

**LLANO COUNTY EMERGENCY
SERVICES DISTRICT NO. 5**

Financial Statements

**For the Year Ended
September 30, 2025**

LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 5
September 30, 2025

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION**

LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2025

As management of (District), we are pleased to offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the year ended September 30, 2025. We encourage readers to consider it in conjunction with the additional information presented in the accompanying basic financial statements and the notes to the financial statements.

Financial Statements

- The net position of the District increased by \$526,495 as a result of the current year's operations. Net position at year end consisted of invested in capital assets, net of related debt of \$538,884 and unrestricted net position of \$365,611 for total net position of \$904,495.
- Total revenues from all sources were \$1,166,806, which represents an increase of \$237,801 over the prior year. This is due to the increase of property tax revenue collections, investment income, and donation income.
- Total costs of all programs were \$640,311 which represents an increase of \$129,705. This is due to the first year of operations of the fire department and the hiring of employees.
- As of September 30, 2025, the District's governmental fund reported an ending fund balance of \$647,272, an increase of \$269,272.

Using this Annual Report

This annual report presents the following three components of the financial statements:

1. Government-wide financial statements provide information for the District as a whole.
2. Fund financial statements provide detailed information for the District's significant funds.
3. Notes to the financial statements provide additional information that is essential to understanding the government-wide and fund financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. The other information includes this management's discussion and analysis as well as the budgetary comparison schedule.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the assets and liabilities of the District. The difference between assets and liabilities is 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 is improving or deteriorating.

The *Statement of Activities* presents information on how the District's net position changed during the most recent fiscal year. This statement is presented using the accrual basis of accounting, which means that all of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Both the Statement of Net Position and the Statement of Activities present information for the following:

Governmental activities—This includes all of the District's emergency protection services which will be primarily supported with property tax revenues.

**LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
September 30, 2025**

The government-wide financial statements begin on page 8. The following is a summary of net position as of September 30, 2025:

**Table 1
Net Assets**

	Governmental Activities	
	<u>9/30/2025</u>	<u>9/30/2024</u>
Current and other assets	\$ 664,593	\$ 378,000
Capital assets, net	538,884	-
Total assets	<u>1,203,477</u>	<u>378,000</u>
Deferred outflow of resources	1,138	-
Current liabilities	17,320	-
Other liabilities	282,800	-
Total liabilities	<u>300,120</u>	<u>-</u>
Deferred inflow of resources	-	-
Net position:		
Invested in capital assets, net of related debt	538,884	-
Unrestricted	365,611	378,000
Total net position	<u>\$ 904,495</u>	<u>\$ 378,000</u>

The following table is a summary of changes in net position:

**Table 2
Changes in Net Assets**

	Governmental Activities	
	<u>9/30/2025</u>	<u>9/30/2024</u>
Revenues:		
Program revenues:		
Charges for services	\$ -	\$ -
Operating grants and contributions	-	-
Capital grants and contributions	59,921	-
General revenues:		
Property taxes	1,062,503	903,825
Interest income	33,476	25,180
Donation income	-	-
Other income	10,906	-
Total revenues	<u>1,166,806</u>	<u>929,005</u>
Expenses:		
General government	106,114	115,992
Public safety	534,197	394,614
Total expenses	<u>640,311</u>	<u>510,606</u>
Change in net position	526,495	418,399
Net position - October 1	<u>378,000</u>	<u>(40,399)</u>
Net position - September 30	<u>\$ 904,495</u>	<u>\$ 378,000</u>

**LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 5
MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED
September 30, 2025**

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements provide detailed information about the District’s significant funds - not the District as a whole. The District’s funds fall into one category – the governmental fund.

The focus of the District’s *governmental fund* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, the *unassigned fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The *governmental fund statements* provide a detailed short-term view of the government operations and the basic services it provided and are reported on the modified accrual basis of accounting which focuses on available spendable resources. This allows the reader to evaluate the District’s short-term financing requirements. Both the governmental fund *Balance Sheet* and the governmental fund *Statement of Revenues, Expenditures, and Changes in Fund Balances* provide a reconciliation to the government-wide financial statements.

