

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**OCTOBER 31, 2025**

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# ***McCall Gibson Swedlund Barfoot Ellis PLLC***

*Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Harris County Improvement District No. 3  
Harris County, Texas

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Improvement District No. 3 (the "District") as of and for the year ended October 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 each major fund of the District as of October 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 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 supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* 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 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

June 23, 2026

# **HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**

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

### **FOR THE YEAR ENDED OCTOBER 31, 2025**

Management's discussion and analysis of Harris County Improvement District No. 3's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended October 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) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined 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 Funds Statement of Revenues, Expenditures and Changes in Fund Balances. 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 similar to 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 of 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 fiscal 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 two governmental fund types. The General Fund accounts for resources not accounted for in another fund, property tax and other revenues, and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED OCTOBER 31, 2025**

**FUND FINANCIAL STATEMENTS (Continued)**

Governmental funds are reported in each of the financial statements. The focus in the fund 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 Funds Statement of Revenues, Expenditures and Changes in Fund Balances 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. A 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 exceeded liabilities and deferred inflows of resources by \$19,831,197 as of October 31, 2025.

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

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED OCTOBER 31, 2025**

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

|                                                  | Summary of Changes in the Statement of Net Position |                |                                  |
|--------------------------------------------------|-----------------------------------------------------|----------------|----------------------------------|
|                                                  | 2025                                                | 2024           | Change<br>Positive<br>(Negative) |
| Current and Other Assets                         | \$ 26,762,146                                       | \$ 24,269,417  | \$ 2,492,729                     |
| Right-to-Use Assets (Net of Amortization)        | 126,296                                             | 215,447        | (89,151)                         |
| Capital Assets (Net of Accumulated Depreciation) | 644,794                                             | 668,688        | (23,894)                         |
| Total Assets                                     | \$ 27,533,236                                       | \$ 25,153,552  | \$ 2,379,684                     |
| Bonds Payable                                    | \$ 1,830,000                                        | \$ 1,895,000   | \$ 65,000                        |
| Lease Payable                                    | 139,925                                             | 235,682        | 95,757                           |
| Other Liabilities                                | 455,058                                             | 391,153        | (63,905)                         |
| Total Liabilities                                | \$ 2,424,983                                        | \$ 2,521,835   | \$ 96,852                        |
| Deferred Inflows of Resources                    | \$ 5,277,056                                        | \$ 5,266,902   | \$ (10,154)                      |
| Net Position:                                    |                                                     |                |                                  |
| Net Investment in Capital Assets                 | \$ 8,441,926                                        | \$ (1,246,547) | \$ 9,688,473                     |
| Restricted                                       | 192,383                                             | 183,540        | 8,843                            |
| Unrestricted                                     | 11,196,888                                          | 18,427,822     | (7,230,934)                      |
| Total Net Position                               | \$ 19,831,197                                       | \$ 17,364,815  | \$ 2,466,382                     |

The following table provides a summary of the District's operations for the years ended October 31, 2025, and October 31, 2024. The District's net position increased by \$2,466,382.

|                                 | Summary of Changes in the Statement of Activities |               |                                  |
|---------------------------------|---------------------------------------------------|---------------|----------------------------------|
|                                 | 2025                                              | 2024          | Change<br>Positive<br>(Negative) |
| Revenues:                       |                                                   |               |                                  |
| Property Taxes                  | \$ 4,872,735                                      | \$ 5,102,004  | \$ (229,269)                     |
| Other Revenues                  | 815,387                                           | 838,584       | (23,197)                         |
| Total Revenues                  | \$ 5,688,122                                      | \$ 5,940,588  | \$ (252,466)                     |
| Expenses for Services           | 3,221,740                                         | 2,807,926     | (413,814)                        |
| Change in Net Position          | \$ 2,466,382                                      | \$ 3,132,662  | \$ (666,280)                     |
| Net Position, Beginning of Year | 17,364,815                                        | 14,232,153    | 3,132,662                        |
| Net Position, End of Year       | \$ 19,831,197                                     | \$ 17,364,815 | \$ 2,466,382                     |

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED OCTOBER 31, 2025**

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

The District's combined fund balances as of October 31, 2025, were \$20,955,392, an increase of \$2,414,444 from the prior year.

The General Fund fund balance increased by \$2,406,577, primarily due to current year investment revenues and property tax revenues exceeding current year expenditures.

The Debt Service Fund fund balance increased by \$7,867, primarily due to the structure of the District's debt.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$106,324 more than budgeted revenues, actual expenditures were \$7,114,728 less than budgeted expenditures, and transfers out of \$10,816 were not budgeted, which resulted in a positive budget variance of \$7,210,236.

**CAPITAL ASSETS**

The District's capital assets as of October 31, 2025, amount to \$644,794 (net of accumulated depreciation). This investment in capital assets includes furniture and equipment, a vehicle and art.

| Capital Assets At Year-End, Net of Accumulated Depreciation |                   |                   |                                  |
|-------------------------------------------------------------|-------------------|-------------------|----------------------------------|
|                                                             | 2025              | 2024              | Change<br>Positive<br>(Negative) |
| Capital Assets, Net of Accumulated Depreciation:            |                   |                   |                                  |
| Furniture and Equipment                                     | \$                | \$ 27             | \$ (27)                          |
| Vehicle                                                     |                   | 6,493             | (6,493)                          |
| Art                                                         | 644,794           | 689,856           | (45,062)                         |
| Total Net Capital Assets                                    | <u>\$ 644,794</u> | <u>\$ 696,376</u> | <u>\$ (51,582)</u>               |

Additional information on the District's capital assets can be found in Note 6 of this report.

The District also entered into a lease agreement for office space which is recorded as a right-of-use asset in the government-wide financial statements. See Note 8 for further disclosure.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED OCTOBER 31, 2025**

**LONG-TERM DEBT ACTIVITY**

As of October 31, 2025, the District had total bond debt payable of \$1,830,000. The changes in the debt position of the District during the fiscal year ended October 31, 2025, are summarized as follows:

|                                     |                            |
|-------------------------------------|----------------------------|
| Bond Debt Payable, November 1, 2024 | \$ 1,895,000               |
| Less: Bond Principal Paid           | <u>65,000</u>              |
| Bond Debt Payable, October 31, 2025 | <u><u>\$ 1,830,000</u></u> |

The District's bonds carry an underlying rating of "AA" by Standard and Poor's Financial Services LLC.

The District also entered into a lease agreement for office space which is recorded as a lease liability in the government-wide financial statements. See Note 8 for further disclosure.

