease-purchase agreement with Branch Banking & Trust Company (BB&T) for three pumpers with equipment in the amount of \$1,500,000. Assets under this capital lease total \$1,289,180 recorded as construction in progress at December 31, 2018. Accumulated amortization/depreciation through December 31, 2018, was \$46,446. Lease payments and related interest of \$317,315 are due annually beginning April 10, 2018 and ending April 10, 2022. The District's incremental borrowing rate is 1.90%.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 8. CAPITAL LEASES (Continued)**

The following is a summary of transactions regarding capital leases payable for the year ended December 31, 2018:

Capital Leases Payable, January 1, 2018	\$ 1,802,668
Less: Principal Paid	<u>320,353</u>
Capital Leases Payable, December 31, 2018	<u>\$ 1,482,315</u>
Amount Due Within One Year	\$ 327,461
Amount Due After One Year	<u>1,154,854</u>
Capital Leases Payable, Net	<u>\$ 1,482,315</u>

The following is a schedule of future minimum lease payments under the capital leases as of December 31, 2018. The obligations of the District contain a non-appropriation provision.

Fiscal Year	Principal	Interest	Total
2019	\$ 327,461	\$ 36,948	\$ 364,409
2020	334,756	29,653	364,409
2021	342,247	22,163	364,410
2022	349,936	14,473	364,409
2023	40,520	6,575	47,095
2024	<u>87,395</u>	<u>6,795</u>	<u>94,190</u>
Grand Total	<u>\$ 1,482,315</u>	<u>\$ 116,607</u>	<u>\$ 1,598,922</u>

**NOTE 9. RISK MANAGEMENT**

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

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 10. PENSION PLAN**

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 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, 2018, there were 238 contributing fire or emergency departments, which is the most recent valuation report available. TESRS in the aggregate issues an audited annual financial report (AAFR) on a fiscal year basis. The AAFR is available upon written request from the TESRS Board of Trustees at 208 East 10<sup>th</sup> Street, Suite 309, Austin, TX 78701 or at [www.tesrs.org](http://www.tesrs.org).

Plan Description

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

At December 31, 2018, 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	0
Active employees	25

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 \$50 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.



**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

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 actuarial valuation as of August 31, 2016, the Part Two contribution rate was established by the board to be 2% of the Part One contributions beginning September 1, 2017. Based on the most recent actuarial valuation as of August 31, 2018, 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, 2018, the amount of expense recognized by the District for the TESRS plan for provider members was 114,845. The District's proportionate share of the collective net pension liability was \$128,820 and the District's proportion of the collective pension liability was 0.595% as of the measurement date of August 31, 2018, which is the date of the most recent TESRS Report on Pension Information, an increase of .366% from the prior year. The District has made \$29,336 in contributions on behalf of Provider members as of December 31, 2018, of which none was after the measurement date of August 31, 2018. The District has recognized deferred outflows of resources of \$481 and deferred inflows of resources of \$7,456.

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

On November 9, 2015, the County Road 143 Volunteer Fire Department and the 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. 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 \$10,200 under Support Expense-LOSAP to show the District's contribution toward the Providers plan.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

Plan Description

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, 2018, 21 active employees were covered by the benefit terms.

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 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.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2018**



**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, 2018**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 5,168,015	\$ 5,180,292	\$ 12,277
Emergency Services Revenues	330,100	82,074	(248,026)
East Texas Gulf Coast Administration Fees		10,000	10,000
Penalty and Interest		81,110	81,110
Investment Revenues	28,000	94,808	66,808
Miscellaneous Revenues		12,500	12,500
<b>TOTAL REVENUES</b>	<b>\$ 5,526,115</b>	<b>\$ 5,460,784</b>	<b>\$ (65,331)</b>
<b>EXPENDITURES</b>			
Service Operations:			
District Services:			
Alvin EMS	\$ 350,000	\$ 350,000	\$
Alvin VFD	350,000	350,000	
Angleton EMS	335,000	335,000	
Angelton VFD	280,000	280,000	
CR 143 VFD	60,200	66,200	(6,000)
Danbury EMS	403,178	302,384	100,794
Danbury VFD	87,100	87,100	
Demi-John VFD	56,200	56,200	
Iowa Colony VFD	55,000	56,627	(1,627)
Liverpool VFD	36,000	46,893	(10,893)
Manvel EMS	320,113	453,398	(133,285)
Manvel VFD	450,000	450,100	(100)
Rosharon VFD	110,000	110,000	
ESD Operations/Emergencies & Grants	204,677	193,924	10,753
Auditing	14,800	14,725	75
Appraisal District Fees	28,190	34,231	(6,041)
Bookkeeping	12,350	16,715	(4,365)
Legal Fees-General	81,000	84,948	(3,948)
Legal Fees-Delinquent Tax Collections		21,652	(21,652)
Salaries and Benefits	519,076	533,848	(14,772)
Tax Assessor/Collector Fees	16,000	15,036	964
Support Expense - TESRS & LOSAP	25,000	39,536	(14,536)
Repairs and Maintenance	215,000	410,333	(195,333)
Utilities		8,052	(8,052)
Other	87,150	43,256	43,894
Capital Outlay	240,000	16,562	223,438
Debt Service:			
Capital Lease Principal	320,353	320,353	
Capital Lease Interest	44,004	44,056	(52)
Note Principal	74,615	134,972	(60,357)
Note Interest	52,000	52,152	(152)
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,827,006</b>	<b>\$ 4,928,253</b>	<b>\$ (101,247)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 699,109</b>	<b>\$ 532,531</b>	<b>\$ (166,578)</b>
<b>FUND BALANCE -</b>			
<b>JANUARY 1, 2018</b>	<b>4,882,180</b>	<b>4,882,180</b>	
<b>FUND BALANCE -</b>			
<b>DECEMBER 31, 2018</b>	<b>\$ 5,581,289</b>	<b>\$ 5,414,711</b>	<b>\$ (166,578)</b>