The District adopts an annual budget for the general fund. A budgetary comparison schedule has been provided to demonstrate compliance with the budget. The governmental fund financial statements begin on page 10, and the budgetary comparison schedule is on page 22.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 20 of this report.

General Fund Budgetary Highlights

The District amended the budget during the fiscal year to increase both revenue and operational expenses and to decrease the capital outlays, contingency expenses, and salaries and benefits.

Actual expenditure on a budgetary basis was 51 percent higher than budgeted expenditure due mainly to increased capital outlay costs due to the assumption of the volunteer fire department’s fleet vehicles. The District has fully taken over the fire department operations in the current fiscal year. The District’s overall actual revenues were 25 percent more than budgeted due to unanticipated donation income and loan proceeds.

Capital Assets

The District’s investment in capital assets for its governmental activities as of September 30, 2025, amounts to \$538,884 (net of accumulated depreciation). This investment in capital assets includes building and fleet vehicles.

**Capital Assets
Government Activities
(net of depreciation)**

	9/30/2025	9/30/2024
Building	\$ 44,291	\$ -
Fleet vehicles	494,593	-
Total	\$ 538,884	\$ -

**LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
September 30, 2025**

This year's major additions include the following:

Building (construction in progress)	\$	44,291
Assumption of Fire Department Fleet Vehicles		159,881
Fleet vehicles		349,999
		\$ 554,171

There were no dispositions of assets in the current fiscal year.

Additional information on the District's capital assets can be found in Note 3 on page 18 of this report.

Debt Administration

As of September 30, 2025, the District was obligated on the following debt:

Outstanding Debt at Year End		
	9/30/2025	9/30//2024
Fire Truck Loan	\$ 282,800	\$ -
Total	\$ 282,800	\$ -

During the year, the District assumed a loan for the purchase of a fire truck. The District incurred \$7,429 of interest expense for the year ended September 30, 2025, which has been charged to public safety expenses.

Additional information on the District's non-current liabilities can be found in Note 4 beginning on page 18 of this report.

Economic Factors and Next Year's Budgets and Rates

The District's tax revenues are expected to continue to grow with the steady population growth, increased property values, and taxes collections. These revenues will continue to be used to fund the operations of the fire department services.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives from the citizens of . If you have any questions about this report or need further information, contact , P.O. Box 1490, Kingsland, TX. 78639.

INDEPENDENT AUDITORS' REPORT

To The Commissioners

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of , as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise '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 , 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 , 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 '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 '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 '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 budgetary comparison information 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.

Oliver, Rainey & Wojtek, LLP

Oliver, Rainey & Wojtek, LLP
April 16, 2026

LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 5
STATEMENT OF NET POSITION
As of September 30, 2025

	Primary Government	
	Governmental	
	Activities	Total
Assets		
Deposits and investments	\$ 653,766	\$ 653,766
Prepaid expense	10,827	10,827
Capital assets, net	538,884	538,884
Total Assets	1,203,477	1,203,477
Deferred Outflow of Resources		
Pension contributions subsequent to the measurement date	1,138	1,138
Total Deferred Outflow of Resources	1,138	1,138
Liabilities		
Current liabilities		
Accounts Payable	17,320	17,320
Non-current liabilities		
Due within one year	22,642	22,642
Due in more than one year	260,158	260,158
Total Liabilities	300,120	300,120
Net Position		
Invested in capital assets, net of related debt	538,884	538,884
Unrestricted assets	365,611	365,611
Total Net Position	\$ 904,495	\$ 904,495

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

LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 5
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2025

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Activities</u>	<u>Total</u>
Primary government:						
Governmental activities:						
General government	\$106,114	\$ -	\$ -	\$ -	\$ (106,114)	\$ (106,114)
Public safety	<u>534,197</u>	<u>-</u>	<u>-</u>	<u>59,921</u>	<u>(474,276)</u>	<u>(474,276)</u>
Total net (expense) revenue for governmental activities and the primary government	<u>\$640,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(580,390)</u>	<u>(580,390)</u>
General Revenues:						
Taxes						
Property taxes					1,062,503	1,062,503
Interest income					33,476	33,476
Other income					<u>10,906</u>	<u>10,906</u>
Total general revenues					<u>1,106,885</u>	<u>1,106,885</u>
Change in net assets					526,495	526,495
Net position, Beginning of Year					<u>378,000</u>	<u>378,000</u>
Net position, End of Year					<u>\$ 904,495</u>	<u>\$ 904,495</u>