**CONTACTING THE DISTRICT'S 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 Harris County Improvement District No. 3, 3120 Southwest Freeway, Suite 102, Houston, Texas 77098.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**OCTOBER 31, 2025**

|                                                       | <u>General Fund</u>         | <u>Debt<br/>Service Fund</u> |
|-------------------------------------------------------|-----------------------------|------------------------------|
| <b>ASSETS</b>                                         |                             |                              |
| Cash                                                  | \$ 1,543,458                | \$                           |
| Investments                                           | 19,428,182                  | 184,747                      |
| Receivables:                                          |                             |                              |
| Property Taxes (Less Reserve for                      |                             |                              |
| Uncollectible Taxes \$139,434)                        | 5,054,026                   | 152,750                      |
| Penalty and Interest on Delinquent Taxes              |                             |                              |
| Other                                                 | 361,456                     |                              |
| Prepaid Costs                                         | 16,453                      |                              |
| Right-to-Use Assets (Net of Accumulated Amortization) |                             |                              |
| Capital Assets (Net of Accumulated                    |                             |                              |
| Depreciation)                                         |                             |                              |
| <b>TOTAL ASSETS</b>                                   | <u><u>\$ 26,403,575</u></u> | <u><u>\$ 337,497</u></u>     |

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

| <u>Total</u>         | <u>Adjustments</u> | <u>Statement of<br/>Net Position</u> |
|----------------------|--------------------|--------------------------------------|
| \$ 1,543,458         | \$                 | \$ 1,543,458                         |
| 19,612,929           |                    | 19,612,929                           |
| 5,206,776            |                    | 5,206,776                            |
|                      | 21,074             | 21,074                               |
| 361,456              |                    | 361,456                              |
| 16,453               |                    | 16,453                               |
|                      | 126,296            | 126,296                              |
|                      | 644,794            | 644,794                              |
| <u>\$ 26,741,072</u> | <u>\$ 792,164</u>  | <u>\$ 27,533,236</u>                 |

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

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**OCTOBER 31, 2025**

|                                                                               | <u>General Fund</u>         | <u>Debt<br/>Service Fund</u> |
|-------------------------------------------------------------------------------|-----------------------------|------------------------------|
| <b>LIABILITIES</b>                                                            |                             |                              |
| Accounts Payable                                                              | \$ 439,470                  | \$                           |
| Accrued Interest Payable                                                      |                             |                              |
| Long-Term Liabilities:                                                        |                             |                              |
| Lease Payable, Due Within One Year                                            |                             |                              |
| Lease Payable, Due After One Year                                             |                             |                              |
| Bonds Payable, Due Within One Year                                            |                             |                              |
| Bonds Payable, Due After One Year                                             |                             |                              |
| <b>TOTAL LIABILITIES</b>                                                      | <u>\$ 439,470</u>           | <u>\$ - 0 -</u>              |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                          |                             |                              |
| Property Taxes                                                                | <u>\$ 5,193,460</u>         | <u>\$ 152,750</u>            |
| <b>FUND BALANCES</b>                                                          |                             |                              |
| Nonspendable:                                                                 |                             |                              |
| Prepaid Costs                                                                 | \$ 16,453                   | \$                           |
| Assigned for Capital Improvements                                             | 9,640,761                   |                              |
| Restricted for Debt Service                                                   |                             | 184,747                      |
| Assigned to 2026 Budget Deficit                                               | 1,331,989                   |                              |
| Unassigned                                                                    | <u>9,781,442</u>            |                              |
| <b>TOTAL FUND BALANCES</b>                                                    | <u>\$ 20,770,645</u>        | <u>\$ 184,747</u>            |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES AND FUND BALANCES</b> | <u><u>\$ 26,403,575</u></u> | <u><u>\$ 337,497</u></u>     |
| <b>NET POSITION</b>                                                           |                             |                              |
| Net Investment in Capital Assets                                              |                             |                              |
| Restricted for Debt Service                                                   |                             |                              |
| Unrestricted                                                                  |                             |                              |
| <b>TOTAL NET POSITION</b>                                                     |                             |                              |

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

| <u>Total</u>                    | <u>Adjustments</u>     | <u>Statement of<br/>Net Position</u> |
|---------------------------------|------------------------|--------------------------------------|
| \$ 439,470                      | \$ 15,588              | \$ 439,470<br>15,588                 |
|                                 | 98,117                 | 98,117                               |
|                                 | 41,808                 | 41,808                               |
|                                 | 70,000                 | 70,000                               |
|                                 | <u>1,760,000</u>       | <u>1,760,000</u>                     |
| <u>\$ 439,470</u>               | <u>\$ 1,985,513</u>    | <u>\$ 2,424,983</u>                  |
| <br><u>\$ 5,346,210</u>         | <br><u>\$ (69,154)</u> | <br><u>\$ 5,277,056</u>              |
| <br>\$ 16,453                   | <br>\$ (16,453)        | <br>\$                               |
| 9,640,761                       | (9,640,761)            |                                      |
| 184,747                         | (184,747)              |                                      |
| 1,331,989                       | (1,331,989)            |                                      |
| <u>9,781,442</u>                | <u>(9,781,442)</u>     |                                      |
| <u>\$ 20,955,392</u>            | <u>\$ (20,955,392)</u> | <u>\$ - 0 -</u>                      |
| <br><u><u>\$ 26,741,072</u></u> |                        |                                      |
|                                 | \$ 8,441,926           | \$ 8,441,926                         |
|                                 | 192,383                | 192,383                              |
|                                 | <u>11,196,888</u>      | <u>11,196,888</u>                    |
|                                 | <u>\$ 19,831,197</u>   | <u>\$ 19,831,197</u>                 |

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

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**OCTOBER 31, 2025**

|                                          |    |            |
|------------------------------------------|----|------------|
| Total Fund Balances - Governmental Funds | \$ | 20,955,392 |
|------------------------------------------|----|------------|

Amounts reported for governmental activities in the Statement of Net Position are different because:

|                                                                                                                                                                            |  |         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------|
| Capital assets and leased assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. |  | 771,090 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------|

|                                                                                                                                                                                                                                            |  |        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------|
| Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2024 and prior tax levies became part of recognized revenue in the governmental activities of the District. |  | 90,228 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------|

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      | \$ | (15,588)           |                    |
| Lease Payable                 |    | (139,925)          |                    |
| Bonds Payable Within One Year |    | (70,000)           |                    |
| Bonds Payable After One Year  |    | <u>(1,760,000)</u> | <u>(1,985,513)</u> |

|                                              |    |                   |
|----------------------------------------------|----|-------------------|
| Total Net Position - Governmental Activities | \$ | <u>19,831,197</u> |
|----------------------------------------------|----|-------------------|

