MILAM COUNTY EMERGENCY SERVICES DISTRICT NO. 1

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2025

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Milam County Emergency Services District No. 1
Milano, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the general fund of Milam County Emergency Services District No. 1 (the District) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District, 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' 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.

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Auditors' 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 auditors' 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 GAAS 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 GAAS, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Austin, Texas
August 20, 2026

Our discussion and analysis of the financial performance of Milam County Emergency Services District No. 1 (the District) provides an overview of the District's financial activities for the year ended December 31, 2025. Please read it in conjunction with the District's financial statements, included in this annual report.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The first of the government-wide financial statements is the Statement of Net Position. This statement is the District-wide statement of its financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of the Statement of Activities reports how the District's net position changed during the current fiscal year. All current revenues and expenses are included regardless of when cash is received or paid.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by $5,541,466 as of December 31, 2025.

DISTRICT'S NET POSITION

	2025	2024
ASSETS		
Cash	$ 1,189,490	$ 81,757
Property Tax Receivable	4,103,609	3,340,902
Prepaid Expenditures	91,344	73,625
Capital Assets, Net of Depreciation and Amortization	367,513	154,706
Total Assets	5,751,956	3,650,990
LIABILITIES		
Leases Payable	210,490	154,706
Total Liabilities	210,490	154,706
NET POSITION		
Net Investment in Capital Assets	157,023	-
Unrestricted	5,384,443	3,496,284
Total Net Position	$ 5,541,466	$ 3,496,284

The following table provides a summary of the District's operations for the year ended December 31, 2025. The District increased its net position by $2,045,182.

DISTRICT'S CHANGE IN NET POSITION

	2025	2024
REVENUES		
Property Taxes, Penalties and Interest	$ 4,267,603	$ 3,507,334
Total Revenues	4,267,603	3,507,334
EXPENSES		
Program Expenses	1,856,575	-
Administrative Expenses	320,574	11,100
Debt service - Interest	45,272	-
Total Expenses	2,222,421	11,100
CHANGE IN NET POSITION	2,045,182	3,496,234
Net Position - Beginning of Year	3,496,284	50
NET POSITION - END OF YEAR	$ 5,541,466	$ 3,496,284

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's fund balance as of December 31, 2025 was $4,157,270. The General Fund balance increased by $2,339,288.

FUND FINANCIAL STATEMENTS

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

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustment column and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the basic financial statements provide information essential to a full understanding of government-wide and fund financial statements. The notes to the financial statements follow the financial statements in this annual report.

OTHER INFORMATION

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissioners amended the budget during the fiscal year. Actual revenues were more than budgeted by $1,195,748 due to property tax revenues being more than expected. Actual expenditures were less than budgeted by $58,301 for administrative, $61,425 for program, and $433,393 for capital outlay.

CAPITAL ASSETS AND DEBT

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized below.

Capital Assets (Net of Accumulated Depreciation)

	2025	2024
Land	$ 56,391	$ -
Construction-in-Progress	87,125	-
Equipment	19,789	-
Right-of-Use Assets, net	204,208	154,706
Total Capital Assets	$ 367,513	$ 154,706

Debt

The changes in the debt position of the District during the fiscal year ended December 31, 2025 are summarized as follows:

Notes Payable - Beginning of Year	$ -
Note Proceeds	681,750
Retirement of Principal	(681,750)
Notes Payable - End of Year	$ -

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's expenditure budget for 2025 was $2,943,075. The District did not create a budget for 2024 The District's expenditure budget for 2026 is $4,304,503 The fiscal year 2026 property tax rate of $0.089041 and a certified taxable value of $4,983,807,613 leads to expected property tax revenue of $4,437,632.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for anyone with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mikel Reed, Treasurer, P.O. Box 1667, Rockdale, Texas 76567.