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

LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 5
BALANCE SHEET – GOVERNMENTAL FUND
As of September 30, 2025

	General Fund	Total Governmental Funds
Assets		
Deposits and investments	\$ 653,766	\$ 653,766
Taxes receivables	3,919	3,919
Prepaid expense	10,827	10,827
Total Assets	668,512	668,512
Liabilities		
Accounts payable	17,320	17,320
Total Liabilities	17,320	17,320
Deferred Inflows of Resources		
Unavailable property taxes	3,919	3,919
Total Deferred Inflows of Resources	3,919	3,919
Fund Balance		
Unassigned	647,273	647,273
Total Fund Balance	647,273	647,273
Total Liabilities and Fund Balance	\$ 668,512	
Amounts reported for government activities in the Statement of Net Position are different because:		
Capital assets used in government activities are not financial resources and therefore are not reported in the funds. (See Note 3)		538,884
Net pension liability is not due and payable in the current year and, therefore is not reported in the funds.		1,138
Long-term liabilities are not due and payable in the current year and therefore are not reported as liabilities in the governmental funds balance sheet. (See Note 4)		(282,800)
Net Position of Governmental Activities		\$ 904,495

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

LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 5
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
For the Year Ended September 30, 2025

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Revenues		
Property taxes	\$ 1,062,503	\$ 1,062,503
Interest income	33,476	33,476
Other income	10,906	10,906
Total Revenues	<u>1,106,885</u>	<u>1,106,885</u>
Expenditures		
Capital outlays	562,100	562,100
Contract fire services	108,740	108,740
Facilities expenses	11,997	11,997
Insurance	11,980	11,980
Interest expenses	7,429	7,429
Office and administrative	20,368	20,368
Operation expenses	85,932	85,932
Professional fees	79,321	79,321
Repairs and maintenance	25,986	25,986
Salaries and benefits	254,949	254,949
Travel and training	11,531	11,531
Total Expenditures	<u>1,180,333</u>	<u>1,180,333</u>
Excess (Deficiencies) of Revenues Over (Under) Expenditures	<u>(73,448)</u>	<u>(73,448)</u>
Other Financing Sources (Uses)		
Property Contribution - Sunrise Beach Volunteer Fire Department	59,921	59,921
Loan Proceeds	282,800	282,800
Total Other Financing Sources (Uses)	<u>342,721</u>	<u>342,721</u>
Excess (Deficiencies) of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	269,273	269,273
Fund Balance, Beginning of Year	<u>378,000</u>	<u>378,000</u>
Fund Balance, End of Year	<u>\$ 647,273</u>	<u>\$ 647,273</u>

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

**LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 5
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2025**

Net Change in Fund Balance - Governmental Funds	\$ 269,273
<p>Amount reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This amount is the net effect of these differences in the treatment of capital assets and related items. (See Note 3)</p>	538,884
<p>Pension expenditures reported in the funds use current financial resources, however, pension expenses in the statement of activities will be expensed as incurred. (See Note 6)</p>	1,138
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long- term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items. (See Note 4)</p>	<u>(282,800)</u>
Change in Net Position of Governmental Activities	<u>\$ 526,495</u>

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

LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2025

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

(District) was created by an election held on November 8, 2022. The District operates under Article III, Section 48-e of the Texas Constitution and Chapter 775 of the Texas Health and Safety Code and is run by a Board of Commissioners appointed by the Llano County Commissioners Court. The District’s major activities include providing emergency services to the residents of the District.

As required by U.S. generally accepted accounting principles, the financial statements of the reporting entity include those of the District (the primary government) and its component units. In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in U.S. generally accepted accounting principles. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant indication of this ability is financial interdependency. Other indications of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. The District had no component units for the year ended September 30, 2025.

