JASPER COUNTY EMERGENCY SERVICE DISTRICT #1
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2025

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MITCHELL T FONTENOTE CPA, INC.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Management
Jasper County Emergency Service District #1
Buna, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Jasper County Emergency Service District #1 as of and for the year December 31, 2025, and the related notes to the financial statements, which collectively comprise Jasper County Emergency Service District #1 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 the aggregate remaining fund information of Jasper County Emergency Service District #1, as of December 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Jasper County Emergency Service District #1, 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 Jasper County Emergency Service District #1'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.

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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 Jasper County Emergency Service District #1'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 Jasper County Emergency Service District #1'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.

Mitchell T. Fontenote CPA, Inc.

Port Neches, Texas
May 27, 2026

MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2025

This section of Jasper County Emergency Service District #1's annual financial report presents our discussion and analysis of the District's financial performance during the calendar year ended December 31, 2025. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was $3,922,553 at December 31, 2025.
- During the year, the District's expenses were $387,276 less than the $1,547,335 generated in taxes, other revenues for governmental activities.
- The general fund reported a fund balance this year of $1,351,782 Of this, all $1,351,782 is for unrestricted use by the District.

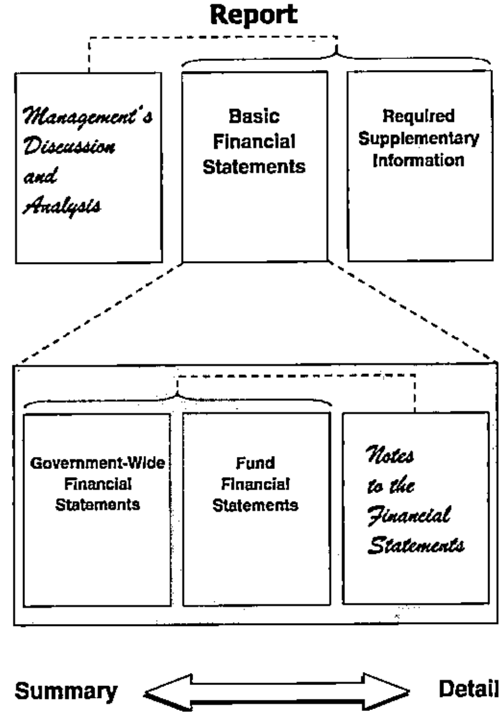
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements, and required supplementary information.* The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statement*s.*
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1, Required Components of the District's Annual Financial Report



Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position.*

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as fire and emergency care. Property taxes finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.

- The Commissioners can establish other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was $3,922,553 at December 31, 2025. (See Table A-1).

Table A-1
JASPER COUNTY EMERGENCY SERVICE DISTRICT #1
Net Position

	2025	2024
Current and Other Assets	$ 1,860,447	$ 2,334,053
Capital Assets	2,762,578	1,528,522
Total Assets	4,623,025	3,862,575
Current Liabilities	$ 405,908	$ 9,550
Longterm Liabilities	294,564	429,193
Total Liabilities	700,472	438,743
Net Position:		
Invested in Capital Assets Net of Related Debt	2,468,014	1,099,329
Unrestricted	1,454,539	2,324,503
Total Net Position	$ 3,922,553	$ 3,423,832

Approximately $2,468,014 of the District's net position represent investments in capital assets net of related debt. The $1,454,539 of unrestricted net position represents resources available to fund the programs of the District next year.

Changes in Net Position. The District's total revenues were $1,547,335. Property taxes make up 6.95 percent of total revenues, sales tax revenue makes up 90.83 percent of total revenue, and the remaining 2.23 percent is interest revenue.

The total cost of all programs and services was $1,160,059; all costs are for fire and emergency medical services.