MILAM COUNTY EMERGENCY SERVICES DISTRICT NO. 1
GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION
DECEMBER 31, 2025

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	$ 1,189,490	$ -	$ 1,189,490
Prepaid Expenditures	91,344	-	91,344
Property Taxes Receivable	4,103,609	-	4,103,609
Capital Assets:			
Land	-	56,391	56,391
Construction-in-Progress	-	87,125	87,125
Equipment	-	19,789	19,789
Right-of-Use Asset, Net of Amortization	-	204,208	204,208
Total Assets	$ 5,384,443	$ 367,513	$ 5,751,956
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE/NET POSITION			
LIABILITIES			
Leases Payable	$ -	$ 210,490	$ 210,490
Total Liabilities	-	210,490	210,490
DEFERRED INFLOWS OF RESOURCES			
Unavailable Property Tax Revenue	1,227,173	(1,227,173)	-
FUND BALANCE			
Nonspendable	91,344	(91,344)	-
Unassigned	4,065,926	(4,065,926)	-
Total Fund Balance	4,157,270	(4,157,270)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 5,384,443		
NET POSITION			
Net Investment in Capital Assets		157,023	157,023
Unrestricted		5,384,443	5,384,443
Total Net Position		$ 5,541,466	$ 5,541,466

See accompanying Notes to Basic Financial Statements.

MILAM COUNTY EMERGENCY SERVICES DISTRICT NO. 1
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

	General Fund	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES			
Current:			
Administrative	$ 270,773	$ 49,801	$ 320,574
Program	1,856,575	-	1,856,575
Capital Outlay	262,608	(262,608)	-
Debt Service:			
Principal	725,269	(725,269)	-
Interest	45,272	-	45,272
Total Expenditures/Expenses	3,160,497	49,801	2,222,421
REVENUES			
Property Taxes, Penalties and Interest	4,718,732	(451,129)	4,267,603
Total Revenues	4,718,732	(451,129)	4,267,603
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,558,235	(1,558,235)	-
OTHER FINANCING SOURCES:			
Issuance of Short-Term Debt	681,750	(681,750)	-
Leases	99,303	(99,303)	-
Total Other Financing Sources	781,053	(781,053)	-
NET CHANGE IN FUND BALANCE	2,339,288	(2,339,288)	-
CHANGE IN NET POSITION	-	-	2,045,182
Fund Balance/Net Position - Beginning of Year	1,817,982	1,678,302	3,496,284
FUND BALANCE/NET POSITION - END OF YEAR	$ 4,157,270	$ 1,429,468	$ 5,541,466

See accompanying Notes to Basic Financial Statements,

NOTE 1 CREATION OF DISTRICT

An Emergency Services District is a political subdivision of the State of Texas, that is regulated by Chapter 775 of the Texas Health and Safety Code. Milam County Emergency Services District No. 1 (the District) was created on November 7, 2023, by the voters of Milam County, Texas. The District includes all incorporated municipalities and the unincorporated portions of Milam County. The District was created to improve emergency medical services across Milam County.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant accounting policies of the District are described below.

A. Reporting Entity

The District is an Emergency Services District with a five-member board of commissioners, who are appointed to a two-year term on a specific staggered basis.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District is not a participant in any joint venture and has not identified any entities which would be components units of the District.

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the “Total Governmental Fund” column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the statement of net position and the statement of activities.

The statement of activities demonstrates the degree to which the expenses are offset by program revenues. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes and other items not included among program revenues are reported instead as general revenues.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

The financial transactions of the District are recorded in an individual fund. The funds are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures. The funds are reported by generic classification within the financial statements.

The District uses the following fund types:

1. Governmental Funds

General Fund – To account for all revenues and expenditures not required to be accounted for in other funds.

2. Fund Balances

The District reports fund balances in accordance with GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance – Amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., board of commissioners). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned Fund Balance – Amounts the District intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates the authority.

Unassigned Fund Balance – Amounts that are available for any purpose.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

2. Fund Balances (Continued)

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.

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted – All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets."