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

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED OCTOBER 31, 2025**

|                                                                       | <u>General Fund</u>         | <u>Debt<br/>Service Fund</u> |
|-----------------------------------------------------------------------|-----------------------------|------------------------------|
| <b>REVENUES</b>                                                       |                             |                              |
| Property Taxes                                                        | \$ 4,733,057                | \$ 136,399                   |
| Penalty and Interest                                                  | 10,850                      |                              |
| Contract Patrol                                                       | 14,438                      |                              |
| Investment Revenues                                                   | 761,492                     | 7,867                        |
| Miscellaneous Revenues                                                | <u>20,298</u>               |                              |
| <b>TOTAL REVENUES</b>                                                 | <u>\$ 5,540,135</u>         | <u>\$ 144,266</u>            |
| <b>EXPENDITURES/EXPENSES</b>                                          |                             |                              |
| Service Operations:                                                   |                             |                              |
| Depreciation and Amortization                                         | \$                          | \$                           |
| Security and Public Safety                                            | 570,467                     |                              |
| Planning and Urban Design                                             | 1,310,167                   |                              |
| Public Relations and Business Development                             | 420,002                     |                              |
| Program Support Services                                              | 713,756                     | 750                          |
| Debt Service:                                                         |                             |                              |
| Lease Principal                                                       | 95,757                      |                              |
| Lease Interest                                                        | 12,593                      |                              |
| Bond Principal                                                        |                             | 65,000                       |
| Bond Interest                                                         |                             | <u>81,465</u>                |
| <b>TOTAL EXPENDITURES/EXPENSES</b>                                    | <u>\$ 3,122,742</u>         | <u>\$ 147,215</u>            |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER<br/>EXPENDITURES/EXPENSES</b> | <u>\$ 2,417,393</u>         | <u>\$ (2,949)</u>            |
| <b>OTHER FINANCING SOURCES (USES)</b>                                 |                             |                              |
| Transfers In(Out)                                                     | <u>\$ (10,816)</u>          | <u>\$ 10,816</u>             |
| <b>NET CHANGE IN FUND BALANCES</b>                                    | <u>\$ 2,406,577</u>         | <u>\$ 7,867</u>              |
| <b>CHANGE IN NET POSITION</b>                                         |                             |                              |
| <b>FUND BALANCES/NET POSITION -<br/>NOVEMBER 1, 2024</b>              | <u>18,364,068</u>           | <u>176,880</u>               |
| <b>FUND BALANCES/NET POSITION -<br/>OCTOBER 31, 2025</b>              | <u><u>\$ 20,770,645</u></u> | <u><u>\$ 184,747</u></u>     |

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

| <u>Total</u>         | <u>Adjustments</u>    | <u>Statement of<br/>Activities</u> |
|----------------------|-----------------------|------------------------------------|
| \$ 4,869,456         | \$ 3,279              | \$ 4,872,735                       |
| 10,850               | 442                   | 11,292                             |
| 14,438               |                       | 14,438                             |
| 769,359              |                       | 769,359                            |
| <u>20,298</u>        |                       | <u>20,298</u>                      |
| \$ 5,684,401         | \$ 3,721              | \$ 5,688,122                       |
| <br>                 |                       |                                    |
| \$ 570,467           | \$ 113,045            | \$ 113,045                         |
| 1,310,167            |                       | 570,467                            |
| 420,002              |                       | 1,310,167                          |
| 714,506              |                       | 420,002                            |
|                      |                       | 714,506                            |
| 95,757               | (95,757)              |                                    |
| 12,593               |                       | 12,593                             |
| 65,000               | (65,000)              |                                    |
| 81,465               | (505)                 | 80,960                             |
| <u>3,269,957</u>     | <u>(48,217)</u>       | <u>3,221,740</u>                   |
| <br>                 |                       |                                    |
| \$ 2,414,444         | \$ 51,938             | \$ 2,466,382                       |
| <br>                 |                       |                                    |
| \$ -0-               | \$ -0-                | \$ -0-                             |
| \$ 2,414,444         | \$ (2,414,444)        | \$                                 |
|                      | 2,466,382             | 2,466,382                          |
| <br>                 |                       |                                    |
| <u>18,540,948</u>    | <u>(1,176,133)</u>    | <u>17,364,815</u>                  |
| <br>                 |                       |                                    |
| <u>\$ 20,955,392</u> | <u>\$ (1,124,195)</u> | <u>\$ 19,831,197</u>               |

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

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED OCTOBER 31, 2025**

|                                                  |              |
|--------------------------------------------------|--------------|
| Net Change in Fund Balances - Governmental Funds | \$ 2,414,444 |
|--------------------------------------------------|--------------|

Amounts reported for governmental activities in the Statement of Activities are different because:

|                                                                                                                                                                              |       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied. | 3,279 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|

|                                                                                                                                                                                                 |     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed. | 442 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|

|                                                                                                                                                                                                                 |           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Governmental funds do not account for depreciation and amortization. However, in the Statement of Net Position, capital assets are depreciated and leased assets are amortized over the estimated useful lives. | (113,045) |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

|                                                                                                                                                                                                     |         |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Governmental funds report bond and lease principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities. | 160,757 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|

|                                                                                                                                                                                                                   |     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end. | 505 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|

|                                                  |                     |
|--------------------------------------------------|---------------------|
| Change in Net Position - Governmental Activities | <u>\$ 2,466,382</u> |
|--------------------------------------------------|---------------------|

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

# **HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **OCTOBER 31, 2025**

#### **NOTE 1. CREATION OF DISTRICT**

The Harris County Improvement District No. 3, (the “District”) was created, effective May 26, 1997, by the Texas Legislature under provisions of Senate Bill No. 1750, now governed by Chapter 3805 of the Texas Special District Local Laws Code. The District’s boundaries were modified (enlarged to conform to the boundaries of Reinvestment Zone No. 19 of the City of Houston) by a subsequent act of the Texas Legislature. Pursuant to the provisions of the Act creating the District, the District is empowered to promote, develop, encourage, and maintain employment, commerce, transportation, housing, tourism, recreation, arts and entertainment, economic development, safety, and the public welfare within the District’s boundaries. The Board of Directors held its first meeting on June 24, 1997 and sold its first bonds on August 22, 2013.

#### **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”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality (the “Commission”).

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not 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 statement 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”).

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**OCTOBER 31, 2025**

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

Financial Statement Presentation (Continued)

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:

- 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 Net Position 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.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**OCTOBER 31, 2025**

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

Government-Wide Financial Statements (Continued)

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 revenue and expense of the government-wide Statement of Activities.

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 Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has two governmental funds and considers these funds to be major funds.

General Fund - To account for resources not required to be accounted for in another fund, property tax and other revenues and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

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 collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectible 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.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**OCTOBER 31, 2025**

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

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenue include the 2024 tax levy collections during the period October 1, 2024, to October 31, 2025, and taxes collected from November 1, 2024, to October 31, 2025, for the 2023 and prior tax levies. The 2025 tax levy has been fully deferred to meet the cost of operations for the 2026 fiscal year.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of October 31, 2025, the General Fund transferred \$10,816 to the Debt Service Fund for maintenance tax collections.

Capital Assets

Capital assets, which include office equipment and fixtures and vehicles, 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. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Furniture and equipment are depreciated over period ranging from 3 to 5 years. Vehicles and leasehold improvements are depreciated over a period of 5 years. Art is depreciated over a period of 40 years.

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 reporting. 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 revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**OCTOBER 31, 2025**

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

Pensions

The District provides benefits to its employees under simple IRA plans. During the current fiscal year, the District contributed \$59,077 to the employee's simple IRA plans. Employees are also provided social security benefits.

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 and liabilities 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 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 Directors. 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 assigned \$1,331,989 of its General Fund fund balance to offset a budgeted deficit in 2026.

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

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**OCTOBER 31, 2025**

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

Measurement Focus (Continued)

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.

