

**ELLIS COUNTY EMERGENCY
SERVICES DISTRICT NO. 1
SEPTEMBER 30, 2025**

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District Commissioners
Ellis County Emergency Services District No.1
Maypearl, TX

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Ellis County Emergency Services District No. 1 (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, the major fund, and the aggregate remaining fund information 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 and *Government 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 and *Government 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

Management has omitted management's discussion and analysis and budgeted comparisons that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 7, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial

reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Waters Vollmering Beavers & Adams, LLP

Waters, Vollmering, Beavers & Adams, LLP

Mansfield, TX

January 7, 2026

**ELLIS COUNTY EMERGENCY SERVICE DISTRICT #1
GOVERNMENTAL FUND BALANCE SHEET AND
STATEMENT OF NET POSITION
September 30, 2025**

	General Fund	Adjustments (Note G)	Statement of Net Position
ASSETS			
Cash and cash equivalents	\$ 695,432	\$ -	\$ 695,432
Capital assets, net of accumulated depreciation		1,961,618	1,961,618
Total Assets	695,432	1,961,618	2,657,050
LIABILITIES			
Accounts payable	8,074	-	8,074
Current liabilities	17,279	-	17,279
Due within one year		82,682	82,682
Due after one year		302,997	302,997
Total liabilities	25,353	385,679	411,032
FUND BALANCE/NET POSITION			
Fund balances:			
Restricted - retirement of long-term debt	102,674	(102,674)	-
Unassigned	122,405	(122,405)	-
Total fund balances	225,079	(225,079)	-
Total liabilities and fund balances	\$ 250,432		
Net position:			
Net investment in capital assets		1,575,939	1,575,939
Restricted for debt service fund		102,674	
Unrestricted		567,405	670,079
Total net position		\$ 2,246,018	\$ 2,246,018

See accompanying notes and independent auditor's report

ELLIS COUNTY EMERGENCY SERVICE DISTRICT #1
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE AND
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2025

	General Fund	Adjustments (Note G)	Statement of Activities
EXPENDITURES:			
Emergency services	\$ 9,974	\$ -	\$ 9,974
Administrative	491,533		491,533
Office facilities	36,338		36,338
Professional fees	25,003		25,003
Training	13,747		13,747
Repairs and maintenance	41,702		41,702
Utilities	12,797		12,797
Depreciation		181,531	181,531
Interest expense	150		150
Capital outlay	1,050,427	(1,050,427)	-
Debt Service			-
Principal	59,321	(59,321)	-
Interest	17,684		17,684
Net Expenditures	<u>1,758,676</u>	<u>(868,896)</u>	<u>830,459</u>
PROGRAM REVENUES			
Grants & Contributions	<u>16,515</u>	-	<u>16,515</u>
Net Program Revenue	<u>16,515</u>	-	<u>16,515</u>
GENERAL REVENUES			
Property taxes	991,029		991,029
Other income	<u>1,078</u>		<u>1,078</u>
Net General Revenue	<u>992,107</u>	-	<u>992,107</u>
NON-OPERATING REVENUES			
Interest income	<u>66,480</u>		<u>66,480</u>
Net Non-Operating Revenue	<u>66,480</u>	-	<u>66,480</u>
Excess of revenues over expenditures	(683,574)	868,896	244,643
FUND BALANCE/NET POSITION AT BEGINNING OF YEAR	<u>908,653</u>	<u>1,092,722</u>	<u>2,001,375</u>
FUND BALANCE/NET POSITION AT END OF YEAR	<u>\$ 225,079</u>	<u>\$ 1,961,618</u>	<u>\$ 2,246,018</u>

See accompanying notes and independent auditor's report

ELLIS COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Ellis County Emergency Services District No. 1 (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) applicable to government entities. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. More significant of these accounting policies are described below.

1. Reporting Entity

The Ellis County Emergency Services District No. 1 is a political subdivision of the State of Texas and was created through the conversion of the Ellis County Rural Fire District No. 4 by a general election in July of 1999. The District was created to provide emergency services and promote public safety, welfare, health and convenience of persons residing in the District. The District is a governmental entity organized under the Texas Health Safety Code Sec. 775.

2. Basis of Presentation

The government-wide financial statements include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the District. Governmental activities are supported mainly by property taxes.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

The General Fund meets the criteria of a major governmental fund. The District has no other governmental funds.

GASB provides that for governments engaged in a single governmental program, the fund financial statements and government-wide statements may be combined. The District presents the general fund in the first column. The next column is an adjustments column. It reconciles the amounts reported in the governmental funds to show how each would change

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

when reported on the full-accrual basis of accounting. The last column of these combination statements shows the amounts that normally would appear in the government-wide statements.

3. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Revenues are classified as program revenues and general revenues. 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. General revenues include all taxes, grants not restricted to specific programs and investment earnings.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are susceptible to accrual, as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers the availability period for grants to be one year. Expenditures generally are recorded when a liability is incurred, under accrual accounting.

The government reports the following major governmental fund:

The General Fund is the general operating fund of the District and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes. Primary expenditures are for general administration, emergency services and management.