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

C. Basis of Accounting

All Governmental Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded in the accounting period in which they become available and measurable. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recognized in the period in which the fund liability is incurred, if measurable. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

The District has adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. In compliance with GASB Statement No. 34, the District has presented a statement of net position and statement of activities for the year ended December 31, 2025. These statements are presented on an accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded in the period they are earned, and expenses are recorded in the period they are incurred.

D. Budget

The District annually adopts a budget for the General Fund in accordance with the accounting principles applicable to this fund. The Board of Commissioner's approval is required for revisions that alter the total expenditures. Reported budgeted amounts are as originally adopted and amended. Budgeted amounts lapse annually.

E. Cash Equivalents

The District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

F. Receivables

Management considers accounts receivable to be fully collectible at year-end; accordingly, no allowance for doubtful accounts is required.

G. Capital Assets

Capital assets are tangible and intangible assets, which include property and equipment and are reported in the government-wide Statement of Net Position. Capital assets are capitalized and reported at cost or estimated historical cost (except for intangible right-to-use lease assets and subscription assets). The costs of normal maintenance and repairs that do not add to the value of the asset or materiality extend its life are not capitalized.

Land and construction in progress are not depreciated. Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. At December 31, 2025, the District did not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position includes a separate for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At December 31, 2025, the District has only one item that qualifies for reporting in this category – a deferred inflow related to unavailable property taxes.

NOTE 3 DEPOSITS AND INVESTMENTS

The District is authorized by statute to maintain deposit accounts which are federally insured. At year-end, the carrying amount of the District's bank deposits was $1,270,471. Deposits are categorized to give an indication of the level of risk assumed at year-end. Categories are as follows:

- **Category 1** – Insured or collateralized with securities held by the District or its agency in the District's name.
- **Category 2** – Collateralized with securities held by the pledging financial institution's trust department or agency in the District's name.
- **Category 3** – Uncollateralized.

At December 31, 2025, $250,000 of the District's deposits were in Category 1. The District also had $1,020,471 of its deposits in Category 3.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the District 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) competitive bidding processes where applicable. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit; (3) certain municipal securities; (4) money market savings accounts; (5) repurchase agreements; (6) bankers acceptances; (7) mutual funds; (8) investment pools; (9) guaranteed investment contracts; and (10) common trust test procedures related to investment practices as provided by the Act. As of December 31, 2025, the District had not adopted, implemented or publicized an investment policy. On July 14, 2026, the Board adopted its “Resolution Adopting Investment Policy, Strategies, Guidelines and Management Practices”.

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the County’s deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government Obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits.

NOTE 4 PROPERTY TAXES

Property taxes are collected and remitted to the District by the Milam County Tax Assessor Collector. Taxes are levied annually on October 1, and are due one half by November 30, and one half by June 30, or in full by January 31. Delinquent tax payments throughout the year are recognized in the year received.

During the year ended December 31, 2025, the District levied an ad valorem tax at the rate of $.089041 per $100 assessed valuation, which resulted in a tax levy of $4,267,603 on the taxable valuation of $4,792,864,837 for the tax year.

NOTE 5 RISK MANAGEMENT

The District has insurable risks in various areas. During the year, the District obtained insurance against risks through a commercial carrier. The District believes the amount and types of coverage are adequate to protect the District from losses which could reasonably be expected to occur. The District has not had any settled claims resulting from these risks in any of the past two years.

NOTE 6 SHORT-TERM DEBT

Short-term debt activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Issues	Redemptions	Ending Balance
Direct Borrowings:				
Tax Anticipation Note	$ -	$ 681,750	$ (681,750)	$ -
Total	$ -	$ 681,750	$ (681,750)	$ -

The District issued a tax anticipation note to provide short-term financing for operating expenditures pending the receipt of property tax revenues. The note bore interest at 7.75% and matured on June 1, 2025. Proceeds were repaid from subsequent property tax collections. No amounts were outstanding at December 31, 2025.