**NOTE 3.      LONG-TERM DEBT**

|                                       | <u>Series 2013</u>        |
|---------------------------------------|---------------------------|
| Amount Outstanding – October 31, 2025 | \$ 1,830,000              |
| Interest Rates                        | 4.00% - 4.70%             |
| Maturity Dates –<br>Beginning/Ending  | February 15,<br>2026/2043 |
| Interest Payment Dates                | February 15/<br>August 15 |
| Callable Dates                        | February 15, 2021*        |

\* Or on any date thereafter, in whole or in part, at the option of the District, at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Series 2013 term bonds maturing on February 15, 2028, February 15, 2031, February 15, 2034, February 15, 2037, February 15, 2040 and February 15, 2043, are subject to mandatory redemption on February 15, 2026, February 15, 2029, February 15, 2032, February 15, 2035, February 15, 2038, and February 15, 2041, respectively.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**OCTOBER 31, 2025**

**NOTE 3. LONG-TERM DEBT (Continued)**

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

|               | November 1,<br>2024 | Additions                  | Retirements      | October 31,<br>2025 |
|---------------|---------------------|----------------------------|------------------|---------------------|
| Bonds Payable | <u>\$ 1,895,000</u> | <u>\$ -0-</u>              | <u>\$ 65,000</u> | <u>\$ 1,830,000</u> |
|               |                     | Amount Due Within One Year |                  | \$ 70,000           |
|               |                     | Amount Due After One Year  |                  | <u>1,760,000</u>    |
|               |                     | Bonds Payable              |                  | <u>\$ 1,830,000</u> |

As of October 31, 2025, the debt service requirements on the bonds outstanding were as follows:

| Fiscal Year | Principal           | Interest          | Total               |
|-------------|---------------------|-------------------|---------------------|
| 2026        | \$ 70,000           | \$ 78,765         | \$ 148,765          |
| 2027        | 70,000              | 75,965            | 145,965             |
| 2028        | 75,000              | 73,065            | 148,065             |
| 2029        | 75,000              | 70,065            | 145,065             |
| 2030        | 80,000              | 66,965            | 146,965             |
| 2031-2035   | 455,000             | 281,395           | 736,395             |
| 2036-2040   | 580,000             | 168,900           | 748,900             |
| 2041-2043   | <u>425,000</u>      | <u>30,667</u>     | <u>455,667</u>      |
|             | <u>\$ 1,830,000</u> | <u>\$ 845,787</u> | <u>\$ 2,675,787</u> |

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. The District has authorized but unissued tax bonds totaling \$27,500,000 for economic development and road facilities. During the year ended October 31, 2025, the District levied an ad valorem debt service tax at the rate of \$0.00371 per \$100 of assessed valuation, which resulted in a tax levy of \$150,599 on the adjusted taxable valuation of \$4,059,273,631 for the 2025 tax year. The bond order requires the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for maintenance tax levy.

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 attach thereafter.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**OCTOBER 31, 2025**

**NOTE 4.      SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS**

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148 (f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each 5<sup>th</sup>-year anniversary of each issue.

The bond order states that the District is required to annually provide continuing disclosure of certain general financial information and operating data to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

**NOTE 5.      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 \$1,543,458 and the bank balance was \$1,626,133. The District was not exposed to custodial credit risk at fiscal year-end.

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

|              |                        |
|--------------|------------------------|
|              | <u>Cash</u>            |
| GENERAL FUND | <u>\$    1,543,458</u> |

# HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3

## NOTES TO THE FINANCIAL STATEMENTS

### OCTOBER 31, 2025

#### NOTE 5. 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 Directors.

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 has oversight of TexPool. Federated Hermes, Inc. manages the daily operations of TexPool 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 October 31, 2025, the District had the following investments and maturities:

| Fund and<br>Investment Type | Fair Value                  | Maturities in<br>Less Than<br>1 Year |
|-----------------------------|-----------------------------|--------------------------------------|
| <u>GENERAL FUND</u>         |                             |                                      |
| TexPool                     | \$ 19,428,182               | \$ 19,428,182                        |
| <u>DEBT SERVICE FUND</u>    |                             |                                      |
| TexPool                     | 184,747                     | 184,747                              |
| <b>TOTAL INVESTMENTS</b>    | <u><u>\$ 19,612,929</u></u> | <u><u>\$ 19,612,929</u></u>          |

# HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3

## NOTES TO THE FINANCIAL STATEMENTS

### OCTOBER 31, 2025

#### NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

##### Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At October 31, 2025, the District's investment in TexPool was 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 investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

##### Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service.

#### NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended October 31, 2025:

|                                                                          | November 1,<br>2024 | Increases          | Decreases       | October 31,<br>2025 |
|--------------------------------------------------------------------------|---------------------|--------------------|-----------------|---------------------|
| <b>Capital Assets Subject to Depreciation</b>                            |                     |                    |                 |                     |
| Furniture and Equipment                                                  | \$ 80,984           | \$                 | \$              | \$ 80,984           |
| Vehicle                                                                  | 25,426              |                    |                 | 25,426              |
| Art                                                                      | 900,000             |                    |                 | 900,000             |
| <b>Total Capital Assets Subject to Depreciation</b>                      | <u>\$ 1,006,410</u> | <u>\$ - 0 -</u>    | <u>\$ - 0 -</u> | <u>\$ 1,006,410</u> |
| <b>Accumulated Depreciation</b>                                          |                     |                    |                 |                     |
| Furniture and Equipment                                                  | \$ 80,984           | \$                 | \$              | \$ 80,984           |
| Vehicle                                                                  | 24,032              | 1,394              |                 | 25,426              |
| Art                                                                      | 232,706             | 22,500             |                 | 255,206             |
| <b>Total Accumulated Depreciation</b>                                    | <u>\$ 337,722</u>   | <u>\$ 23,894</u>   | <u>\$ - 0 -</u> | <u>\$ 361,616</u>   |
| <b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b> | <u>\$ 668,688</u>   | <u>\$ (23,894)</u> | <u>\$ - 0 -</u> | <u>\$ 644,794</u>   |

# HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3

## NOTES TO THE FINANCIAL STATEMENTS

### OCTOBER 31, 2025

#### NOTE 7. MAINTENANCE TAXES

At an election held August 9, 1997, voters authorized a maintenance tax at a rate to be determined by the Board of Directors per \$100 valuation on all property within the District, subject to taxation. In addition, at an election held September 14, 2002, voters authorized the assumption and payment of the maintenance taxes for areas added by the Texas Legislature in 2001. During the year ended October 31, 2025, the District levied an ad valorem tax rate of \$0.12629 per \$100 of assessed valuation, which resulted in a tax levy of \$5,126,457 on the adjusted taxable valuation of \$4,059,273,631 for the 2025 tax year. The 2025 tax levy has been fully deferred.

#### NOTE 8. LEASE AGREEMENT

Effective November 1, 2021, the District executed an office lease agreement for the lease of the office space at 3120 Southwest Freeway, Suites 101 and 102. Right-of-use assets, current year amortization expense and accumulated amortization is summarized below:

|                                                                   | November 1,<br>2024 | Increases          | Decreases       | October 31,<br>2025 |
|-------------------------------------------------------------------|---------------------|--------------------|-----------------|---------------------|
| <b>Right-to-Use Assets Subject to Amortization</b>                |                     |                    |                 |                     |
| Office Space                                                      | \$ 482,900          | \$ - 0 -           | \$ - 0 -        | \$ 482,900          |
| <b>Accumulated Amortization</b>                                   |                     |                    |                 |                     |
| Office Space                                                      | \$ 267,453          | \$ 89,151          | \$ - 0 -        | \$ 356,604          |
| <b>Total Right-to-Use Assets, Net of Accumulated Amortization</b> | <u>\$ 215,447</u>   | <u>\$ (89,151)</u> | <u>\$ - 0 -</u> | <u>\$ 126,296</u>   |