Table A-2
JASPER COUNTY EMERGENCY SERVICE DISTRICT #1
Changes in Net Position

	2025	2024
General Revenues:		
Property Tax Revenue	$ 107,466	$ 131,569
Sales Tax Revenue	1,405,393	1,274,170
Interest Income	34,476	28,132
Other Income	-	69,355
Total Revenue	1,547,335	1,503,226
Expenses:		
Contracted Services	811,452	788,698
Dues & Subscriptions	60,803	52,172
Legal & Professional	28,435	28,828
Training	9,486	7,317
Office Expense	26,362	9,907
Repairs and Maintenance	-	32,530
Interest	21,417	27,815
Depreciation	202,104	201,997
Total Expenses	1,160,059	1,149,264
Increase (Decrease) in Net Assets	387,276	353,962
Net Position, Beginning	3,423,832	3,069,870
Period Period Adjustment	111,445	-
Net Position, Restated	3,535,277	3,069,870
Net Position, Ending	$ 3,922,553	$3,423,832

Governmental Activities

- Property tax rates were set at $.02377 per $100 valuation.
- For taxes due on January 31, 2025 the District has maintained the rate to $.024 per $100 due to the continued increase in population in the Jasper County Emergency Service District #1.
- The cost of all *governmental* activities this year was $1,160,059.
- The amount that our taxpayers paid for these activities through property taxes was $107,466.
- The amount received from the Texas Comptroller for sales tax revenue was $1,405,393.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District continues to operate from a very conservative viewpoint due to a variety of issues. This is done to meet the emergency needs of the community. The District continues its deliberate and steady rehabilitation of old facilities and equipment and the purchase of new facilities and equipment to meet emergency needs.

General Fund Budgetary Highlights

On occasion, the District amends the budget, primarily due to increased costs associated with facilities upgrades. The fund balance, however, remains strong and sound.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the District had invested $2,762,578 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-3.) This amount represents a slight increase from last year due to construction projects that are still ongoing at the end of the year.

Table A-3
JASPER COUNTY EMERGENCY SERVICE DISTRICT #1
Capital Assets

	2025	2024
Land	$ 164,382	$ 151,310
Buildings & Improvements	92,000	78,000
Equipment	587,760	501,758
Vehicles	1,959,358	1,959,358
Construction in Progress	1,433,676	110,592
Total Capital Assets	4,237,176	2,801,018
Less Accumulated Depreciation:		
Buildings & Improvements	(39,311)	(36,667)
Equipment	(417,779)	(332,652)
Vehicles	(1,017,508)	(903,175)
Total Accumulated Depreciation	(1,474,598)	(1,272,494)
Net Capital Assets	$ 2,762,578	$ 1,528,524

Debt Administration

At the end of 2025, the District had $294,564 in outstanding long term debt. This amount represents an decrease from last year due principal payments made.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District projects to stay the course on projects and revenue and expenditure projections at the current time.
- Continued growth in the surrounding communities has increased tax revenue projections.
- The District is now receiving sales tax revenue that will be used to pay for a contract with Allegiance Ambulance, a new fire engine, two substations, and other operating expenses.
- Ad valorem tax rates have been set to $0.024 per $100 valuation as of January 31, 2025.

These indicators were taken into account when adopting the general fund budget for 2024. Amounts available for appropriation in the general fund budget are up slightly due to increased revenues. Any expected increases in revenue from property taxes are allocated to increases in funding levels for facilities and equipment needs. Also, amounts are allocated for training of fire and EMS personnel expenditures continue to rise due the expanding community needs. Currently, the District is able to fill all of its financial obligations from personnel to facilities and equipment.

If all revenue and expenditure estimates are realized in 2026, the District's fund balance is expected to continue to stay the same by the close of 2026.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Services Department.

STATEMENT OF NET POSITION
DECEMBER 31, 2025

		Governmental Activites
ASSETS:		
Cash and Cash Equivalents	$	1,567,330
Property Taxes Receivable (Net)		102,757
Sales Tax Receivable		113,330
Due from Other		77,030
Capital Assets:		
Land		164,382
Buildings and improvements, Net		52,689
Equipment, Net		169,981
Vehicles, Net		941,850
Construction in progress		1,433,676
Total Assets	$	4,623,025
LIABILITIES:		
Current Liabilities		
Accounts Payable		405,908
Noncurrent Liabilities:		
Due Within One Year		142,579
Due in More Than One Year		151,985
Total Noncurrent Liabilities		294,564
Total Liabilities		700,472
NET POSITION:		
Invested in Capital Assets, Net of Related Debt		2,468,014
Unrestricted		1,454,539
Total Net Position	$	3,922,553

The accompanying notes are an integral part of this financial statement.

