

**RUSK COUNTY**  
**EMERGENCY SERVICES DISTRICT #1**  
Rusk County, Texas

ANNUAL FINANCIAL REPORT  
For the Year Ended  
**December 31, 2025**



**Rusk County Emergency Services District #1  
Financial Statements  
For the Year Ended December 31, 2025**

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**Morgan LaGrone, CPA, PLLC**  
**Certified Public Accountant**

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116 S Marshall  
Henderson TX 75654

**INDEPENDENT AUDITOR'S REPORT**

June 16, 2026

Board of Directors  
Rusk County Emergency Services District #1  
1515 Whippoorwill St  
Henderson, Texas 75652

Members of the Board:

We have audited the accompanying financial statements of the governmental activities of the Rusk County Emergency Services District #1 (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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities 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 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.

**MEMBER**

## **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.

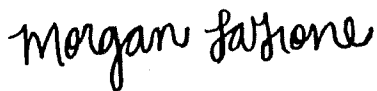
## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-11 and 30 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 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 District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Morgan LaGrone". The signature is written in a cursive, flowing style.

Morgan LaGrone  
Certified Public Accountant

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**Morgan LaGrone, CPA, PLLC**  
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**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***

June 16, 2026

Board of Emergency Commissioners  
Rusk County Emergency Services District #1  
Henderson, Texas 75652

We have audited, 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, the financial statements of the governmental activities, and each major fund of Rusk County Emergency Services District #1, ("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 and have issued our report thereon dated June 16, 2026.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District'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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 or significant deficiencies may exist that were not identified.

**MEMBER**

*AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS*

## **Compliance and Other Matters**

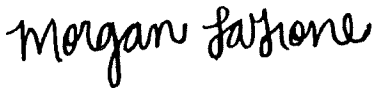
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which is described in the accompanying schedule of findings and questioned costs as item 2025-1.

## **Rusk County Emergency Services District #1 Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Morgan LaGrone  
Certified Public Accountant

Henderson, Texas  
June 16, 2026

# RUSK COUNTY EMERGENCY SERVICES DISTRICT #1

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2025

This section of Rusk County Emergency Services District #1's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal 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 net position was \$19,143,879 at December 31, 2025.
- During the year, the District's expenses were \$7,414,303 less than the \$10,680,879 generated in revenues for governmental activities.
- The general fund reported an unassigned fund balance this year of \$4,579,746.
- Significant accomplishments during the 2025 fiscal year: new communication equipment, and cost sharing various fire fighting vehicles and equipment in the County.

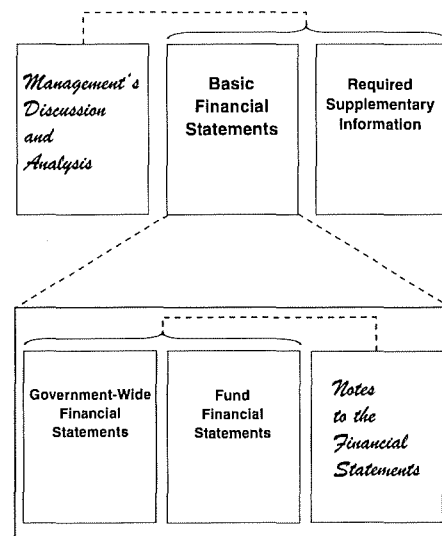
### OVERVIEW OF THE FINANCIAL STATEMENTS

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 statements.
- 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 are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider non-financial factors as well.
- The government-wide financial statements of the District include the governmental activities. All of the District's basic services are included here, such as general government and public safety. Property taxes finance all of the District's activities.

# RUSK COUNTY EMERGENCY SERVICES DISTRICT #1

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2025

### 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; currently, the District only has the General Fund.
- The Board of Emergency Commissioners can establish other funds to control and manage money for particular purposes.

The District has the following kinds of funds:

- Governmental funds—All 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 net position was \$19,143,879 at December 31, 2025.