The first five months of base rent is abated. The security deposit is \$13,025. The office lease accrues interest at 4.25% annually with monthly payments of \$7,646 in year one, \$7,847 in year two, \$8,048 in year three, \$8,250 in year four, and \$8,451 in year five. The District made 12 lease payments during the current fiscal year which totaled \$108,350, of which \$95,757 applied to principal and \$12,593 applied to interest and the District's proportionate share of operating costs. The changes in lease liability during the current fiscal year are summarized as follows:

|                                 |                   |
|---------------------------------|-------------------|
| Lease Payable, November 1, 2024 | \$ 235,682        |
| Less: Lease Principal Paid      | <u>(95,757)</u>   |
| Lease Payable, October 31, 2025 | <u>\$ 139,925</u> |

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**OCTOBER 31, 2025**

**NOTE 8. LEASE AGREEMENT (Continued)**

Future lease payments are summarized below:

| Fiscal Year | Principal         | Interest        | Total             |
|-------------|-------------------|-----------------|-------------------|
| 2026        | \$ 98,117         | \$ 2,286        | \$ 100,403        |
| 2027        | 41,808            | 445             | 42,253            |
|             | <u>\$ 139,925</u> | <u>\$ 2,731</u> | <u>\$ 142,656</u> |

**NOTE 9. RELATED PARTY ACTIVITY**

Pursuant to the City of Houston Ordinance No. 1999-767, the City (acting under the provisions of Chapter 311 of the Texas Tax Code) designated a reinvestment zone within the Upper Kirby area to be known as Reinvestment Zone No. 19 (the TIRZ). The function of the TIRZ is to promote development of the area pursuant to a project and financing plan (as set forth in City of Houston ordinance No. 1999-773) using monies derived from a related tax increment fund collected and maintained by the City. The TIRZ plan specifies projects that include utility system improvements, safety and security improvements, traffic mobility improvements, and public recreation and public service improvements.

The Upper Kirby Redevelopment Authority (the UKRA) is a Texas local government nonprofit corporation created to assist and act on behalf of the TIRZ in the implementation of the TIRZ plan. The Texas Secretary of State Certificate of Incorporation for the UKRA was effective March 27, 2002. Pursuant to a tri-party agreement between the UKRA, the TIRZ and the City (approved by City of Houston ordinance 2002-709), the UKRA has assumed administrative, management, and financial activities and function on behalf of the TIRZ. Pursuant to a management agreement (revised on November 21, 2002) between the District and UKRA, the District, in turn, has undertaken certain administrative and management services on behalf of UKRA. As part of its responsibilities, the District will provide central coordination for the design, planning, construction and implementation of the UKRA/TIRZ projects and activities to be undertaken. The management agreement provides that the UKRA will pay the District \$96,000 per year (prorated monthly) for such services, including the provision of certain management and operating personnel, office space, office equipment and supplies, and other related operating costs. Effective November 1, 2013, this amount increased to \$120,000 per year. Effective July 1, 2015, this amount increased to \$144,000 per year.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**OCTOBER 31, 2025**

**NOTE 10. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omission; and natural disasters. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide general liability, property coverage, pollution liability, auto liability, law enforcement liability, public officials liability and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise, they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE 11. CONTRIBUTION OF ARTWORK**

Upper Kirby District Foundation (UKDF) commissioned and acquired a sculpture known as *Tree and Three Flowers* which was installed and incorporated into a City-of-Houston-owned road median in public right-of-way on Kirby Drive within the District. UKDF transferred ownership of the artwork installation to the District. This is reflected in the capital assets at \$900,000, which is the cost of the sculpture plus transportation and installation costs. Although the artwork is virtually indestructible, the District has chosen to depreciate the value over a period of 40 years.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**

**REQUIRED SUPPLEMENTARY INFORMATION**

**OCTOBER 31, 2025**

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED OCTOBER 31, 2025**

|                                                              | <u>Original and<br/>Final Budget</u> | <u>Actual</u>               | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--------------------------------------------------------------|--------------------------------------|-----------------------------|---------------------------------------------|
| <b>REVENUES</b>                                              |                                      |                             |                                             |
| Property Taxes                                               | \$ 5,117,811                         | \$ 4,733,057                | \$ (384,754)                                |
| Penalty and Interest                                         |                                      | 10,850                      | 10,850                                      |
| Contract Patrol                                              | 16,000                               | 14,438                      | (1,562)                                     |
| Investment Revenues                                          | 300,000                              | 761,492                     | 461,492                                     |
| Miscellaneous Revenues                                       |                                      | 20,298                      | 20,298                                      |
| <b>TOTAL REVENUES</b>                                        | <u>\$ 5,433,811</u>                  | <u>\$ 5,540,135</u>         | <u>\$ 106,324</u>                           |
| <b>EXPENDITURES</b>                                          |                                      |                             |                                             |
| Service Operations:                                          |                                      |                             |                                             |
| Security and Public Safety                                   | \$ 658,072                           | \$ 570,467                  | \$ 87,605                                   |
| Planning and Urban Design                                    | 4,354,011                            | 1,310,167                   | 3,043,844                                   |
| Public Relations and Business Development                    | 591,174                              | 420,002                     | 171,172                                     |
| Program Support Services                                     | 487,748                              | 713,756                     | (226,008)                                   |
| Capital Outlay                                               | 4,000,000                            |                             | 4,000,000                                   |
| Debt Service:                                                |                                      |                             |                                             |
| Lease, Principal and Interest                                | 146,465                              | 108,350                     | 38,115                                      |
| <b>TOTAL EXPENDITURES</b>                                    | <u>\$ 10,237,470</u>                 | <u>\$ 3,122,742</u>         | <u>\$ 7,114,728</u>                         |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <u>\$ (4,803,659)</u>                | <u>\$ 2,417,393</u>         | <u>\$ 7,221,052</u>                         |
| <b>OTHER FINANCING SOURCES(USES)</b>                         |                                      |                             |                                             |
| Transfers (Out)                                              | <u>\$ -0-</u>                        | <u>\$ (10,816)</u>          | <u>\$ (10,816)</u>                          |
| <b>NET CHANGE IN FUND BALANCE</b>                            | \$ (4,803,659)                       | \$ 2,406,577                | \$ 7,210,236                                |
| <b>FUND BALANCE - NOVEMBER 1, 2024</b>                       | <u>18,364,068</u>                    | <u>18,364,068</u>           |                                             |
| <b>FUND BALANCE - OCTOBER 31, 2025</b>                       | <u><u>\$ 13,560,409</u></u>          | <u><u>\$ 20,770,645</u></u> | <u><u>\$ 7,210,236</u></u>                  |

See accompanying independent auditor's report.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**  
**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**  
**OCTOBER 31, 2025**