NOTE 7 LEASE AGREEMENTS

The District leases two buildings under long-term, noncancelable lease agreements. The leases expire at various dates through December 31, 2029. A right-to-use lease asset and related lease liability have been recognized for these arrangements.

One lease requires annual payments of $24,000 through December 31, 2027, and includes an option to extend the lease through December 31, 2029. Management has determined that exercise of the renewal option is reasonably certain; therefore, the renewal period has been included in the measurement of the lease liability and related right-to-use asset. The lease also states that if the District enters a two-year extension term, the District may terminate during that extension with one hundred twenty days written notice. However, it is reasonably certain, based on all relevant factors that the termination clause will not be exercised.

The District's second lease requires annual payments of $37,200 through December 31, 2029, and includes an option to extend the lease through December 31, 2030. Management has determined that exercise of the renewal option is not reasonably certain; therefore, the renewal period has not been included in the measurement of the lease liability and related right-to-use asset. The lease also states that the District “may terminate this lease at any time upon 120 days written notice to the Lessor”. However, it is reasonably certain, based on all relevant factors that the termination clause will not be exercised.

Because the interest rate implicit in the leases was not readily determinable, the District used an estimated incremental borrowing rate of 7.50% to calculate the present value of future lease payments. The rate was derived using the prime lending rate and adjusted for the term of the leases.

NOTE 7 LEASE AGREEMENTS (CONTINUED)

Leases payable activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Leases Payable	$ 154,706	$ 99,302	$ (43,518)	$ 210,490
Total	$ 154,706	$ 99,302	$ (43,518)	$ 210,490

Maturities of the lease liabilities as of December 31, 2025, are as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ 46,889	$ 14,311	$ 61,200
2027	50,520	10,680	61,200
2028	54,432	6,768	61,200
2029	58,648	2,552	61,201
Total	$ 210,490	$ 34,310	$ 244,801

NOTE 8 CAPITAL ASSETS

Capital Asset activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Additions/ Completions	Deletions/ Retirements/ Adjustments	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ -	$ 56,391	$ -	$ 56,391
Construction-in-Progress	-	87,125	-	87,125
Total Capital Assets, Not Being Depreciated	-	143,516	-	143,516
Capital Assets, Being Depreciated and Amortized:				
Right-of-Use Asset	154,706	99,303	-	254,009
Equipment	-	19,789	-	19,789
Total Capital Assets, Being Depreciated	154,706	119,092	-	273,798
Less: Accumulated Depreciation and Amortization:				
Right-of-Use Asset	-	49,801	-	49,801
Total Accumulated Depreciation and Amortization	-	49,801	-	49,801
Total Capital Assets, Being Depreciated and Amortized, Net	154,706	69,291	-	223,997
Total Governmental Activities Capital Assets, Net	$ 154,706	$ 212,807	$ -	$ 367,513

MILAM COUNTY EMERGENCY SERVICES DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED DECEMBER 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

	Budgeted Amounts		Actual	Over
	Original	Final	Amounts	(Under)
REVENUES				
Property Taxes, Penalties and Interest	$ 3,522,984	$ 3,522,984	$ 4,718,732	$ 1,195,748
Total Revenues	3,522,984	3,522,984	4,718,732	1,195,748
EXPENDITURES				
Current:				
Administrative	385,575	329,074	270,773	58,301
Program	1,860,000	1,918,000	1,856,575	61,425
Capital Outlay	697,500	696,001	262,608	433,393
Debt Service:				
Principal	-	-	725,269	(725,269)
Interest	-	-	45,272	(45,272)
Total Expenditures	2,943,075	2,943,075	3,160,497	(217,422)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 579,909	$ 579,909	1,558,235	978,326
OTHER FINANCING SOURCES:				
Issuance of Short-Term Debt			681,750	681,750
Leases			99,303	99,303
Total Other Financing Sources			781,053	781,053
NET CHANGE IN FUND BALANCE			2,339,288	$ 1,759,379
Fund Balance - Beginning of Year			1,817,982	
FUND BALANCE - END OF YEAR			$ 4,157,270	

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