The District has no other major governmental funds.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and investments with original maturities of three months or less from the end of the fiscal year.

Allowance For Credit Losses

The District has adopted ASC 326 Credit Losses and determined its impact was not considered material. An allowance account is maintained for the percentage of receivables that are deemed doubtful at year end. The District bases this percentage primarily on the amount of over ninety-day balances in the accounts receivable account. Accounts receivables are written off when they are determined to be uncollectible. The allowance for doubtful accounts was \$0 at September 30, 2025.

Capital Assets

All acquisitions of property and equipment are recorded at cost, if purchased or at fair value at date of gift, if donated. When assets are disposed of, their cost and accumulated depreciation

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

are removed from the accounts and the resulting gains or losses are credited or charged to operations. Land is recorded at cost and it is not depreciated. Furniture and equipment is capitalized if cost is over \$1,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, while improvements and betterments are capitalized.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Building and Improvements	15-39 years
Fire Trucks	10 years
Fire Fighting Equipment	3-10 years
Furniture and Equipment	3-5 years

Property Tax

Property taxes are levied based on taxable value at January 1 and become due October 1 and past due after the following January 31. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy, if any, are shown net of an allowance for uncollectible.

Long-Term Obligations

All long-term obligations, if any, are reported in the government-wide financial statements.

In general, governmental fund payables, once incurred, are paid in a timely manner and in full, from current financial resources, are reported as obligations of the funds. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Final settlement amounts could differ from those estimates.

Fund Balance Classification

In the governmental fund financial statements, the District reported the following types of governmental fund balances: restricted and unassigned.

Restricted – Amounts that have constraints placed on the use of their resources. These constraints can be: (a) externally imposed by creditors (e.g., debt covenants), grantors, contributors or laws/regulations of other governments; or (b) imposed by law through constitutional provision or enabling legislation. Both constraints are legally enforceable by an external party. The District does not have any restricted assets.

Unassigned – All amounts not included in other spendable classifications. The General Fund is the only fund that would report a positive amount in unassigned fund balance. Residual deficit amounts of the governmental funds would also be reported as unassigned.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Net Position

Net Position represents the difference between assets, deferred outflows of resources, deferred inflows of resources, and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Lease Accounting Standard

The Company decided to adopt the Financial Accounting Standard Board's Accounting Standards Codification (ASC) 842, *Lease Accounting*.

The lease accounting guidance generally requires the treatment of all qualified leases as a right-to-use asset and an associated liability. If the Company had qualified leases, then retained earnings could be adjusted to reflect the prior period effect of the change in accounting principle. The asset and liability are reduced over the length of the lease with changes impacting the operating statement. The District has adopted the lease standard but does not have any leases in 2025.

NOTE B – CASH AND INVESTMENTS

Cash

At September 30, 2025, the carrying amount of the District's bank balance was \$695,432. The District had multiple bank balances that were all covered by federal deposit insurance, but one exceeded federal deposit insurance by \$113,827.

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a.) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b.) Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

At year end, the District was exposed to custodial credit risk.

NOTE B – CASH AND INVESTMENTS (cont.)

c.) Concentration of Credit Risk

The risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. At year end, the District was not exposed to a concentration of credit risk.

d.) Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment.

At year-end, the District was not exposed to interest rate risk.

e.) Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

NOTE C – CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2025, is as follows:

	Balance 9/30/24	Additions	Retirements	Transfers	Balance 9/30/25
Land	\$ 70,000	\$ -0-	\$ -0-	\$ -0-	\$ 70,000
EMS Equipment	81,181	-0-	-0-	-0-	81,181
Communication Equipment	69,886	-0-	-0-	-0-	69,886
Building & Improvements	1,074,771	-0-	-0-	-0-	1,074,771
Firefighting Apparatus	1,138,111	1,044,761	-0-	-0-	2,182,872
Furniture & Fixtures	95,934	5,666	-0-	-0-	101,600
Firefighting Equipment	235,025	-0-	-0-	-0-	235,025
Total capital assets	<u>2,764,908</u>	<u>1,050,427</u>	<u>-0-</u>	<u>-0-</u>	<u>3,815,335</u>

	Balance 9/30/24	Additions	Retirements	Transfers	Balance 9/30/25
Less Accumulated Depreciation:					
EMS Equipment	71,835	7,010	-0-	-0-	78,845
Communication Equipment	36,446	12,450	-0-	-0-	48,896
Building & improvements	414,438	27,534	-0-	-0-	441,972
Firefighting Apparatus	884,017	104,610	-0-	-0-	988,627
Furniture & Fixtures	47,998	13,706	-0-	-0-	61,704
Firefighting Equipment	217,452	16,221	-0-	-0-	233,673
Total accumulated depreciation	<u>1,672,186</u>	<u>181,531</u>	<u>-0-</u>	<u>-0-</u>	<u>1,853,717</u>

Governmental activities capital assets, net	<u>\$ 1,092,722</u>	<u>\$ 868,896</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,961,618</u>
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NOTE C – CHANGES IN CAPITAL ASSETS (cont.)