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED OCTOBER 31, 2025**

|                                             |                     |
|---------------------------------------------|---------------------|
| PERSONNEL EXPENDITURES (Including Benefits) | <u>\$ 936,575</u>   |
| PROFESSIONAL FEES:                          |                     |
| Auditing                                    | \$ 16,250           |
| Legal                                       | 64,338              |
| Delinquent Tax Attorney                     | <u>2,658</u>        |
| TOTAL PROFESSIONAL FEES                     | <u>\$ 83,246</u>    |
| CONTRACTED SERVICES:                        |                     |
| Appraisal District                          | \$ 36,808           |
| Bookkeeping                                 | 161,917             |
| Tax Consultant                              | <u>4,853</u>        |
| TOTAL CONTRACTED SERVICES                   | <u>\$ 203,578</u>   |
| ADMINISTRATIVE EXPENDITURES:                |                     |
| Insurance                                   | \$ 13,486           |
| Office Expenses                             | 73,736              |
| Vehicle                                     | 959                 |
| Other                                       | <u>814</u>          |
| TOTAL ADMINISTRATIVE EXPENDITURES           | <u>\$ 88,995</u>    |
| PLANNING AND URBAN DESIGN                   | <u>\$ 1,310,167</u> |
| PUBLIC RELATIONS AND BUSINESS DEVELOPMENT   | <u>\$ 420,002</u>   |

See accompanying independent auditor's report.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED OCTOBER 31, 2025**

|                                            |                                        |
|--------------------------------------------|----------------------------------------|
| SECURITY AND PUBLIC SAFETY                 | \$ <u>570,467</u>                      |
| SUPPORT ALLOCATIONS FROM:                  |                                        |
| TIRZ No. 19 - Administrative Reimbursement | \$ <u>(144,000)</u>                    |
| ALLOCATION TO:                             |                                        |
| Security and Public Safety                 | \$ (99,452)                            |
| Planning and Urban Design                  | (213,112)                              |
| Public Relations and Business Development  | <u>(142,074)</u>                       |
| TOTAL OTHER EXPENDITURES                   | <u>\$ (454,638)</u>                    |
| DEBT SERVICE:                              |                                        |
| Lease Principal                            | 95,757                                 |
| Lease Interest                             | <u>12,593</u>                          |
| TOTAL DEBT SERVICE                         | <u>\$ 108,350</u>                      |
| TOTAL EXPENDITURES                         | <u><u>\$ 3,122,742</u></u>             |
| Number of persons employed by the District | <u>5</u> Full-Time <u>26</u> Part-Time |

See accompanying independent auditor's report.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**INVESTMENTS**  
**OCTOBER 31, 2025**

| <u>Funds</u>             | <u>Identification or<br/>Certificate Number</u> | <u>Interest<br/>Rate</u> | <u>Maturity<br/>Date</u> | <u>Balance at<br/>End of Year</u> | <u>Accrued<br/>Interest<br/>Receivable at<br/>End of Year</u> |
|--------------------------|-------------------------------------------------|--------------------------|--------------------------|-----------------------------------|---------------------------------------------------------------|
| <u>GENERAL FUND</u>      |                                                 |                          |                          |                                   |                                                               |
| TexPool                  | 0001                                            | Varies                   | Daily                    | \$ 9,787,421                      | \$                                                            |
| TexPool                  | 0002                                            | Varies                   | Daily                    | <u>9,640,761</u>                  | <u>                    </u>                                   |
| TOTAL GENERAL FUND       |                                                 |                          |                          | <u>\$ 19,428,182</u>              | <u>\$ - 0 -</u>                                               |
| <u>DEBT SERVICE FUND</u> |                                                 |                          |                          |                                   |                                                               |
| TexPool                  | 0003                                            | Varies                   | Daily                    | <u>184,747</u>                    | <u>                    </u>                                   |
| TOTAL - ALL FUNDS        |                                                 |                          |                          | <u><u>\$ 19,612,929</u></u>       | <u><u>\$ - 0 -</u></u>                                        |

See accompanying independent auditor's report.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED OCTOBER 31, 2025**

|                                 | <u>Maintenance Taxes</u> |                     | <u>Debt Service Taxes</u> |                   |
|---------------------------------|--------------------------|---------------------|---------------------------|-------------------|
| TAXES RECEIVABLE -              |                          |                     |                           |                   |
| NOVEMBER 1, 2024                | \$                       | 5,183,183           | \$                        | 149,594           |
| Adjustments to Beginning        |                          |                     |                           |                   |
| Balance                         |                          | <u>(383,123)</u>    |                           | <u>(11,045)</u>   |
|                                 | \$                       | 4,800,060           | \$                        | 138,549           |
| Original 2025 Tax Levy          | \$                       | 5,126,457           | \$                        | 150,599           |
| Adjustment to 2025 Tax Levy     |                          | <u>5,126,457</u>    |                           | <u>150,599</u>    |
| TOTAL TO BE                     |                          |                     |                           |                   |
| ACCOUNTED FOR                   |                          | \$ 9,926,517        |                           | \$ 289,148        |
| TAX COLLECTIONS:                |                          |                     |                           |                   |
| Prior Years                     | \$                       | 4,733,057           | \$                        | 136,399           |
| Current Year                    |                          | <u>4,733,057</u>    |                           | <u>136,399</u>    |
| TAXES RECEIVABLE -              |                          |                     |                           |                   |
| OCTOBER 31, 2025                |                          | <u>\$ 5,193,460</u> |                           | <u>\$ 152,749</u> |
| TAXES RECEIVABLE BY             |                          |                     |                           |                   |
| YEAR:                           |                          |                     |                           |                   |
| 2025                            | \$                       | 5,126,457           | \$                        | 150,599           |
| 2024                            |                          | 27,977              |                           | 806               |
| 2023                            |                          | 3,754               |                           | 106               |
| 2022                            |                          | 5,397               |                           | 174               |
| 2021                            |                          | 4,173               |                           | 140               |
| 2020                            |                          | 9,745               |                           | 313               |
| 2019                            |                          | 3,247               |                           | 112               |
| 2018                            |                          | 2,981               |                           | 112               |
| 2017                            |                          | 3,852               |                           | 151               |
| 2016                            |                          | 2,531               |                           | 98                |
| 2015                            |                          | 2,312               |                           | 96                |
| 2014                            |                          | 746                 |                           | 35                |
| 2013 and prior                  |                          | <u>288</u>          |                           | <u>7</u>          |
| SUBTOTAL                        | \$                       | 5,193,460           | \$                        | <u>152,749</u>    |
| Allowance for Doubtful Accounts |                          | <u>(139,434)</u>    |                           |                   |
| TOTAL                           | \$                       | <u>5,054,026</u>    |                           |                   |

See accompanying independent auditor's report.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED OCTOBER 31, 2025**

|                                               | <u>2025</u>             | <u>2024</u>             | <u>2023</u>             | <u>2022</u>             |
|-----------------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| TOTAL PROPERTY VALUATIONS                     | <u>\$ 4,059,273,631</u> | <u>\$ 3,975,020,438</u> | <u>\$ 3,995,067,526</u> | <u>\$ 3,711,744,430</u> |
| TAX RATES PER \$100 VALUATION:                |                         |                         |                         |                         |
| Debt Service                                  | \$ 0.00371              | \$ 0.00371              | \$ 0.00371              | \$ 0.00422              |
| Maintenance                                   | <u>0.12629</u>          | <u>0.12879</u>          | <u>0.13129</u>          | <u>0.13078</u>          |
| TOTAL TAX RATES PER \$100 VALUATION           | <u>\$ 0.13000</u>       | <u>\$ 0.13250</u>       | <u>\$ 0.13500</u>       | <u>\$ 0.13500</u>       |
| ADJUSTED TAX LEVY*                            | <u>\$ 5,277,056</u>     | <u>\$ 5,266,902</u>     | <u>\$ 5,393,341</u>     | <u>\$ 4,919,531</u>     |
| PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED | <u>0.00</u> %           | <u>99.45</u> %          | <u>99.93</u> %          | <u>99.89</u> %          |

\* Based upon adjusted tax at time of audit for the period in which the tax was levied.