Table A-1  
Rusk County Emergency Services District #1  
Net Position

	<u>2025</u>	<u>2024</u>	<u>Change</u> <u>2024-2025</u>	<u>% Change</u> <u>2024-2025</u>
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 6,408,412	\$ 4,489,038	\$ 1,919,374	42.76%
Receivables	3,873,956	2,569,494	1,304,462	50.77%
Inventory	136,921	-	136,921	N/A
Prepays	-	5,320	(5,320)	(100.00%)
<b>Total Current Assets</b>	<b>\$ 10,419,289</b>	<b>\$ 7,063,852</b>	<b>\$ 3,355,437</b>	<b>47.50%</b>
<b>Noncurrent Assets:</b>				
Capital Assets	\$ 13,721,764	\$ 10,308,350	\$ 3,413,414	33.11%
<b>Total Assets</b>	<b>\$ 24,141,053</b>	<b>\$ 17,372,202</b>	<b>\$ 6,768,851</b>	<b>38.96%</b>
<b>Liabilities:</b>				
Long-Term Liabilities	\$ 2,243,124	\$ 3,129,480	\$ (886,356)	(28.32%)
Accounts Payable	205,181	75,338	129,843	172.35%
Accrued Interest Payable	105,695	143,466	(37,771)	26.33%
<b>Total Liabilities</b>	<b>\$ 2,554,000</b>	<b>\$ 3,348,284</b>	<b>\$ (794,284)</b>	<b>(23.72%)</b>
<b>Deferred Inflows of Resources</b>				
Unearned Revenue	777,300	725,538	51,762	7.13%
Unearned Deferred Revenue	1,665,874	1,568,804	97,070	6.19%
<b>Total Deferred Inflows of Resources</b>	<b>\$ 2,443,174</b>	<b>\$ 2,294,342</b>	<b>\$ (553,380)</b>	<b>(24.12%)</b>
<b>Net Position:</b>				
Net Position, Investment in Capital Assets	\$ 11,478,640	\$ 7,178,870	\$ 4,299,770	59.89%
Unrestricted	7,665,239	4,550,706	3,114,533	68.44%
<b>Total Net Position</b>	<b>\$ 19,143,879</b>	<b>\$ 11,729,576</b>	<b>\$ 7,414,303</b>	<b>63.21%</b>

# RUSK COUNTY EMERGENCY SERVICES DISTRICT #1

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2025

The \$7,665,239 of unrestricted net position represents resources available to fund the programs of the District next year.

Change in net position. The District's total revenues were \$10,680,879. 22.67% of the District's revenue comes from property taxes, and 73.45% of the District's revenue comes from sales and use taxes. The remaining 3.88% of revenues comes from grants, interest, and miscellaneous sources.

The total cost of all programs and services was \$3,266,576; 63.36% of these costs were for public safety.

### Governmental Activities

Table A-2  
Rusk County Emergency Services District #1  
Change in Net Position

	<u>2025</u>	<u>2024</u>	<u>Increase/ (Decrease) 2024-2025</u>	<u>Percentage Change 2024-2025</u>
<b>Program Revenues:</b>				
Operating Grants and Contributions	\$ 30,871	\$ -	\$ 30,871	N/A
Capital Grants and Contributions	258,250	-	258,250	N/A
<b>General Revenues:</b>				
Property Taxes	2,421,489	2,481,694	(60,205)	(2.43%)
Sales and Use Taxes	7,845,447	2,967,491		
Interest	115,690	86,874	28,816	33.17%
Miscellaneous Revenue	9,132	20,151	(11,019)	(54.68%)
Total Revenues	<u>\$ 10,680,879</u>	<u>\$ 5,556,210</u>	<u>\$ 246,714</u>	<u>4.44%</u>
<b>Functions/Programs:</b>				
General Government	\$ 992,593	\$ 378,166	\$ 614,427	162.48%
Public Safety	2,069,588	1,785,331	284,257	15.92%
Debt Service	204,395	178,745	25,650	14.35%
Total Expenses	<u>\$ 3,266,575</u>	<u>\$ 2,342,241</u>	<u>\$ 924,334</u>	<u>39.46%</u>
Increase/(Decrease) in Net Position	<u>\$ 7,414,304</u>	<u>\$ 3,213,969</u>	<u>\$ (677,620)</u>	<u>(21.08%)</u>

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$10,658,429, an increase of \$5,130,578 from the prior year. This increase was due to the District approving the collection of a sales tax in the prior year. The year ended December 31, 2025 was the first full year of sales tax collections.

The District's property tax rate was .0775 per \$100 valuation for the year ended December 31, 2025.

Expenditures from governmental fund types totaled \$7,964,591, an increase of \$4,068,750 from the preceding year. The District contributed significantly to a new tower construction as well as the purchase of several trucks/engines and other major pieces of equipment. The District entered into two subscription-based information technology agreements totaling \$365,796, and although, there was no cash outflow, these agreements increased the District's expenditure.

# RUSK COUNTY EMERGENCY SERVICES DISTRICT #1

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2025

### General Fund Budgetary Highlights

The Board amended the original budget during the fiscal year to better reflect the anticipated spending of the District. Actual revenues were \$3,882,013 more than final budget amounts. The Board amended the budget, but final actual expenditures exceeded the final budgeted expenditures by \$821,379. Overall, there was an increase of \$3,060,633 to fund balance.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of 2025, the District had invested \$18,338,942 in capital assets consisting of construction in progress, buildings and improvements, land, right to use assets, and equipment (See Table A-3.)