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, 2018**

<b>Nonemployer Contributing Entity's Proportionate Share of Collective Net Pension</b>			
Date of Actuarial Valuation	8/31/2018	8/31/2017	8/31/2016
Participating Departments:			
Liverpool VFD	*	0.130%	0.067%
Manvel VFD	*	<u>0.099%</u>	<u>0.215%</u>
	<u>0.595%</u>	<u>0.229%</u>	<u>0.282%</u>
TESRS Net Pension Liability	\$ 21,650,451	\$ 24,001,678	\$ 29,128,103
proportionate share	\$ 128,820	\$ 54,964	\$ 82,141
<b>Nonemployer Contributing Entity's Contributions to TESRS</b>			
Contributions	\$ 28,473	\$ 11,100	\$ 5,350

\*Not available

See accompanying independent auditor's report.

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

**OTHER SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2018**





**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**SCHEDULE OF INSURANCE AND BONDING COVERAGE**  
**DECEMBER 31, 2018**

Type of Coverage	From To	Amount of Coverage	Insurer/Name
PUBLIC OFFICIAL BONDS Blanket Employee Dishonesty Bond	01/01/18 01/01/19	\$ 100,000	American Alternative Insurance Company
GENERAL LIABILITY General Aggregate Products/Completed Operations Per Occurrence	01/01/18 01/01/19	\$ 3,000,000 3,000,000 1,000,000	American Alternative Insurance Company
PORTABLE EQUIPMENT Blanket Replacement Cost Deductible	01/01/18 01/01/19	\$ 250	American Alternative Insurance Company
MANAGEMENT LIABILITY Each Offense or Wrongful Act Annual Aggregate	01/01/18 01/01/19	\$ 1,000,000 3,000,000	American Alternative Insurance Company
AUTOMOBILE LIABILITY Combined Single Limit	01/01/18 01/01/19	\$ 1,000,000	American Alternative Insurance Company
PROPERTY Buildings Contents Generator	01/01/18 01/01/19	\$ 2,126,487 163,116 104,000	American Alternative Insurance Company
WORKERS COMPENSATION Bodily Injury by Accident Bodily Injury by Disease Disease Policy Limit	01/01/18 01/01/19	\$ 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	01/01/18 01/01/19	\$ 100,000 100,000 300 600	National Union Fire Insurance Company

See accompanying independent auditor's report.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Maintenance Taxes	
TAXES RECEIVABLE -January 1, 2018	\$ 2,678,899	
Adjustments to Beginning Balance	33,470	\$ 2,712,369
Original 2018 Tax Levy	\$ 5,347,209	
Adjustment to 2018 Tax Levy	113,481	5,460,690
<b>TOTAL TO BE ACCOUNTED FOR</b>		<b>\$ 8,173,059</b>
<b>TAX COLLECTIONS:</b>		
Prior Years	\$ 2,495,727	
Current Tax Year	2,916,472	5,412,199
<b>TAXES RECEIVABLE - DECEMBER 31, 2018</b>		<b>\$ <u>2,760,860</u></b>
<b>TAXES RECEIVABLE BY YEAR:</b>		
2018		\$ 2,544,218
2017		73,198
2016		37,648
2015		20,291
2014		16,401
2013		12,488
2012		15,132
2011		8,845
2010		6,533
2009		6,457
2008		6,159
2007		3,719
2006		3,306
2005		2,725
2004		3,740
<b>TOTAL</b>		<b>\$ <u>2,760,860</u></b>