JASPER COUNTY EMERGENCY SERVICE DISTRICT #1

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

		Program Revenues		Net (Expenses)
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
Governmental Activities:				
General Government				
Contracted Services	$ 811,452	$ -	$ -	$ (811,452)
Insurance	60,803	-	-	(60,803)
Legal & Professional	28,435	-	-	(28,435)
Training	9,486	-	-	(9,486)
Office Expense	26,362	-	-	(26,362)
Interest	21,417	-	-	(21,417)
Depreciation	202,104	-	-	(202,104)
Total Governmental Activities	$ 1,160,059	$ -	$ -	$ (1,160,059)
General Revenues:				
Property Tax Revenue				107,466
Sales Tax Revenue				1,405,393
Interest Income				34,476
Total General Revenues				1,547,335
Change in Net Position				387,276
Net Position - Beginning				3,423,832
Prior Period Adjustment				111,445
Net Position - Ending				$ 3,922,553

The accompanying notes are an integral part of this financial statement.

JASPER COUNTY EMERGENCY SERVICE DISTRICT #1

BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General Fund	Total Governmental Funds
Assets:		
Cash on Deposit	$ 1,567,330	$ 1,567,330
Taxes receivable	102,757	102,757
Sales tax receivable	113,330	113,330
Due from Others	77,030	77,030
Total assets	$ 1,860,447	$ 1,860,447
Liabilities and Fund Balance:		
Accounts Payable	$ 405,908	$ 405,908
Deferred Property Taxes	102,757	102,757
Total Liabilities	508,665	508,665
Fund Balance		
Unassigned	1,351,782	1,351,782
Total fund balance	1,351,782	1,351,782
Total liabilities, deferred inflows, and fund balance	$ 1,860,447	$ 1,860,447

The accompanying notes are an integral part of this financial statement.

JASPER COUNTY EMERGENCY SERVICE DISTRICT #1

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION DECEMBER 31, 2025

Total Fund Balance - Governmental Funds Balance Sheet	$	1,351,782
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital Assets Used in Governmental Activities are not Reported in the Funds		2,762,578
Property Taxes Receivable Unavailable to Pay for Current Period Expenditures are Deferred in the Funds.		102,757
Net Assets of Governmental Activities - Statement of Net Assets	$	3,922,553

The accompanying notes are an integral part of this financial statement.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	General Fund	Total Governmental Fund Types
Revenues:		
Property Tax Revenue	$ 124,163	$ 124,163
Sales Tax Revenue	1,405,393	1,405,393
Interest Income	34,476	34,476
Total revenues	1,564,032	1,564,032
Deduct Expenditures:		
Operations:		
Conracted Services	811,452	811,452
Insurance	60,803	60,803
Legal & Professional	28,435	28,435
Training	9,486	9,486
Office Expense	26,362	26,362
Capital outlay	1,436,161	1,436,161
Debt Service:		
Principal	134,629	134,629
Interest	21,417	21,417
Total operations	2,528,745	2,528,745
Net Changes in Fund Balances	(964,713)	(964,713)
Fund Balances:		
Beginning of year	2,205,050	2,205,050
Prior Period Adjustment	111,445	111,445
End of year	$ 1,351,782	$ 1,351,782

The accompanying notes are an integral part of this financial statement.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

Net Change in Fund Balances - Total Governmental Funds	$	(964,713)
Amounts Reported for Governmental Activities in the Statement of Activities ("SOA") are Different Because:		
Capital Outlays are not Reported as Expenses in the SOA		1,436,161
The Depreciation of Capital Assets Used in Governmental Activities is not Reported in the Funds.		(202,104)
Certain Property Tax Revenues are Deferred in the Funds. This is the Change in These Amounts This Year.		(16,697)
Repayment of Loan Principal is an Expenditure in the Funds but not as an Expense in the SOA.		134,629
Change in Net Assets of Governemental Activities - Statement of Activities	$	387,276

The accompanying notes are an integral part of this financial statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Jasper County Emergency Service District #1 (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The most significant accounting and reporting policies of the District are described in the following notes to the financial statements.