Table A-3  
Rusk County Emergency Services District #1  
Capital Assets

	<u>2025</u>	<u>2024</u>	Increase/ (Decrease) <u>2024-2025</u>	Percentage Change <u>2024-2025</u>
Construction in Progress	\$ 1,104,549	\$ 157,999	\$ 946,550	599%
Land	134,550	68,750	65,800	96%
Buildings and Improvements	4,954,473	4,694,341	260,132	6%
Right to Use Assets	1,403,485	1,037,689	365,796	35%
Equipment	10,741,885	7,893,008	2,848,877	36%
<b>Total Capital Assets</b>	<b>\$ 18,338,942</b>	<b>\$ 13,851,787</b>	<b>\$ 4,487,155</b>	<b>772%</b>
Less: Accumulated Depreciation	\$ (4,617,179)	\$ (3,543,436)	\$ (1,073,743)	-30%
<b>Net Capital Assets</b>	<b>\$ 13,721,763</b>	<b>\$ 10,308,351</b>	<b>\$ 3,413,412</b>	<b>741%</b>

More detailed information about the District's capital assets is presented in Note III (D) to the financial statements.

#### Long Term Debt

At year-end, the District had \$2,243,125 in long-term debt outstanding as shown in Table A-4. During the fiscal year, the District paid off a long-term lease early in order to save more than \$70,000 in future interest payments. More detailed information about the District's debt is presented in Note E to the financial statements.

Table A-4  
Rusk County Emergency Services District #1  
Long-Term Debt

	<u>2025</u>	<u>2024</u>	Increase/ (Decrease) <u>2024-2025</u>	Percentage Change <u>2024-2025</u>
Loans:				
Texas Bank	\$ 1,893,041	\$ 2,257,487	\$ (364,446)	-16.14%
Capital Financing Activities	350,084	871,994	(521,910)	-59.85%
<b>Total Long-Term Debt</b>	<b>\$ 2,243,125</b>	<b>\$ 3,129,481</b>	<b>\$ (886,356)</b>	<b>-76.00%</b>

# **RUSK COUNTY EMERGENCY SERVICES DISTRICT #1**

## *MANAGEMENT'S DISCUSSION AND ANALYSIS*

*DECEMBER 31, 2025*

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- General Fund spending increased in the 2026 budget to \$6,903,900. The District continue with cost shares with the departments for equipment purchases, necessary repairs, tower projects, and station improvements.
- Several fire departments have been approved for grants from the Texas Forest Service for trucks and rescue gear; these grants require significant contributions by the District, which has been accounted for in the 2026 budget.
- Amounts available for appropriation in the General Fund budget are \$6,903,900, an increase of \$384,734 from the final 2025 budgeted resources of \$6,519,166. The District anticipates receiving \$2,481,847 in property tax revenue and \$4,422,053 from sales tax revenue. The District adopted the no new revenue rate of \$0.076280 per \$100 valuation for the 2026 budget.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT STAFF**

This financial report is designed to provide residents residing within Rusk County, creditors, and the general public 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, please contact the District.

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Rusk County Emergency Services District #1  
Statement of Net Position  
December 31, 2025

	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 5,915,305
Cash with Fiscal Agent	493,107
Receivables	
Sales Taxes	1,950,080
Property Taxes (net of allowance for uncollectibles)	1,923,876
Inventory	136,921
Capital Assets (net of accumulated depreciation)	
Construction in Progress	1,104,549
Land	134,550
Buildings	4,362,854
Equipment	7,159,103
Right to Use Leased Asset	960,708
<b>Total Assets</b>	<b>\$ 24,141,053</b>
<b><u>Liabilities</u></b>	
Accounts Payable	\$ 205,181
Accrued Interest Payable	105,695
Noncurrent Liabilities:	
Due Within One Year	93,519
Due in More Than One Year	2,149,605
<b>Total Liabilities</b>	<b>\$ 2,554,000</b>
<b><u>Deferred Inflows of Resources</u></b>	
Deferred Revenue - Advance Tax Collections	777,300
Unavailable Revenue	1,665,874
<b>Total Deferred Inflows of Resources</b>	<b>\$ 2,443,174</b>
<b><u>Net Position</u></b>	
Net Position, Investment in Capital Assets	\$ 11,478,640
Unrestricted	7,665,239
<b>Total Net Position</b>	<b>\$ 19,143,879</b>

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

Rusk County Emergency Services District #1  
 Statement of Activities  
 For the Year Ended December 31, 2025

	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b><u>Functions/Programs:</u></b>				
Governmental activities:				
General Government	\$ 992,593	\$ -	\$ -	\$ (992,593)
Public Safety	2,069,588	30,871	258,250	(1,780,467)
Debt Service	204,395	-	-	(204,395)
Total governmental activities	<u>\$ 3,266,576</u>	<u>\$ 30,871</u>	<u>\$ 258,250</u>	<u>\$ (2,977,455)</u>
General Revenues:				
Property Taxes				\$ 2,421,489
Sales and Use Taxes				7,845,447
Interest				115,690
Miscellaneous				9,132
Total general revenues				<u>10,391,758</u>
Change in net position				7,414,303
Net position - beginning				<u>11,729,576</u>
Net position - ending				<u>\$ 19,143,879</u>

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

Rusk County Emergency Services District #1  
Balance Sheet - Governmental Funds  
December 31, 2025