See accompanying independent auditor's report.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018	2017	2016	2015
PROPERTY VALUATIONS:				
Land	\$ 2,305,882,290	\$ 2,297,732,052	\$ 2,115,106,172	\$ 1,703,220,216
Improvements	3,842,973,112	3,618,405,972	3,226,343,104	2,901,963,730
Personal Property	811,103,806	759,700,161	715,625,613	800,773,646
Exemptions	<u>(1,463,865,193)</u>	<u>(1,508,322,363)</u>	<u>(1,420,244,607)</u>	<u>(1,177,818,819)</u>
PROPERTY VALUATIONS	<u>\$ 5,496,094,015</u>	<u>\$ 5,167,515,822</u>	<u>\$ 4,636,830,282</u>	<u>\$ 4,228,138,773</u>
TAX RATE PER \$100 VALUATION	<u>\$ 0.099350</u>	<u>\$ 0.100000</u>	<u>\$ 0.100000</u>	<u>\$ 0.100000</u>
ADJUSTED TAX LEVY *	<u>\$ 5,460,690</u>	<u>\$ 5,170,038</u>	<u>\$ 4,638,454</u>	<u>\$ 4,228,128</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>53.41 %</u>	<u>98.58 %</u>	<u>99.19 %</u>	<u>99.52 %</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		
	2018	2017	2016
<b>REVENUES</b>			
Property Taxes	\$ 5,180,292	\$ 4,618,589	\$ 4,252,244
Emergency Services Revenues	82,074		
East Texas Gulf Coast Administration Fees	10,000		
Penalty and Interest	81,110	83,995	88,767
Investment Revenues	94,808	26,706	21,913
Miscellaneous Revenues	12,500	7,375	
<b>TOTAL REVENUES</b>	<u>\$ 5,460,784</u>	<u>\$ 4,736,665</u>	<u>\$ 4,362,924</u>
<b>EXPENDITURES</b>			
District Services:			
Alvin EMS	\$ 350,000	\$ 342,400	\$ 339,000
Alvin VFD	350,000	335,000	326,100
Angleton EMS	335,000	349,000	335,000
Angleton VFD	280,000	280,000	250,000
CR 143 VFD	66,200	60,200	64,475
Danbury EMS	302,384	310,200	296,200
Danbury VFD	87,100	87,100	81,800
Demi-John VFD	56,200	56,200	54,200
Holiday Lakes VFD		-	25,500
Iowa Colony VFD	56,627	50,000	64,136
Liverpool VFD	46,893	31,758	51,000
Manvel EMS	453,398	569,869	348,000
Manvel VFD	450,100	414,225	360,147
Rosharon VFD	110,000	118,750	100,000
ESD Operations/Emergencies and Grants	193,924		
Auditing	14,725	14,725	14,500
Appraisal District Fees	34,231	34,727	30,291
Bookkeeping	16,715	12,782	11,840
Legal Fees-General	84,948	77,061	36,976
Legal Fees-Delinquent Tax Collections	21,652	23,387	26,046
Salaries and Benefits	533,848	17,000	17,700
Tax Assessor/Collector Fees	15,036	15,448	15,369
Support Expense-TERS and LOSAP	39,536	18,244	20,600
Repairs and Maintenance	410,333	162,420	150,216
Other	51,308	16,023	28,156
Capital Outlay	16,562	1,324,053	523,869
Capital Lease Principal	320,353	271,266	269,799
Capital Lease Interest	44,056	17,099	18,565
Note Principal	134,972	74,615	74,615
Note Interest	52,152	56,166	60,463
<b>TOTAL EXPENDITURES</b>	<u>\$ 4,928,253</u>	<u>\$ 5,139,718</u>	<u>\$ 3,994,563</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 532,531</u>	<u>\$ (403,053)</u>	<u>\$ 368,361</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Capital Lease Proceeds	<u>\$ - 0 -</u>	<u>\$ 1,500,000</u>	<u>\$ 482,540</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 532,531</u>	<u>\$ 1,096,947</u>	<u>\$ 850,901</u>
<b>BEGINNING FUND BALANCE</b>	<u>4,882,180</u>	<u>3,785,233</u>	<u>2,934,332</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 5,414,711</u>	<u>\$ 4,882,180</u>	<u>\$ 3,785,233</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues						
		2018	2017	2016	2015	2014		
\$	3,892,531	\$	3,578,843	94.9 %	97.4 %	97.5 %	97.6 %	97.3 %
				1.5				
				0.2				
	74,668		75,130	1.5	1.8	2.0	1.9	2.0
	21,511		23,451	1.7	0.6	0.5	0.5	0.6
	1,985		5,016	0.2	0.2			0.1
\$	<u>3,990,695</u>	\$	<u>3,682,440</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$	278,772	\$	232,544	6.4 %	7.2 %	7.8 %	7.0 %	6.3 %
	318,040		313,040	6.4	7.1	7.5	8.0	8.5
	334,500		327,500	6.1	7.4	7.7	8.4	8.9
	240,000		215,280	5.1	5.9	5.7	6.0	5.8
	62,752		61,911	1.2	1.3	1.5	1.6	1.7
	280,000		270,000	5.5	6.5	6.8	7.0	7.3
	81,800		79,153	1.6	1.8	1.9	2.0	2.1
	74,120		55,674	1.0	1.2	1.2	1.9	1.5
	48,278		38,279			0.6	1.2	1.0
	54,770		51,468	1.0	1.1	1.5	1.4	1.4
	50,318		50,318	0.9	0.7	1.2	1.3	1.4
	332,784		316,958	8.3	12.0	8.0	8.3	8.6
	260,899		222,011	8.2	8.7	8.3	6.5	6.0
	109,968		94,133	2.0	2.5	2.3	2.8	2.6
	114,169		76,083	3.6			2.9	2.2
	14,000		15,500	0.3	0.3	0.3	0.4	0.4
	20,961		26,065	0.6	0.7	0.7	0.5	0.7
	10,510		9,700	0.3	0.3	0.3	0.3	0.3
	30,831		28,198	1.6	1.6	0.8	0.8	0.8
	22,166		21,631	0.4	0.5	0.6	0.6	0.6
	15,400		17,757	9.8	0.4	0.4	0.4	0.5
	15,304		15,187	0.3	0.3	0.4	0.4	0.4
	7,200			0.7	0.4	0.5	0.2	
				7.5	3.4	3.4		
	14,759		20,563	0.9	0.3	0.5	0.4	0.6
	162,439		30,527	0.3	28.0	12.0	4.1	0.8
	696,760		236,922	5.9	5.7	6.2	17.5	6.4
	50,256		60,086	0.8	0.4	0.4	1.3	1.6
	74,615		74,615	2.5	1.6	1.7	1.9	2.0
	64,476		68,602	1.0	1.2	1.4	1.6	1.9
\$	<u>3,840,847</u>	\$	<u>3,029,705</u>	<u>90.2 %</u>	<u>108.5 %</u>	<u>91.6 %</u>	<u>96.7 %</u>	<u>82.3 %</u>
\$	<u>149,848</u>	\$	<u>652,735</u>	<u>9.8 %</u>	<u>(8.5) %</u>	<u>8.4 %</u>	<u>3.3 %</u>	<u>17.7 %</u>
\$	<u>- 0 -</u>	\$	<u>- 0 -</u>					
\$	<u>149,848</u>	\$	<u>652,735</u>					
	<u>2,784,484</u>		<u>2,131,749</u>					
\$	<u>2,934,332</u>	\$	<u>2,784,484</u>					