A. Reporting Entity

The Jasper County Emergency Service District #1 was organized under the provisions of Section 48-e, Article III of the Constitution of the State of Texas for the protection of life and health as provided for under this Act.

Members of the Board have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters. Therefore, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The accounting policies of the Emergency Service District #1 conform to generally accepted accounting principles, as applicable to governments. The following is a summary of the more significant policies.

B. Basis of Presentation – Basis of Accounting

1. Basis of Presentation

a. Government-Wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

   The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

b. Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

   The District reports the following major governmental funds:

   (1) General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation – Basis of Accounting Continued

2. Measurement Focus, Basis of Accounting

a. Government-Wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

b. Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

   When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

C. Financial Statement Amounts

1. **Property Taxes:** Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

   Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Statement Amounts Continued

2. **Sales Tax:** Sales taxes are collected by the State Comptroller and remitted to the District in accordance with Chapter 323 of the Texas Tax Code and the District's voter-approved local sales and use tax authorization. Sales tax revenues are recognized in the period in which the underlying exchange transaction occurs and when the revenues are considered both measurable and available. Sales tax revenues are considered available when collected by the State Comptroller and remitted to the District within 60 days after the end of the fiscal year.

   Allowances for uncollectible sales tax receivables within the General Fund are based upon historical collection experience and management's evaluation of outstanding receivable balances. Management believes all material sales tax revenues due to the District are collectible; therefore, no significant allowance for uncollectible receivables has been recorded.

3. **Capital Assets:** Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of $5,000 is used.

   Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Life
Building	30
Equipment	5
Vehicles	7

3. **Receivable and Payable Balances:** The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

4. **Use of Estimates:** The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

5. **Budgets:** The official District budget was prepared for adoption for all Governmental Fund Types by the Commissioners.

6. **Encumbrances:** Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at December 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at year-end.

7. **Inventory:** The District records purchases of supplies as expenditures. If any supplies are on hand at the end of the year, their total cost is recorded as inventory and the fund balance is reserved for the same amount.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Balance Disclosure

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

a. Non-Spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The District has $0 classified as Non-Spendable.

b. Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The District has $0 classified as Restricted.

c. Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year end. The District has $0 classified as Committed.

d. Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Director. The District has $0 classified as Assigned.

e. Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds. The District has $1,351,782 classified as Unassigned.

The appointed board of directors, for the entity, has no authority to commit, assign, or restrict fund balances. In some instances a restriction is a result of meeting contractual or otherwise legal requirements, for example debt service requirements contained in the bond covenant.

E. New Pronouncements

During the fiscal year ended December 31, 2025, the District implemented GASB Statement No. 102, "Certain Risk Disclosures." This statement requires governments to disclosure information about risks related to their vulnerabilities due to certain concentrations or constraints. The implementation of this standard did not have an impact on the District's financial statements.

F. Restatement of Net Position/Fund Balance

The District implemented GASB Statement No. 100, "Accounting Changes and Error Corrections." During the current year, management identified prior period errors related to unrecorded sales tax receivables and items identified through the review of bank reconciliations, including old outstanding transactions and duplicate postings. In accordance with GASB Statement No. 100, the District recorded the necessary corrections and restated beginning net position of governmental activities. The following adjustment has been made:

	Net Position	Fund Balance
Net Position/Fund Balance - Beginning	$ 3,423,832	$ 2,205,050
Increase in Net Position/Fund Balance	111,445	111,445
Net Position/Fund Balance - Restated	$ 3,535,277	$ 2,316,495

NOTE 2 – DEPOSITS, SECURITIES AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank, approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Cash Deposits: The District's cash deposits at December 31, 2025 and during the year ended December 31, 2025, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments: The District is required by Government Code Chapter 2256, the Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

The District's had no investments at December 31, 2025.