	General Fund
<u>Assets</u>	
Cash	\$ 5,915,305
Cash with Fiscal Agent	493,107
Receivables:	
Sales Taxes	1,950,080
Current Taxes	1,698,830
Delinquent Taxes	274,473
Allowance for Uncollectible Taxes	(49,426)
Inventory	136,921
Total Assets	\$ 10,419,290
<u>Liabilities and Fund Balance</u>	
Liabilities:	
Accounts Payable	\$ 205,181
Total Liabilities	\$ 205,181
Deferred Inflows of Resources:	
Deferred Revenue - Advance Tax Collections	777,300
Unavailable Revenue - Property Taxes	1,923,877
Total Deferred Inflows of Resources	\$ 2,701,177
Fund Balances:	
Nonspendable for Inventory	\$ 136,921
Committed	2,796,265
Unassigned	4,579,746
Total Fund Balances	\$ 7,512,932
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 10,419,290

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

Rusk County Emergency Services District #1  
 Reconciliation of the Balance Sheet-Governmental Funds  
 to the Statement of Net Position  
 December 31, 2025

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Amounts Reported for Governmental Activities in the Statement of Net Position  
 are Different Because:

Total Fund Balances-Total Governmental Funds (Exhibit #3)	\$ 7,512,932
Net Delinquent Property Taxes Receivable is a "long-term asset" and not available to pay for current period expenditures and therefore is deferred in the funds.	258,003
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds balance sheet.	(2,243,124)
Payables for debt interest which are not due in the current period are not reported in the funds.	(105,695)
Capital assets used in governmental activities are not financial resources and, therefore, are not governmental funds balance sheet	13,721,764
Rounding	<u>(1)</u>
Net Position of Governmental Activities (Exhibit #1)	<u><u>\$ 19,143,879</u></u>

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

Rusk County Emergency Services District #1  
Statement of Revenues, Expenditures and  
Changes in Fund Balances-Governmental Funds  
For the Year Ended December 31, 2025

Revenues:		
Taxes:		
Sales	\$	7,845,447
Property		2,400,039
Interest		115,690
Donation		258,250
Cost Share Revenue		30,871
Miscellaneous		9,132
Total Revenues	\$	10,659,429
Expenditures:		
Payments for Public Safety:		
Carlisle	\$	141,510
Church Hill		112,146
Crim's Chapel		144,617
East Side		731,389
Elderville-Lakeport		38,606
Henderson		54,530
Kilgore		40,723
Laneville		122,384
Mt. Enterprise		133,039
New London		1,063,532
New Salem		576,952
Overton		78,282
Reklaw		36,970
Tatum		125,846
City of Kilgore / Rescue Unit		37,236
Rusk County Rescue Unit		67,734
Garrison		47,500
Fire Marshall and OEMC		15,480
New Communication System		261,563
Insurance and Other Public Safety		191,257
Total Payments for Public Safety	\$	4,021,297
Capital Expenditures - District		1,662,373
Debt Service		1,494,319
General and Administrative Expenditures		786,602
Total Expenditures	\$	7,964,591
Excess (deficiency) of Revenues Over Expenditures	\$	2,694,838
Other Financing Sources		
Issuance of Right to Use SBITA Assets		365,796
Total Other Financing Sources	\$	365,796
Net Change in Fund Balance	\$	3,060,633
Fund Balance, January 1, 2025		4,452,299
Fund Balance, December 31, 2025	\$	7,512,932

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

Rusk County Emergency Services District #1  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances-Governmental Funds  
 To the Statement of Activities  
 For the Year Ended December 31, 2025

Amounts Reported for Governmental Activities in the Statement of Activities  
 are Different Because:

Net Change in Fund Balances-Total Governmental Funds (Exhibit #4)	\$ 3,060,633
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	21,450
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds - allocation of prepaids.	(5,320)
Proceeds of issuance of SBITAs do not provide revenue in the Statement of Activities but are reported as current resources in the funds.	(365,796)
Repayment of debt principal is an expenditure in the funds but is not an expense in the Statement of Activities.	1,252,152
(Increase)/Decrease in accrued interest payable.	37,773
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated usefulness and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	3,413,413
Rounding	<u>(2)</u>
Changes in Net Position of Governmental Activities (Exhibit #2)	<u>\$ 7,414,303</u>

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

# **RUSK COUNTY EMERGENCY SERVICES DISTRICT #1**

Notes to Financial Statements  
December 31, 2025

## **I. Summary of Significant Accounting Policies**

Rusk County Emergency Services District #1, ("District") operates in accordance with the laws of the State of Texas, Health & Safety Code, Chapter 775 and pursuant to an election held on May 6, 1989.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

### **A. Reporting Entity**

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units for which the District may be financially accountable and, as such, should be included within the District's financial statements. The District is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization, or (2) there is a potential for the organization to provide specific financial burden on the District. Additionally, the District is required to consider other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. Based upon the application of those criteria, the District has no component units.