See accompanying independent auditor's report.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**BOARD OF COMMISSIONERS AND CONSULTANTS**  
**DECEMBER 31, 2018**

District Mailing Address - Brazoria County Emergency Services District No. 3  
c/o Coveler & Peeler, P.C.  
Two Memorial City Plaza  
820 Gessner, Suite 1710  
Houston, TX 77024-8261

District Telephone Number - (713) 984-8222

Commissioners	Term of Office Appointed Expires	Fees of Office for the year ended December 31, 2018	Expense Reimbursements for the year ended December 31, 2018	Title
Darrell Valusek	01/01/17 12/31/18	\$ -0-	\$ -0-	President
Mike Jones	01/01/18 12/31/19	\$ -0-	\$ -0-	Vice President
Frank Hagdorn	01/01/17 12/31/18	\$ -0-	\$ -0-	Secretary
Matt Glaves	01/01/17 12/31/18	\$ -0-	\$ -0-	Treasurer/ Investment Officer
Roy E. Beken	01/01/18 12/31/19	\$ -0-	\$ -0-	Assistant Treasurer/ Assistant Secretary

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, 2018**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2018*</u>	<u>Title</u>
Coveler & Peeler, P.C.		\$ 78,948	Attorney
McCall Gibson Swedlund Barfoot PLLC	04/13/09	\$ 14,725	Auditor
Myrtle Cruz, Inc.		\$ 18,337	Bookkeeper
Perdue, Brandon, Fiedler, Collins & Mott, L.L.P.	04/11/00	\$ 21,652	Delinquent Tax Attorney
Brazoria County Tax Assessor/Collector	Legislative Action	\$ 15,036	Tax Assessor/ Collector

\* Accrual basis

See accompanying independent auditor's report.