See accompanying independent auditor's report.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**OCTOBER 31, 2025**

| S E R I E S - 2 0 1 3                           |                                 |                                           |                     |
|-------------------------------------------------|---------------------------------|-------------------------------------------|---------------------|
| Due During Fiscal<br>Years Ending<br>October 31 | Principal<br>Due<br>February 15 | Interest Due<br>February 15/<br>August 15 | Total               |
| 2026                                            | \$ 70,000                       | \$ 78,765                                 | \$ 148,765          |
| 2027                                            | 70,000                          | 75,965                                    | 145,965             |
| 2028                                            | 75,000                          | 73,065                                    | 148,065             |
| 2029                                            | 75,000                          | 70,065                                    | 145,065             |
| 2030                                            | 80,000                          | 66,965                                    | 146,965             |
| 2031                                            | 85,000                          | 63,665                                    | 148,665             |
| 2032                                            | 85,000                          | 60,180                                    | 145,180             |
| 2033                                            | 90,000                          | 56,505                                    | 146,505             |
| 2034                                            | 95,000                          | 52,620                                    | 147,620             |
| 2035                                            | 100,000                         | 48,425                                    | 148,425             |
| 2036                                            | 105,000                         | 43,915                                    | 148,915             |
| 2037                                            | 110,000                         | 39,185                                    | 149,185             |
| 2038                                            | 115,000                         | 34,120                                    | 149,120             |
| 2039                                            | 120,000                         | 28,715                                    | 148,715             |
| 2040                                            | 130,000                         | 22,965                                    | 152,965             |
| 2041                                            | 135,000                         | 16,802                                    | 151,802             |
| 2042                                            | 140,000                         | 10,340                                    | 150,340             |
| 2043                                            | 150,000                         | 3,525                                     | 153,525             |
|                                                 | <u>\$ 1,830,000</u>             | <u>\$ 845,787</u>                         | <u>\$ 2,675,787</u> |

See accompanying independent auditor's report.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**CHANGE IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED OCTOBER 31, 2025**

| Description                                                                                        | Original<br>Bonds Issued | Bonds<br>Outstanding<br>November 1, 2024 |
|----------------------------------------------------------------------------------------------------|--------------------------|------------------------------------------|
| Harris County Improvement District No. 3<br>Unlimited Tax Bonds - Series 2013                      | <u>\$ 2,500,000</u>      | <u>\$ 1,895,000</u>                      |
| Bond Authority:                                                                                    | <u>Tax Bonds*</u>        |                                          |
| Amount Authorized by Voters                                                                        | \$ 30,000,000            |                                          |
| Amount Issued                                                                                      | <u>2,500,000</u>         |                                          |
| Remaining to be Issued                                                                             | <u>\$ 27,500,000</u>     |                                          |
| Debt Service Fund cash, investments and cash with paying agents balance as of<br>October 31, 2025: |                          | <u>\$ 184,747</u>                        |
| Average annual debt service payment (principal and interest) for remaining term<br>of all debt:    |                          | <u>\$ 148,655</u>                        |

See Note 3 for interest rates, interest payment dates and maturity dates.

\* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes. This amount also includes bonds authorized for refunding purposes.

See accompanying independent auditor's report.

| Current Year Transactions |             |           | Bonds<br>Outstanding<br>October 31, 2025 | Paying Agent                                                     |
|---------------------------|-------------|-----------|------------------------------------------|------------------------------------------------------------------|
| Bonds Sold                | Retirements |           |                                          |                                                                  |
|                           | Principal   | Interest  |                                          |                                                                  |
| \$                        | \$ 65,000   | \$ 81,465 | \$ 1,830,000                             | The Bank of New York<br>Mellon Trust Company, N.A.<br>Dallas, TX |

See accompanying independent auditor's report.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**

|                                                              | Amounts              |                      |                      |
|--------------------------------------------------------------|----------------------|----------------------|----------------------|
|                                                              | 2025                 | 2024                 | 2023                 |
| <b>REVENUES</b>                                              |                      |                      |                      |
| Property Taxes                                               | \$ 4,733,057         | \$ 4,961,645         | \$ 4,699,169         |
| Penalty and Interest                                         | 10,850               | 16,156               | 17,598               |
| Contract Patrol                                              | 14,438               | 13,358               | 18,883               |
| Grant Revenues                                               |                      |                      | 1,460,156            |
| Investment Revenues                                          | 761,492              | 810,668              | 616,767              |
| Miscellaneous Revenues                                       | 20,298               | 3,750                | 491                  |
| <b>TOTAL REVENUES</b>                                        | <u>\$ 5,540,135</u>  | <u>\$ 5,805,577</u>  | <u>\$ 6,813,064</u>  |
| <b>EXPENDITURES</b>                                          |                      |                      |                      |
| Security and Public Safety                                   | \$ 570,467           | \$ 563,238           | \$ 562,902           |
| Planning and Urban Design                                    | 1,310,167            | 960,307              | 2,678,319            |
| Public Relations and Business Development                    | 420,002              | 402,538              | 374,310              |
| Program Support Services                                     | 822,106              | 774,092              | 827,200              |
| Capital Outlay                                               |                      |                      |                      |
| <b>TOTAL EXPENDITURES</b>                                    | <u>\$ 3,122,742</u>  | <u>\$ 2,700,175</u>  | <u>\$ 4,442,731</u>  |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <u>\$ 2,417,393</u>  | <u>\$ 3,105,402</u>  | <u>\$ 2,370,333</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                      |                      |                      |
| Transfers In(Out)                                            | <u>\$ (10,816)</u>   | <u>\$ (10,003)</u>   | <u>\$ 4,698</u>      |
| <b>NET CHANGE IN FUND BALANCE</b>                            | \$ 2,406,577         | \$ 3,095,399         | \$ 2,375,031         |
| <b>BEGINNING FUND BALANCE</b>                                | <u>18,364,068</u>    | <u>15,268,669</u>    | <u>12,893,638</u>    |
| <b>ENDING FUND BALANCE</b>                                   | <u>\$ 20,770,645</u> | <u>\$ 18,364,068</u> | <u>\$ 15,268,669</u> |

See accompanying independent auditor's report.