### **B. Government-Wide and Fund Financial Statements**

The Government-Wide Financial Statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the District. Any interfund activity is removed from these statements. Governmental activities, which normally are supported by service fee revenues, are to be reported separately from business-type activities. Rusk County Emergency Services District #1 has no business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers, citizens, 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. The District has no program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the Fund Financial Statements.

### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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 timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized 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. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

The District reports the following major Governmental fund:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government.

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

## **D. Assets, Liabilities and Net Position or Equity**

### ***1. Deposits and Investments***

The District's cash includes in demand deposits.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

### ***2. Property Taxes Receivables***

The District's property taxes are levied on October 1 on the assessed value as of the previous January 1 for all real and personal property located in the District, and are due on January 31. The voters approved maintaining the current tax rate of \$0.0775 per \$100 of assessed valuation. All unpaid taxes levied on October 1 become delinquent July 1 of the following year. Property taxes receivable are recorded when levied, subject to an allowance for uncollectibles on the Government-wide and Fund Financial Statements. Current property taxes are recognized on the January 1 subsequent to the October 1 of levy for the Government-wide Financial Statements. Current property taxes collected from October 1 – December 31 in the year of levy are deferred and recognized as revenue on the January 1 subsequent to the October 1 of levy for the Fund Financial Statements. All other property tax collections are recognized when received in cash for the Fund Financial Statements.

Property Taxes Receivable are shown net of an allowance for uncollectibles the allowance is equal to five (2) percent of current property taxes receivable plus five (6) percent of delinquent taxes receivable at December 31, 2025.

### ***3. Sales Taxes Receivable***

Sales taxes are collected by the State of Texas on behalf of the District and are remitted two months following the collection. Sales tax receivable represent amounts earned but not yet received as of December 31.

As of December 31, 2025, the District reported sales tax receivable of \$1,950,080.

#### **4. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of the prepaid items is recorded as expenditures/assets when purchased rather than when delivered.

#### **5. Capital Assets**

Capital assets, which include equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost where records are available or at an estimated fair market value at the date of acquisition where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The District operates in accordance with the laws of the State of Texas, Health & Safety Code, Chapter 775, and section 73 which states that any property purchased, wholly or partly, by the District must remain property of the District, regardless of whether the property is used by a third party. It is the District's policy to capitalize the portion of the asset that was purchased using District funds.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	30
Software	5
Machinery & Equipment	5-15

#### **6. Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. Unearned Revenue and Unearned Deferred Revenue are reported in the government-wide Statement of Net Position. Any current taxes levied and collected between October 1 and December 31 are not available for use until January 1, the beginning of the next fiscal year. Therefore, all collections of current taxes during this period and all current taxes receivable as of December 31 are recorded as Unearned Revenue and Unearned Deferred Revenue, respectively. These liabilities are reflected in the Government-wide financial statements, since the tax revenue has not been earned as of December 31, 2025. The governmental funds report unavailable revenues for advance tax collections, property taxes receivable, and resources that have been received, but not earned for grant drawdowns and deposits.

#### **7. Net Position Flow Assumption**

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government – wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have

been depleted before unrestricted – net position is applied.

#### **8. Fund Balances – Governmental Funds**

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** - represents amounts that can only be used for a specific purpose because of a formal action by the Board of Emergency Commissioners. Committed amounts cannot be used for any other purpose unless the Board of Emergency Commissioners removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Emergency Commissioners. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**Assigned Fund Balance** - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Emergency Commissioners or by an official or body to which the Board of Emergency Commissioners delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the fund itself.

**Unassigned Fund Balance** - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When an expenditure is incurred for a purpose 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.

#### **9. Related Organizations**

Board Member Gloria Dooley is related to the following individuals and organizations:

**Patrick Dooley:** former Fire Marshall and Emergency Management Coordinator – The Fire Marshall position was employed by Rusk County, Texas. Rusk County paid the salary and benefits to the position and had supervisory authority over the position. The District provided budgetary support for the Emergency Management department. As of May 2025, Patrick Dooley is no longer the Fire Marshall, and the position has not been filled as of the date of the financial statements, June 16, 2026.

**Conner Dooley and Lily Dooley,** provided cleaning and organization services for the District. They were paid \$70, and \$2,888, respectively, for the year ended December 31, 2025.

Pinnacle Fleet, owned by Jacob Dooley, provides emergency vehicle equipment installation to the District and to Fire Departments. The total cost of all services during the year ended December 31, 2025 was \$18,624. While the District does contract with Pinnacle for services, the majority of the services are provided directly to departments. The individual departments have the authority to select the vendor of their choosing.

#### ***10. Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### ***11. Contracts with Departments***

The District has entered into contracts with Volunteer Fire Departments and City Fire Departments, including Carlisle VFD, Church Hill VFD, Crim's Chapel VFD, East Side VFD, Elderville-Lakeport VFD, Garrison VFD, Henderson FD, Kilgore FD, Laneville VFD, Mt. Enterprise VFD, New London FD, New Salem VFD, Overton FD, Reklaw VFD, Tatum FD, Rusk County Rescue, and Kilgore Rescue. These agreements call for the entities to provide fire protection and prevention services to the residents of the District. These continuous agreements may be terminated upon written notice by either party.