Government-Wide Financial Statements

The reporting model includes financial statements prepared using full accrual accounting for all of the District’s activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Position

The Statement of Net Position is designed to display the financial position of the primary government (governmental activities) and its discretely presented component units, if any. Governments will report all capital assets, including infrastructure, in the government-wide Statement of Net Position and will report depreciation expense - the cost of “using up” capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities

The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the District’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Fund Financial Statements

In the fund financial statements, financial transactions of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, and revenues and expenditures. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements are provided for the governmental fund.

LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
September 30, 2025

Note 1 – Summary of Significant Accounting Policies – Continued

General Fund

The General Fund is the principal fund of the District which accounts for all financial transactions not accounted for in other funds. The District had no other funds for the year ended September 30, 2025.

Fund Balance Classification

In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable - includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted - includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed - includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to ordinances passed by the Board, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through ordinances approved by the District's Board.
- Assigned - includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.
- Unassigned - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy as unassigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

The District has adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year-end to be approximately six (6) months of the annual operating budget.

Budgetary Comparison Schedules

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the current reporting model, governments will provide budgetary comparison information in their annual reports. The District is required to present the original budget with the comparison of the final budget and actual results. The budget is adopted by the Board prior to the beginning of the fiscal year. Amendments are made during the year on approval by the Board. The District adopted the current year budget on a line-item basis.

Basis of Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
September 30, 2025

Note 1 – Summary of Significant Accounting Policies – Continued

Government-Wide and Fund Accounting

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. As of September 30, 2025, the District had no business-type activities.

In the government-wide Statement of Net Position, the governmental activity columns are to be presented on a consolidated basis by column, and are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety), which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety). The District does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

In the fund financial statements, financial transactions of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, and revenues and expenditures. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The governmental fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements with the governmental column of the government-wide presentation.

The focus of the reporting model is on the District as a whole and the fund financial statements, including the major individual funds of the governmental categories, and the component units (if any). Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

Basis of Accounting

Basis of accounting refers to the method by which revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statement of net position and statement of activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the statement of net position.

LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
September 30, 2025

Note 1 – Summary of Significant Accounting Policies – Continued

All revenue and expenditure recognition for governmental funds are accounted for using the modified accrual basis of accounting. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. The District’s revenues are recognized when they become measurable and available as current assets. Available means collectible within the current year or as soon enough thereafter to be used to pay liabilities of the current year. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal year. Penalties and interest, and miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts 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 year. Actual results could differ from those estimates.

Deposits and Investments

The District’s investment guidelines are defined by a written investment policy that is approved by the District’s Board. In accordance with this policy, the funds are invested, and the investments of those funds managed, as a prudent investor would do, exercising reasonable care, skill and caution.

Capital Assets

Capital outlays are recorded as expenditures of the General Fund and as assets in the government-wide financial statements of the District. Depreciation is recorded on general fixed assets on a government-wide basis. All fixed assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated. Depreciation is computed using the straight-line method.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations. Estimated useful lives for depreciable assets are as follows:

Fleet vehicles	7 to 25 years
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Pensions

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County & District Retirement System (TCDRS) and additions to/deductions from TCERS Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments held by TCERS are reported at fair value.

LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
September 30, 2025

Note 1 – Summary of Significant Accounting Policies – Continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The District has the following items that qualify for reporting in these categories.

- Pension contributions after measurement date - These contributions are deferred and recognized in the following fiscal year.

Note 2 – Deposits and Investments

As of September 30, 2025, cash deposits were with a depository bank in interest bearing accounts, and these balances approximated fair value. As of the balance sheet date, the District's deposits are comprised of a demand deposit of \$51,788. The investments of the District also include \$601,978 with the Texas Local Government Investment Pool ("TexPool").

At September 30, 2025 all of the District's balances are either insured by the FDIC or are collateralized by registered securities held by the bank's trust department in the District's name.

Custodial Credit Risk: The custodial credit risk for deposits is the risk that, in the event of the failure of the 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 policy requires all deposits to be fully secured in accordance with Texas Government Code, Chapter 2257, by either surety bonds, letters of credit of the United States or its agencies and Texas instrumentalities, or by eligible securities held by an independent third-party custodian. At September 30, 2025, all District cash balances were secured.