Investment Accounting Policy: The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Non-negotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

NOTE 3 – FIXED ASSETS

The following is a summary of changes in the fixed assets for the year ended December 31, 2025:

	Beginning Balances	Additions	Deletions	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 151,310	$ 13,072	$ -	$ 164,382
Construction in Progress	110,592	1,323,084	-	1,433,676
Total Capital Assets Not Being Deprecitaed	261,902	1,336,156	-	1,598,058
Capital Assets Being Depreciated:				
Buildings & Improvements	78,000	14,000	-	92,000
Equipment	501,758	86,002	-	587,760
Vehicles	1,959,358	-	-	1,959,358
Total Capital Assets Being Deprecitaed	2,539,116	100,002	-	2,639,118
Less Accumulated Depreciation For:				
Buildings & Improvements	(36,667)	(2,644)	-	(39,311)
Equipment	(332,652)	(85,127)	-	(417,779)
Vehicles	(903,175)	(114,333)	-	(1,017,508)
Total Accumulated Depreciation	(1,272,494)	(202,104)	-	(1,474,598)
Governmental Activities Capital Assets, Net	$ 1,528,524	$1,234,054	$ -	$ 2,762,578

For the year ending December 31, 2025, the District had a total depreciation expense of $202,104.

NOTE 4 – LONGTERM DEBT

In 2023, the District entered into an agreement with Government Capital Corporation for $794,538 for a Monarch Fire Truck. The payment is due annually in the amount of $157,163. As of December 31, 2025, the balance is $294,564. The following is a summary of the changes in long-term debt for the year ending December 31, 2025:

Description	Amounts Original Issue	Balance 12/31/2024	Increase	Decrease	Balance 12/31/2025	Due in One Year
Notes Payable	$794,538	$ 429,193	$ -	$(134,629)	$ 294,564	$142,579
Total		$ 429,193	$ -	$(134,629)	$ 294,564	$142,579

Year Ending,	Principal	Interest	Total
2026	142,579	14,584	157,163
2027	151,985	5,178	157,163
	294,564	19,762	314,326

NOTE 5 – DUE FROM OTHER

In 2022, the District paid off a lease agreement for a firetruck. In the current year, an additional payment was drafted from the District's account in the amount of $77,030. This amount is due back from De Lage Finance. The District will be contacting the company to request the refund. As of December 31, 2025, they have not yet received the refund.

NOTE 6 – LITIGATION

None.

NOTE 7 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 27, 2026, the date at which the financial statements were available, and reveal nothing that would require recognition or disclosure.

JASPER COUNTY EMERGENCY SERVICE DISTRICT #1

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2025

	Beginning Budget	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property Tax Revenue	$ 110,000	$ 110,000	$ 124,163	$ 14,163
Sales Tax Revenue	1,113,922	1,113,922	1,405,393	291,471
Interest Income	10,000	10,000	34,476	24,476
Other Income	-	-	-	-
Total revenues	1,233,922	1,233,922	1,564,032	330,110
Deduct Expenditures:				
Operations:				
Contracted Services	789,932	789,932	811,452	(21,520)
Insurance	46,650	46,650	60,803	(14,153)
Legal & Professional	27,000	27,000	28,435	(1,435)
Training	15,575	15,575	9,486	6,089
Office Expense	58,900	58,900	26,362	32,538
Capital outlay	829,000	829,000	1,436,161	(607,161)
Debt Service:		-		
Principal	-	-	134,629	(134,629)
Interest	-	-	21,417	(21,417)
Total operations	1,767,057	1,767,057	2,528,745	(761,688)
Net Changes in Fund Balance	(533,135)	(533,135)	(964,713)	(431,578)
Fund Balances:				
Beginning of year	2,205,050	2,205,050	2,205,050	-
End of year	$ 1,671,915	$1,671,915	$ 1,351,782	$ (431,578)

** The District did not budget for the new construction or the lease payments