## **II. Stewardship, Compliance and Accountability**

### **Budgetary Information**

Prior to January 1, the District discusses and considers an operating budget for the fiscal year commencing the following January 1. The operating budget includes expenditures and the means of financing them for the upcoming year.

Once a budget is approved, it can be amended only by approval of a majority of the members of the Board of Emergency Commissioners. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. During the year, the budget was amended. However, actual expenditures exceeded budgeted amounts by \$821,379.

All budget appropriations lapse at year-end.

## **III. Detailed Notes on All Funds**

### **A. Deposits and Investments**

*Deposits.* The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to Texas State Law. 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. 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.

The District's cash deposits at December 31, 2025 with the contracted depository bank were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank. The cash deposits at December 31, 2025 were collateralized in accordance with Texas Law.

Cash deposits were properly secured at all times during the year ended December 31, 2025.

*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 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.

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.

During the year ended December 31, 2025 the District had no investments.

#### **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:

- **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. The District's investment policy limits its investments to certificates of deposit in its depository bank or banks domiciled in the State of Texas. The District was not exposed to credit risk.

- **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.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. The District was not exposed to custodial credit risk.

- **Concentration of Credit Risk**

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As discussed above, the District's investment policy limits its investments to certificates of deposit in its depository bank or banks domiciled in the State of Texas. The District was not exposed to concentration of credit risk.

- **Interest Rate Risk**

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District was not exposed to interest rate risk.

- Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. The District does not engage in foreign currency transactions. The District was not exposed to foreign currency risk.

## B. Property Taxes Receivable

Receivables at December 31, 2025 for the District's major fund, including the applicable allowances for uncollectibles, are as follows:

	<u>General Fund</u>
Current Property Taxes	\$ 1,698,830
Delinquent Property Taxes	<u>274,472</u>
Total Gross Receivables	\$ 1,973,302
Less: Allowance for Uncollectible Taxes	<u>(49,426)</u>
Net Total Receivables	<u>\$ 1,923,876</u>

There are no significant receivables that are not scheduled for collection within one year of year-end.

Any current taxes levied and collected between October 1 and December 31 are not available for use until January 1, the beginning of the next fiscal year. Therefore, all collections of current taxes during this period and all current taxes receivable as of December 31 are recorded as Unearned Revenue and Unearned Deferred Revenue, respectively. These deferred inflows of resources are reflected both in the government-wide financial statements and the fund financial statements, since the tax revenue has not been earned as of December 31, 2025.

<u>Unearned Revenue:</u>	
Advance Tax Collections	<u>\$ 777,300</u>
Total Unearned Revenue:	<u>\$ 777,300</u>
<u>Unearned Deferred Revenue:</u>	
Current Property Taxes Receivable	\$ 1,698,830
Less: Allowance for Uncollectible Taxes	<u>(32,956)</u>
Net Current Property Taxes Receivable	<u>\$ 1,665,874</u>

## C. Capital Grants, Insurance Recoveries, and Miscellaneous Revenue

The District received operating grant revenue of \$30,871, donation revenue of \$258,250 from the donation of the land and building by the Laneville VFD, and miscellaneous revenue of \$9,132.

## D. Capital Assets

Effective September 1, 2013 because of Health and Safety Code Section 775.073, any property purchased or leased using District funds, wholly or partly, must remain the property of the District. Therefore, the portion of all capital assets purchased with assistance from the District will be capitalized and depreciated over the assets' useful lives. Capital asset activity for the year ended December 31, 2025 was as follows:

	Balance January 1, <u>2025</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2025</u>
Governmental activities:				
Capital Assets not Being Depreciated:				
Construction in Progress	\$ 158,000	\$ 946,549		\$ 1,104,549
Land	68,750	65,800		134,550
<b>Total Capital Assets not Being Depreciated</b>	<u>\$ 226,750</u>	<u>\$ 1,012,349</u>	<u>\$ -</u>	<u>\$ 1,239,099</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	\$ 4,694,341	\$ 260,132		\$ 4,954,473
Equipment	7,893,008	2,848,877		10,741,885
Right to Use Assets	1,037,689	365,796		1,403,485
<b>Total Capital Assets Being Depreciated</b>	<u>\$ 13,625,038</u>	<u>\$ 3,474,805</u>	<u>\$ -</u>	<u>\$ 17,099,843</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ (426,086)	\$ (172,011)		\$ (598,097)
Equipment	(2,892,973)	(683,332)		(3,576,305)
Right to Use Assets	(224,379)	(218,398)		(442,777)
<b>Total Accumulated Depreciation</b>	<u>\$ (3,543,438)</u>	<u>\$ (1,073,741)</u>	<u>\$ -</u>	<u>\$ (4,617,179)</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<u>\$ 10,081,600</u>	<u>\$ 2,401,064</u>	<u>\$ -</u>	<u>\$ 12,482,664</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 10,308,350</u>	<u>\$ 3,413,413</u>	<u>\$ -</u>	<u>\$ 13,721,763</u>