The public funds investment pool has been created pursuant to the Interlocal Corporation Act of the State of Texas. The District has delegated the authority to hold legal title to TexPool, as custodian, to make investment purchases with the District's funds.

The Comptroller of Public Accounts (the "Comptroller") is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool. Additionally, the Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. There are no maximum transactions amounts and withdrawals from TexPool may be made daily. TexPool uses amortized cost rather than fair value to report net assets share price.

LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
September 30, 2025

Note 3 – Changes in Capital Assets

Changes in general fixed assets during the year ending September 30, 2025, were as follows:

	October 1, 2024	Increase	Decrease	September 30, 2025
Capital Assets				
Building	\$ -	\$ 44,291	\$ -	\$ 44,291
Fleet vehicles	-	1,041,430	-	1,041,430
Total Capital Assets	-	1,085,721	-	1,085,721
Less accumulated depreciation	-	(546,837)	-	(546,837)
Capital Assets, Net	<u>\$ -</u>	<u>\$ 538,884</u>	<u>\$ -</u>	<u>\$ 538,884</u>

Depreciation on assets transferred from Sunrise Beach Volunteer Fire Department was \$531,550, and current year depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 1,157
Public Safety	14,130
Total depreciation expense	<u>\$ 15,287</u>

Note 4 – Changes in Non-Current Liabilities

The following is a summary of non-current liabilities transactions during the year ended September 30, 2025:

	October 1, 2024	Additions	Payments	September 30, 2025
Notes payable	\$ -	\$ 282,800	\$ -	\$ 282,800
Total	<u>\$ -</u>	<u>\$ 282,800</u>	<u>\$ -</u>	<u>\$ 282,800</u>
<u>Payee and Terms</u>				<u>Principal Balance</u>
Government Capital Corporation, loan to purchase a fire truck. The loan was originated on February 17, 2025. Payable in annually installments of \$36,358 (including interest at 4.85%) beginning March 14, 2026 secured by future property tax revenues.				\$ 282,800
Total non-current liabilities				282,800
Less current portion				<u>(22,642)</u>
Total Long-Term Debt				<u>\$ 260,158</u>

LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
September 30, 2025

Note 4 – Changes in Non-Current Liabilities - Continued

Annual payments required to amortize all long-term debt outstanding as of September 30, 2025 including interest payments, are as follows:

Year ending September 30	Principal	Interest	Total
2026	\$ 22,642	\$ 13,716	\$ 36,358
2027	23,740	12,618	36,358
2028	24,891	11,467	36,358
2029	26,099	10,259	36,358
2030	27,364	8,994	36,358
2031 to 2035	158,064	23,722	181,786
Total	<u>\$ 282,800</u>	<u>\$ 80,776</u>	<u>\$ 363,576</u>

Note 5 – Property Taxes

The District's property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real property located in the District. The tax levy for October, 1899 was \$1,050,191.

The tax assessment of October 1, 1899, sets the tax levy at \$0.10 per \$100 of assessed valuation at 100 percent of market value.

Delinquent property taxes estimated to be collectible within the next fiscal year are recognized as revenues. Other delinquent property taxes receivable at year end that are deemed to be ultimately collectible are recorded as deferred revenues.

Note 6 - Pension Plan

The District began participation in the Texas County & District Retirement System (TCDRS) as of August 1, 2025, and therefore did not have any participating employees as of the TCERS measurement date, December 31, 2024. A description of the pension plan pursuant to Paragraph 40 of GASB Statement No. 68 is as follows:

- a. The District participates in TCERS, which is a statewide, agent multiple-employer, public employee retirement system.
- b. A brief description of benefit terms:
 - 1) All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
 - 2) The plan provides retirement, disability and survivor benefits.
 - 3) TCERS is a savings-based plan. For the District's plan, 7% of each employee's pay is deposited into his or her TCERS account. By law, employee accounts earn 7% interest per year on beginning of year balances. At retirement, the account is matched at an employer set percentage(s) (current match is 200%) and is then converted to a lifetime annuity.
 - 4) There are no automatic COLAs. Each year, the District may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
 - 5) Benefit terms are established under the TCERS Act. They may be amended as of January 1 each year but must remain in conformity with the Act.
- c. As of the measurement date (December 31, 2024), the District had no employees covered in TCERS.

LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
September 30, 2025

Note 6 - Pension Plan - Continued

- d. The District's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The District's contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee deposit rate is set by the District and was 7%. The actuarially determined employer contribution rate for 2025 was 11.70%. Contributions to the pension plan from the District were \$1,138 for the fiscal year ended September 30, 2025.
- e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, www.tcdrs.org.

Note 7 - Commitments

Effective for the period October 1, 2024, through September 30, 2025, the District entered into a contract with Sunrise Beach Volunteer Fire Department (the Department) to provide emergency services to all persons and property within the emergency services district, including response to life-threatening emergencies and rescue calls by making available adequate staff and administrative assistance. Amounts to be paid to the Volunteer Fire Department shall be disbursed at the discretion of the Commissioners and may include expenses for operations and other expenditures approved by the District for maintaining emergency services within the District.

If at any time the Department is dissolved or the agreement is terminated by either party, any assets purchased wholly or in part with funds from the District shall be immediately transferred to another fire department contracted by the District or to the District at its sole discretion.

During the year ended September 30, 2025, the Department transferred the majority of their fleet, with a net book value of \$159,881, to the District for \$100,000. This resulted in a donation amount to the District of \$59,881. Therefore at year end, the District owned building improvements, equipment, and fleet vehicles with a fair market value of approximately \$550,000 that it provides for use by the Department.

In the fiscal year ended September 30, 2025, the Department was paid \$111,223 by the District.

Note 8 – Subsequent Events

Subsequent to year end, the Sunrise Beach Volunteer Fire Department (VFD) transferred to the District, the remaining equipment, land, and fire station building that was being remodeled at year end. The District has approved a loan for \$850,000 in the fiscal year ended September 30, 2026, in order to complete the fire station. The District also received a grant from Texas Forest Service in the amount of \$265,000 for a brush truck for a total cost of \$279,000.

The District did not have any other subsequent events through April 16, 2026, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the fiscal year ended September 30, 2025.

REQUIRED SUPPLEMENTARY INFORMATION

LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 5
BUDGETARY COMPARISON SCHEDULE
For the Year Ended September 30, 2025

	Budget		Actual Amounts Budgetary Basis	Variance with Final Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 1,030,000	\$ 1,060,000	\$ 1,062,503	\$ 2,503
Interest Income	15,000	30,000	33,476	3,476
Other income	-	10,906	10,906	-
Total Revenues	<u>1,045,000</u>	<u>1,100,906</u>	<u>1,106,885</u>	<u>5,979</u>
Expenditures				
Capital outlay	175,250	76,000	562,100	(486,100)
Contingency	10,000	-	-	-
Contract fire services	110,400	119,650	108,740	10,910
Facilities Expense	-	13,550	11,997	1,553
Insurance	4,500	12,000	11,980	20
Interest expense	-	-	7,429	(7,429)
Office and administrative	11,780	16,150	20,368	(4,218)
Operations	104,800	123,200	85,932	37,268
Professional fees	109,101	109,101	79,321	29,780
Repairs and maintenance	-	33,750	25,986	7,764
Salary and benefits	301,750	263,250	254,949	8,301
Travel & Training	20,250	13,000	11,531	1,469
Total Expenditures	<u>847,831</u>	<u>779,651</u>	<u>1,180,333</u>	<u>(400,682)</u>
Excess (Deficiencies) of Revenues Over (Under) Expenditures	<u>197,169</u>	<u>321,255</u>	<u>(73,448)</u>	<u>(394,703)</u>
Other Financing Sources (Uses)				
Property Contribution - Sunrise Beach Volunteer Fire Department	-	-	59,921	59,921
Loan Proceeds	-	-	282,800	282,800
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>342,721</u>	<u>342,721</u>
Excess (Deficiencies) of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	<u>\$ 197,169</u>	<u>\$ 321,255</u>	269,273	<u>\$ (51,982)</u>
Fund Balance, Beginning of Year			<u>378,000</u>	
Fund Balance, End of Year			<u>\$ 647,273</u>	