

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 5

BRAZORIA COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2025

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McCall Gibson Swedlund Barfoot Ellis PLLC

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Brazoria County Emergency
Services District No. 5
Brazoria County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Brazoria County Emergency Services District No. 5 (the "District") as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of September 30, 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.

Emphasis of Matter

As discussed in Note 7 to the financial statements, the District's financial statements as of and for the year ended September 30, 2024, have been restated to account for a correction of beginning balances. Our opinions are not modified with respect to these matters.

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.

Board of Commissioners
Brazoria County Emergency
Services District No. 5

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.

McCall Gibson Swedlund Barfoot Ellis PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

January 16, 2026

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 5
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Management’s discussion and analysis of Brazoria County Emergency Services District No. 5’s (the “District”) financial performance provides an overview of the District’s financial activities for the year ended September 30, 2025. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position includes all the District’s assets, liabilities and, if applicable, 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 period. All current year revenues and expenses are included regardless of when cash is received or paid.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 5
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

FUND FINANCIAL STATEMENTS

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

Governmental funds are reported in each of the financial statements. The focus in the fund financial statements provides a distinctive view of the District’s governmental fund. 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 Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, assets exceeded liabilities by \$76,214 as of September 30, 2025.

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

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	Summary of Changes in the Statement of Net Position		
	2025	(Restated) 2024	Change Positive (Negative)
Current and Other Assets	\$ 255,022	\$ 197,807	\$ 57,215
Total Assets	\$ 255,022	\$ 197,807	\$ 57,215
Current and Other Liabilities	\$ 178,808	\$ 138,582	\$ (40,226)
Total Liabilities	\$ 178,808	\$ 138,582	\$ (40,226)
Net Position:			
Unrestricted	\$ 76,214	\$ 59,225	\$ 16,989
Total Net Position	\$ 76,214	\$ 59,225	\$ 16,989

The following table provides a summary of the District's operations for the year ended September 30, 2025, and for the year ended September 30, 2024.

	Summary of Changes in the Statement of Activities		
	2025	(Restated) 2024	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 858,318	\$ 815,276	\$ 43,042
Other Revenues	17,379	16,639	740
Total Revenues	\$ 875,697	\$ 831,915	\$ 43,782
Expenses for Services	858,708	816,760	(41,948)
Change in Net Position	\$ 16,989	\$ 15,155	\$ 1,834
Net Position, Beginning of Year	59,225	44,070	15,155
Net Position, End of Year	\$ 76,214	\$ 59,225	\$ 16,989

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's General Fund fund balance as of September 30, 2025, was \$66,933, an increase of \$14,669 primarily due to property tax revenues exceeding other operating costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissioners did not amend the budget during the current year. Actual revenues were \$13,127 more than budgeted revenues and actual expenditures were \$1,542 less than budgeted expenditures, which resulted in a positive budget variance of \$62,748.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Brazoria County Emergency Services District No. 5, c/o Wallace & Philbin, LLP, 6363 Woodway, Suite 800, Houston, TX 77057.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 5
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2025

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 3,810	\$	\$ 3,810
Investments	241,931		241,931
Receivables: Property Taxes	9,281		9,281
TOTAL ASSETS	\$ 255,022	\$ - 0 -	\$ 255,022
 LIABILITIES			
Accounts Payable	\$ 6,695	\$	\$ 6,695
Due to Other Governmental Units	172,113		172,113
TOTAL LIABILITIES	\$ 178,808	\$ - 0 -	\$ 178,808
 DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 9,281	\$ (9,281)	\$ - 0 -
 FUND BALANCE			
Unassigned	\$ 66,933	\$ (66,933)	\$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 255,022		
 NET POSITION			
Unrestricted		\$ 76,214	\$ 76,214

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

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 5
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025**

Total Fund Balance - Governmental Fund	\$ 66,933
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Deferred inflows of resources related to property tax revenues for the 2024 tax levy became part of recognized revenues in the governmental activities of the District.	<u>9,281</u>
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Total Net Position - Governmental Activities	<u>\$ 76,214</u>
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The accompanying notes to the financial statements are an integral part of this report.

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 5
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Property Taxes	\$ 855,998	\$ 2,320	\$ 858,318
Penalty and Interest	2,710		2,710
Investment Revenues	14,669		14,669
TOTAL REVENUES	\$ 873,377	\$ 2,320	\$ 875,697
EXPENDITURES/EXPENSES			
Service Operations:			
District Services - Pearland Fire Department	\$ 745,793	\$	\$ 745,793
Accounting and Auditing	41,567		41,567
Appraisal District Fees	5,994		5,994
Commissioner Fees	13,702		13,702
Legal Fees - General	38,000		38,000
Tax Assessor/Collector Fees	730		730
Other	12,922		12,922
TOTAL EXPENDITURES/EXPENSES	\$ 858,708	\$ - 0 -	\$ 858,708
NET CHANGE IN FUND BALANCE	\$ 14,669	\$ (14,669)	\$
CHANGE IN NET POSITION		16,989	16,989
FUND BALANCE/NET POSITION -			
OCTOBER 1, 2024, AS PREVIOUSLY REPORTED	176,298	6,961	183,259
ESTIMATE RESTATEMENT	(124,034)		(124,034)
OCTOBER 1, 2024, RESTATED	52,264	6,961	59,225
FUND BALANCE/NET POSITION -			
SEPTEMBER 30, 2025	\$ 66,933	\$ 9,281	\$ 76,214

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

**BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 5
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025**

Net Change in Fund Balance - Governmental Fund	\$	14,669
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.