Depreciation was charged to functions as follows:

Public Safety	\$ 867,750
General Government	205,991
<b>Total</b>	<u>\$ 1,073,741</u>

## E. Long-Term Obligations

- Long-term obligations include a loan to a local financial institution and capital financing activities. Changes in long-term obligations for the year ended December 31, 2025, are as follows:

	Beginning Balance	<u>Increases</u>	<u>Decreases</u>	Ending Balance	Amounts Due Within <u>One Year</u>
Governmental Activities					
Loans:					
Texas Bank	\$ 2,257,487	\$ -	\$ 364,446	\$ 1,893,041	\$ 49,233
Capital Financing Activities:					
Government Capital Corp.	823,861	-	823,861	-	-
Other Leases	48,133		33,772	14,361	10,159
Subscription Based	-	365,796	30,073	335,723	34,127
<b>Total</b>	<u>\$ 3,129,481</u>	<u>\$ 365,796</u>	<u>\$ 1,252,152</u>	<u>\$ 2,243,124</u>	<u>\$ 93,519</u>

2. Debt Service Requirements

Debt service requirements for the Texas Bank debt as of December 31, 2025, are as follows:

<u>Year Ending August 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 49,233	\$ 115,160	\$ 164,393
2027	52,227	112,165	164,392
2028	55,405	108,988	164,393
2029	58,486	105,907	164,393
2030	62,333	102,060	164,393
2031-2035	373,096	448,867	821,963
2036-2040	501,300	320,663	821,963
2041-2044	740,961	135,104	876,065
	<u>\$ 1,893,041</u>	<u>\$ 1,448,914</u>	<u>\$ 3,341,955</u>

**Capital Financing Activities**

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

The District entered into leasing arrangements for two tower rentals totaling \$34,859 and \$7,802 payable in annual installments of \$7,136 and \$1,597, respectively. The incremental borrowing rate for the District is calculated at 1.18% for each of these leases.

During the year ended December 31, 2023, the District entered into two new leasing arrangements for equipment. One lease was for the purchase of communication equipment for \$937,587 with an interest rate of 5.41% payable in scheduled annual installments from July 2024 through July 2030. The District paid off this lease early in August 2025.

The second lease was for a copy machine for \$8,248. The lease was signed in October 2023. The assumed interest rate is 5.41%, which is based on the District's incremental borrowing rate. The lease is payable in monthly installments through June 2029.

During the year ended December 31, 2024, the District entered into a new leasing arrangement for tower services for \$49,194. The lease has an assumed interest rate of 6.75%, based on the District's incremental borrowing rate. The payments are paid annually, starting January 2024 and ending January 2025 for a total of 2 years.

Future lease payment maturity schedule is as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>December 31,</u>			
2026	\$ 10,159	\$ 374	\$ 10,533
2027	1,612	188	1,800
2028	1,702	98	1,800
2029	886	14	900
	<u>\$ 14,359</u>	<u>\$ 674</u>	<u>\$ 15,033</u>

Subscription-Based Information Technology Arrangements (SBITA) for the year ended December 31, 2025 was as follows:

During the year ended December 31, 2025, the District entered into a subscription-based information technology arrangement for reporting management system (RMS) for \$248,785. The SBITA is payable in annual installments through 2030. The first payment was \$45,000 and increases by 5% each year of the agreement. The interest rate of 6% is based on the District's incremental borrowing rate.

During the year ended December 31, 2025, the District entered into a subscription-based information technology arrangement for maintenance and system upgrade agreement (SUA). The payments will occur annually from 2027 through 2030. The first payment in 2027 will be \$29,670 and increases 5% each year of the agreement. The interest rate of 6% is based on the District's incremental borrowing rate.

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 34,127	\$ 13,123	\$ 47,250
2027	68,207	11,075	79,282
2028	69,243	14,003	83,246
2029	77,560	9,849	87,409
2030	86,584	5,195	91,779
	<u>\$ 335,721</u>	<u>\$ 53,245</u>	<u>\$ 388,966</u>

#### **F. Committed Fund Balance**

Prior to the end of the year, the following commitment were made by the Board, resulting in this amount to be reported as committed fund balance on Exhibit 3:

New Salem VFD	\$ 7,215
Reklaw VFD	247,687
Laneville Tower	8,500
Laneville Tower	592,120
Laneville VFD	293,197
Crims Chapel VFD	19,679
Church Hill VFD	19,649
Church Hill VFD	120,054
Eastside VFD	30,992
Overton and New Salem VFD	1,034,415
Mt. Enterprise VFD	6,418
Rusk Co. Fire Fighters Assoc.	8,000
Reklaw VFD	19,210
New Salem VFD	389,129
Total	<u>\$ 2,796,265</u>