|                      |                      | Percentage of Total Revenue |                |                |                |                |
|----------------------|----------------------|-----------------------------|----------------|----------------|----------------|----------------|
| 2022                 | 2021                 | 2025                        | 2024           | 2023           | 2022           | 2021           |
| \$ 4,201,683         | \$ 4,280,856         | 85.4 %                      | 85.4 %         | 68.9 %         | 75.6 %         | 86.4 %         |
| 18,411               | 10,342               | 0.2                         | 0.3            | 0.3            | 0.3            | 0.2            |
| 16,038               | 16,078               | 0.3                         | 0.2            | 0.3            | 0.3            | 0.3            |
| 1,192,956            | 637,405              |                             |                | 21.4           | 21.5           | 12.9           |
| 122,547              | 4,337                | 13.7                        | 14.0           | 9.1            | 2.2            | 0.1            |
| 193                  | 100                  | 0.4                         | 0.1            |                |                |                |
| <u>\$ 5,551,828</u>  | <u>\$ 4,949,118</u>  | <u>100.0 %</u>              | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> |
|                      |                      |                             |                |                |                |                |
| \$ 507,165           | \$ 510,314           | 10.3 %                      | 9.7 %          | 8.3 %          | 9.1 %          | 10.3 %         |
| 2,371,719            | 1,727,467            | 23.6                        | 16.5           | 39.3           | 42.7           | 34.9           |
| 334,231              | 335,943              | 7.6                         | 6.9            | 5.5            | 6.0            | 6.8            |
| 689,316              | 700,539              | 14.8                        | 13.3           | 12.1           | 12.4           | 14.2           |
|                      |                      |                             |                |                |                |                |
| <u>\$ 3,902,431</u>  | <u>\$ 3,274,263</u>  | <u>56.3 %</u>               | <u>46.4 %</u>  | <u>65.2 %</u>  | <u>70.2 %</u>  | <u>66.2 %</u>  |
|                      |                      |                             |                |                |                |                |
| <u>\$ 1,649,397</u>  | <u>\$ 1,674,855</u>  | <u>43.7 %</u>               | <u>53.6 %</u>  | <u>34.8 %</u>  | <u>29.8 %</u>  | <u>33.8 %</u>  |
|                      |                      |                             |                |                |                |                |
| <u>\$ (58,362)</u>   | <u>\$ - 0 -</u>      |                             |                |                |                |                |
|                      |                      |                             |                |                |                |                |
| \$ 1,591,035         | \$ 1,674,855         |                             |                |                |                |                |
| <u>11,302,603</u>    | <u>9,627,748</u>     |                             |                |                |                |                |
| <u>\$ 12,893,638</u> | <u>\$ 11,302,603</u> |                             |                |                |                |                |

See accompanying independent auditor's report.

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND - FIVE YEARS**

|                                                              | Amounts           |                   |                   |
|--------------------------------------------------------------|-------------------|-------------------|-------------------|
|                                                              | 2025              | 2024              | 2023              |
| <b>REVENUES</b>                                              |                   |                   |                   |
| Property Taxes                                               | \$ 136,399        | \$ 139,813        | \$ 151,763        |
| Investment Revenues                                          | <u>7,867</u>      | <u>9,101</u>      | <u>54,955</u>     |
| <b>TOTAL REVENUES</b>                                        | <u>\$ 144,266</u> | <u>\$ 148,914</u> | <u>\$ 206,718</u> |
| <b>EXPENDITURES</b>                                          |                   |                   |                   |
| Debt Service Principal                                       | \$ 65,000         | \$ 65,000         | \$ 60,000         |
| Debt Service Interest and Fees                               | <u>82,215</u>     | <u>84,815</u>     | <u>87,065</u>     |
| <b>TOTAL EXPENDITURES</b>                                    | <u>\$ 147,215</u> | <u>\$ 149,815</u> | <u>\$ 147,065</u> |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <u>\$ (2,949)</u> | <u>\$ (901)</u>   | <u>\$ 59,653</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                   |                   |                   |
| Transfers In                                                 | <u>\$ 10,816</u>  | <u>\$ 10,003</u>  | <u>\$ (4,698)</u> |
| <b>NET CHANGE IN FUND BALANCE</b>                            | \$ 7,867          | \$ 9,102          | \$ 54,955         |
| <b>BEGINNING FUND BALANCE</b>                                | <u>176,880</u>    | <u>167,778</u>    | <u>112,823</u>    |
| <b>ENDING FUND BALANCE</b>                                   | <u>\$ 184,747</u> | <u>\$ 176,880</u> | <u>\$ 167,778</u> |

See accompanying independent auditor's report.

|               |               | Percentage of Total Revenue |             |             |             |             |
|---------------|---------------|-----------------------------|-------------|-------------|-------------|-------------|
| 2022          | 2021          | 2025                        | 2024        | 2023        | 2022        | 2021        |
| \$ 140,579    | \$ 137,362    | 94.5 %                      | 93.9 %      | 73.4 %      | 99.2 %      | 100.0 %     |
| <u>1,064</u>  | <u>46</u>     | <u>5.5</u>                  | <u>6.1</u>  | <u>26.6</u> | <u>0.8</u>  |             |
| \$ 141,643    | \$ 137,408    | 100.0 %                     | 100.0 %     | 100.0 %     | 100.0 %     | 100.00 %    |
| \$ 60,000     | \$ 55,000     | 45.1 %                      | 43.6 %      | 29.0 %      | 42.4 %      | 40.0 %      |
| <u>89,315</u> | <u>92,300</u> | <u>57.0</u>                 | <u>57.0</u> | <u>42.1</u> | <u>63.1</u> | <u>67.2</u> |
| \$ 149,315    | \$ 147,300    | 102.1 %                     | 100.6 %     | 71.1 %      | 105.5 %     | 107.2 %     |
| \$ (7,672)    | \$ (9,892)    | (2.1) %                     | (0.6) %     | 28.9 %      | (5.5) %     | (7.2) %     |
| \$ 58,362     | \$ - 0 -      |                             |             |             |             |             |
| \$ 50,690     | \$ (9,892)    |                             |             |             |             |             |
| <u>62,133</u> | <u>72,025</u> |                             |             |             |             |             |
| \$ 112,823    | \$ 62,133     |                             |             |             |             |             |

See accompanying independent auditor's report.

District Mailing Address - Harris County Improvement District No. 3  
3120 Southwest Freeway, Suite 102  
Houston, TX 77098

District Telephone Number - (713) 524-8000

Board members remain in position after expiration of terms until they are officially approved for reappointment or replacement by the City of Houston.

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**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 3**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**OCTOBER 31, 2025**

| <b>Consultants:</b>                                         | <u>Date Hired</u>     | <u>Fees for the<br/>year ended<br/>October 31, 2025</u> | <u>Title</u>                 |
|-------------------------------------------------------------|-----------------------|---------------------------------------------------------|------------------------------|
| Sanford Kuhl Hagan Kugle Parker Kahn LLP                    | 06/24/97              | \$ 64,338                                               | Attorney                     |
| McCall Gibson Swedlund Barfoot Ellis PLLC                   | 10/19/10              | \$ 16,250                                               | Auditor                      |
| Linebarger Heard Goggan Blair Graham Pena<br>& Sampson, LLP | 04/03/01              | \$ 2,658                                                | Delinquent Tax<br>Attorney   |
| Gunda Corporation Inc.                                      | 03/29/06              | \$ 1,103                                                | Engineer                     |
| Utility Tax Service                                         | 01/18/22              | \$ 4,853                                                | Tax Advisor                  |
| Harris County Tax Assessor/Collector                        | Legislative<br>Action | \$ 3,689                                                | Tax Assessor/<br>Collector   |
| Goodman Corporation                                         | 12/02/06              | \$ 90,911                                               | Transportation<br>Consultant |
| Hilltop Securities Inc.                                     | 04/23/13              | \$ -0-                                                  | Financial Advisor            |
| The Morton Accounting Services                              | 07/16/13              | \$ 177,668                                              | Bookkeeper                   |

See accompanying independent auditor's report.