		<u>2,320</u>
Change in Net Position - Governmental Activities	\$	<u>16,989</u>

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

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1. CREATION OF DISTRICT

Brazoria County Emergency Services District No. 5 (the “District”), located in Brazoria County, Texas, was created by the Commissioners’ Court of Brazoria County on November 27, 2018, in accordance with Article III, Section 48-e, of the Texas Constitution. This action was taken by the Commissioners as a result of voter approval by residents of the District on November 6, 2018. The District operates under Chapter 775 of the Health and Safety Code. The District was established to provide funds for the contracting of emergency services within the boundaries of the District.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental Funds

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

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Fund Financial Statements (Continued)

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

Basis of Accounting

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

Property taxes considered available by the District and included in revenues include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures

Capital Assets

Capital assets, which include land, buildings and equipment, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as an expenditure in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset after completion. Installation costs, professional fees and certain other costs are capitalized as part of the asset.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Commissioners. 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 amended budget amounts compared to the actual amounts of revenues and expenditures for the current year.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Commissioners are wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

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

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Governmental Funds Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriate resources. 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. The District does not have any nonspendable fund balances.

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

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

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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 does not have any assigned balances.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. TAX LEVY

On November 6, 2018, the voters of the District approved a maximum tax rate of \$0.10 per \$100 of assessed valuation on all taxable property within the District. During the fiscal year ended September 30, 2025, the District levied an ad valorem tax at the rate of \$0.10 per \$100 of assessed valuation, which resulted in a tax levy of \$859,820 on the adjusted taxable valuation of \$859,761,959 for the 2024 tax year.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits

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

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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 \$3,810 and the bank balance was \$3,802. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2025, as listed below:

	Cash
GENERAL FUND	\$ <u>3,810</u>

Investments

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

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

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

As of September 30, 2025, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	<u>\$ 241,931</u>	<u>\$ 241,931</u>

NOTE 5. CONTRACT FOR PROVIDING EMERGENCY SERVICES

The District has contracted with the City of Pearland (“Pearland”) for fire protection, fire suppression and emergency medical first responder and rescue services to the persons and commercial interests within the boundaries of the District. The term of the current contract is for 3 years commencing on January 1, 2019 and ending December 31, 2021. On December 13, 2021, the District approved extending the term of this contract for 5 years, ending September 30, 2026.

Either party may terminate this agreement by providing one-year written notice to the other party.

During the term of this agreement, the annual compensation to be paid by the District to Pearland will be calculated as follows: the District shall pay to Pearland an amount equal to the total sum of taxes collected by the District, minus the sum necessary to meet the District’s annual budget. The annual payment for services shall be received by Pearland no later than March 31 of each year, for services rendered in the prior year. The District agrees to set a tax rate not lower than ten cents (\$0.10) per \$100 of appraised taxable value of the real property located within the District’s territory so long as Pearland provides the District with its annual cost of providing emergency services to the District and such cost exceeds the District’s annual payment for services, to the extent such a tax rate is permitted under State Law.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 6. RISK MANAGEMENT

Section 775.033 of the Texas Health and Safety Code states that a District is not liable for a claim arising from the act or omission of an employee or volunteer under an oral or written contract with the District if the act or omission: (1) is in the course and scope of the employee's or volunteer's duties for the District; (2) takes place or during the provision of emergency services; (3) is not in violation of a statute or ordinance applicable to emergency action; and (4) is not willful or wantonly negligent. The District is exposed to liability for all other acts or omissions outside the scope of this Section of the Texas Health and Safety Code, for which the District carries commercial insurance. There have been no significant reductions in coverages from the prior three years and no claims have been filed to date.

NOTE 7. CORRECTION OF AN ERROR

During the current fiscal year, it was determined the annual reconciliation of excess funds has not been completed for fiscal years ending September 30, 2022, 2023 and 2024, per the Interlocal Agreement with Pearland. The District has calculated the total amounts due to the City of Pearland is \$41,729, \$46,957 and \$35,348 for fiscal years 2022, 2023 and 2024, respectively. The effect of this correction decreases the be General Fund fund balance by \$124,034 as of September 30, 2024.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 5

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2025

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 5
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 848,500	\$ 855,998	\$ 7,498
Penalty and Interest	2,000	2,710	710
Investment Revenues	<u>9,750</u>	<u>14,669</u>	<u>4,919</u>
TOTAL REVENUES	\$ 860,250	\$ 873,377	\$ 13,127
EXPENDITURES			
Service Operations:			
District Services - Pearland Fire Department	\$ 743,670	\$ 745,793	\$ (2,123)
Accounting and Auditing	34,500	41,567	(7,067)
Appraisal District Fees	5,100	5,994	(894)
Commissioner Fees	13,100	13,702	(602)
Legal Fees - General	36,000	38,000	(2,000)
Tax Assessor/Collector Fees	750	730	20
Other	<u>27,130</u>	<u>12,922</u>	<u>14,208</u>
TOTAL EXPENDITURES	\$ 860,250	\$ 858,708	\$ 1,542
NET CHANGE IN FUND BALANCE	\$ -0-	\$ 14,669	\$ 14,669
FUND BALANCE - OCTOBER 1, 2024	<u>52,264</u>	<u>52,264</u>	<u></u>
FUND BALANCE - SEPTEMBER 30, 2025	<u><u>\$ 52,264</u></u>	<u><u>\$ 66,933</u></u>	<u><u>\$ 14,669</u></u>

See accompanying independent auditor's report.