Depreciation expense was charged to government activities of \$181,531.

NOTE D -- PROPERTY TAXES

Taxes were levied on and payable as of October 1. The District has contracted with the Ellis County Tax Assessor-Collector to collect taxes on its behalf. Current year taxes become delinquent February 1. Any current year delinquent taxes not paid by July 1 are turned over to attorneys for collection action.

For tax year 2025, the assessed tax rate for the District was \$0.10 percent per \$100 on an assessed valuation of \$996,042,736 used to fund 2025 activities. Total tax levy for fiscal year 2025 was \$991,029.

NOTE E - LONG TERM DEBT

1. Governmental activities –

Notes Payable:

Note payable debt outstanding at September 30, 2025, is comprised of the following:

NOTE E - LONG TERM DEBT (cont.)

<u>Description of Debt</u>	<u>Amount</u>
Note payable to a financial institution secured a security interest in ad valorem tax revenue and all other income or receipts received or to be received by the Borrower, requiring annual installments of \$102,674 including interest at 5.631%.	\$ 385,679
Total	<u>\$ 385,679</u>

Annual debt service requirements to maturity for notes payable debt are as follows:

Year Ending September 30	Principal	Interest	Total
2026	\$ 82,682	\$ 19,992	\$ 102,674
2027	87,437	15,237	102,674
2028	92,465	10,208	102,674
2029	97,783	4,891	102,674
2030	25,312	356	25,667
Total	<u>\$ 385,679</u>	<u>\$ 50,684</u>	<u>\$ 436,363</u>

NOTE E - LONG TERM DEBT (cont.)

Changes in long-term liabilities:

Long-term debt activity for the year ended September 30, 2025, was as follows:

	Amounts payable at beginning of year	Amounts added during year 2025	Amounts retired during fiscal year 2025	Amounts payable at end of year	Amounts due within one year
Notes payable	\$ -0-	\$ 445,000	\$ (59,321)	\$ 385,679	\$ 102,674
Total	\$ -0-	\$ 445,000	\$ (59,321)	\$ 385,679	\$ 102,674

NOTE F – CONTINGENT LIABILITIES

Litigation

The District is not aware of any pending or threatened litigation.

NOTE G – EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND AND GOVERNMENT-WIDE STATEMENTS

Differences between the Governmental Fund Balance Sheet and the Statement of Net Position:

The differences (as reflected in the adjustments column) primarily result from the long-term economic resources focus of the statement of net position versus current financial resources focus of the governmental fund balance sheet.

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the District as a whole.

Cost of capital assets	\$ 3,815,335
Accumulated depreciation	<u>(1,853,717)</u>
	<u>\$ 1,961,618</u>

Long-term liabilities applicable to the district's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term-are reported in the statement of net position.

Due within one year	\$ 82,682
Due after one year	<u>302,997</u>
	<u>\$385,679</u>

NOTE G – EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND AND GOVERNMENT-WIDE STATEMENTS (cont.)

Differences between the Governmental Fund Operating Statement and the Statement of Net Activities:

The differences (as reflected in the adjustments column) arise primarily from the long-term economic resources focus of the statement of activities versus the current financial resources focus of the governmental funds.

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

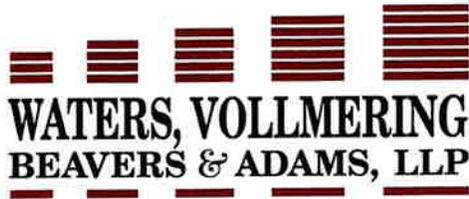
Capital outlay	\$ (1,050,427)
Depreciation Expense	<u>181,531</u>
	<u>\$ 868,896</u>

Repayment of notes payable is reported as expenditures in governmental funds. For the district as a whole, however, the principal payments reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities.

Payment of Principal	<u>\$ (59,321)</u>
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NOTE H – Subsequent Events

The District evaluated subsequent events through January 7, 2026, which is the same date that the financial statements were issued, and no events were determined to be reported.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,
Ellis County Emergency Services District No.1
Maypearl, TX

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund information of Ellis County Emergency Services District No.1, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Ellis County Emergency Services District No.1's basic financial statements, and have issued our report thereon dated January 7, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Ellis County Emergency Services District No.1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ellis County Emergency Services District No.1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ellis County Emergency Services District No.1's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We consider the following deficiencies in internal control to be significant deficiencies:

- The District's limited staffing creates deficiencies in internal control related to segregation of duties in the areas of cash management, additions and dispositions of assets, cut-off procedures and proper recording of accruals. Management should evaluate the relative costs and benefits associated with any additional controls recognizing that volunteer labor can be utilized with proper procedures to mitigate potential control deficiencies.
- During planning we noticed that prior year audit adjustments had not been made into the client's financials. Management will add these into audit adjustments into QuickBooks at the close of the yearly audit for accurate financial reporting.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ellis County Emergency Services District No.1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Waters, Vollmering, Beavers & Adams, LLP
Mansfield, Texas
January 7, 2026