#### IV. Other Information

##### A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in insurance coverages during the year ended December 31, 2025. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

##### B. Subsequent Events

###### 1. Obligations

The Board made various commitments to fire departments subsequent to year end. Significant obligations through date of the financial statements are the following:

<u>Department</u>	<u>Amount</u>	<u>Purpose</u>
Elderville/Lakeport VFD	\$ 114,000	cost share of brush truck
Rusk County Rescue Unit	3,530	reimbursements for repairs to truck
Tatum VFD	7,193	repairs to brush truck
Rusk County Rescue Unit	18,707	bunker and techgen gear
2 New Engines	53,166	change orders for new engines
Reklaw VFD	30,488	cost share on skid unit
Laneville tower project	6,975	new fencing
Crims Chapel VFD	5,298	tires
New Salem VFD	8,703	bunker gear
Carlisle VFD	2,594	engine repairs
New London VFD	5,519	bunker gear
	<u>\$ 256,173</u>	

##### Construction Commitments

As of December 31, 2025, the District has active construction projects. At year end, the District's commitments with contractors are as follows:

<u>Project</u>	<u>Spent To-Date</u>	<u>Estimated Remaining Contract</u>
Laneville Tower - Motorola	\$ 690,032	\$ 121,770
New Salem VFD	-	860,129
	<u>\$ 690,032</u>	<u>\$ 981,899</u>

Management has evaluated subsequent events through June 16, 2026, the date the financials were available to be distributed and noted no other events to be disclosed.

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Rusk County Emergency Services District #1  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)  
 General Fund  
 For the Year Ended December 31, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Sales and Use Taxes	\$ 3,734,103	\$ 4,204,938	\$ 7,845,447	\$ 3,640,509
Ad Valorem Taxes	2,314,228	2,314,228	2,400,039	85,811
Interest	-	-	115,690	115,690
Cost Share	-	-	30,871	30,871
Miscellaneous	-	-	9,132	9,132
<b>Total Revenues</b>	<b>6,048,331</b>	<b>6,519,166</b>	<b>10,401,179</b>	<b>3,882,013</b>
<b>Expenditures:</b>				
Current:				
Public Safety	3,582,245	4,053,080	4,021,297	31,783
General and Administrative	523,079	523,079	786,602	(263,523)
Capital outlay	943,007	943,007	1,038,327	(95,320)
Debt Service	1,000,000	1,000,000	1,494,319	(494,319)
<b>Total Expenditures</b>	<b>6,048,331</b>	<b>6,519,166</b>	<b>7,340,545</b>	<b>(821,379)</b>
Revenues Over (Under) Expenditures	-	-	3,060,634	3,060,634
Budget Basis to GAAP Basis Adjustment (Note A)	-	-	-	-
Rvenues and Other Sources Over (Under) Expenditures and Other Uses - GAAP Basis	-	-	3,060,634	3,060,634
Fund Balance, January 1, 2025	4,452,299	4,452,299	4,452,299	-
Fund Balance, December 31, 2025	\$ 4,452,299	\$ 4,452,299	\$ 7,512,933	\$ 3,060,634

Note A - Explanation of Differences Between Budget Basis Presentation and GAAP Basis Presentation:

Uses/Outflows of Resources:

Differences - Budget to GAAP

Exhibit 5 Total Revenues	10,401,179
Capital Donation Revenue	258,250
Exhibit 4 Total Revenues	<u>10,659,429</u>
Exhibit 5 Total Expenditures	7,340,545
SBITA Expenditure	365,796
Donated building/land - Revenue	258,250
Exhibit 4 Total Expenditures	<u>7,964,591</u>
Exhibit 5 Total Other Financing Sources	-
Other Financing Sources - SBITA Proceeds	365,796
Exhibit 4 Total Other Financing Sources	<u>365,796</u>

**Rusk County Emergency Services District #1  
Schedule of Findings and Responses  
For the Year Ended December 31, 2025**

2025-1 Negative Budget Variances

Criteria:

Expenditures in excess of the adopted budget are not allowed per Texas statutes.

Condition:

The District's total expenditures exceeded the final amended budgeted amounts by \$821,379.

Cause:

The District had approved the purchase of several capital expenditures late in the fiscal year but did not amend the budget to account for the purchases.

Effect:

The District's actual expenditures exceeded final budgeted expenditures by \$821,379.

Recommendation:

The District should amend the budget for expenditures even as they are approved late in the fiscal year.

Rusk County Emergency Services District #1 Response to findings:

The Board and District bookkeeper will monitor the budgeted and actual expenditures made by the District, and amendments for capital expenditures approved late in the fiscal year will be added to the budget prior to year-end.

Rusk County Emergency Services District #1  
Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2025

<u>Prior Year Finding</u>	<u>Current Status</u>
2024-1 Material Weaknesses - Material Journal Entries	Corrected