PALO PINTO COUNTY
EMERGENCY SERVICES DISTRICT NO. 1

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2025

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EMERGENCY SERVICES DISTRICT NO. 1

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FOR THE YEAR ENDED DECEMBER 31, 2025

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FINANCIAL SECTION

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Independent Auditor's Report

Board of Directors
Palo Pinto County Emergency Services District No. 1

Opinion

We have audited the accompanying financial statements of the governmental activities and major fund of Palo Pinto County Emergency Services District No. 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of December 31, 2025, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility 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 opinion. 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 budgetary comparison schedule identified as Required Supplementary Information in the table of contents 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.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining financial statements (C Exhibits) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 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 District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas
June 15, 2026

BASIC FINANCIAL STATEMENTS

EXHIBIT A-1

PALO PINTO COUNTY
EMERGENCY SERVICES DISTRICT NO. 1

STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Governmental Activities
Assets	
Cash and cash equivalents	$ 5,630,949
Property taxes receivable, net	1,405,280
Due from other governments	575,093
Prepaid expenses	324,539
Spare parts inventory	5,000
Capital assets, net	3,226,743
Total assets	11,167,604
Liabilities	
Accounts payable	45,544
Accrued liabilities	10,447
Long-term liabilities:	
Due within one year	65,115
Due in more than one year	554,364
Total liabilities	675,470
Deferred inflows of resources	
Property taxes collected in advance	566,176
Net position	
Net investment in capital assets, net of related debt	2,607,612
Restricted for EMS facility construction	10,000
Unrestricted	7,308,346
Total net position	$ 9,925,958

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

PALO PINTO COUNTY
EMERGENCY SERVICES DISTRICT NO. 1

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

		Program Revenues		Net Expense and Change in Net Position
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs				
Primary government:				
General governmental activities:				
Emergency services	$ 3,289,632	$ 113,408	$ -	$ (3,176,224)
General revenues:				
Property taxes				1,963,070
Sales taxes				2,234,284
Interest income				209,647
Miscellaneous income				33,625
Total general revenues				4,440,626
Change in net position				1,264,402
Net position - beginning				8,661,556
Net position - ending				$ 9,925,958

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

PALO PINTO COUNTY
EMERGENCY SERVICES DISTRICT NO. 1

BALANCE SHEET - GOVERNMENTAL FUND
DECEMBER 31, 2025

	General Fund
Assets	
Cash and cash equivalents	$ 5,630,949
Property taxes receivable, net	1,405,280
Due from other governments	575,093
Prepaid expenditures	324,539
Spare parts inventory	5,000
Total assets	$ 7,940,861
Liabilities	
Accounts payable	$ 45,544
Accrued liabilities	1,498
Total liabilities	47,042
Deferred inflows of resources	
Property taxes collected in advance	566,176
Unavailable property taxes	1,405,280
Total deferred inflows of resources	1,971,456
Fund balance	
Nonspendable:	
Prepaid expenditures	324,539
Spare parts inventory	5,000
Restricted for EMS facility construction	10,000
Unassigned	5,582,824
Total fund balance	5,922,363
Total liabilities, deferred inflows of resources and fund balance	$ 7,940,861

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

EXHIBIT A-4

PALO PINTO COUNTY
EMERGENCY SERVICES DISTRICT NO. 1

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2025

Total fund balance - governmental fund (Exhibit A-3)		$ 5,922,363
Amounts reported for *governmental activities* in the Statement of Net Position (Exhibit A-1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. Capital assets at year-end consist of:		
Gross capital assets	$ 3,800,191	
Related accumulated depreciation	573,448	3,226,743
Property tax receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.		1,405,280
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Note payable	386,260	
Right-to-use lease liabilities	232,871	
Accrued compensated absences	348	(619,479)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, interest expenditures are recorded only when due.		(8,949)
Total net position - governmental activities (Exhibit A-1)		$ 9,925,958

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

PALO PINTO COUNTY
EMERGENCY SERVICES DISTRICT NO. 1

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

	General Fund
Revenues:	
Property taxes	$ 1,714,949
Sales taxes	2,234,284
Gifts and contributions	113,408
Interest income	209,647
Miscellaenous	33,625
Total revenues	4,305,913
Expenditures:	
Emergency Services:	
Appraisal fees	32,932
Accounting and audit fees	13,160
Distributions to volunteer fire departments	574,446
Reimbursements to and payments on-behalf of VFD/EMS entities	76,017
Contracted ambulance and EMS services	1,225,000
Insurance	230,479
Tax collector fees	16,772
Salaries and wages	208,716
Payroll taxes	16,077
Repairs and maintenance	403,338
Capital outlay	693,899
Utilities	12,315
Legal fees	23,241
Board training and travel	19,050
EMS supplies	6,197
EMS facilities	170,222
Debt - principal	58,735
Debt - interest	14,298
Miscellaneous	137,649
Total expenditures	3,932,543
Net change in fund balance	373,370
Fund balance - beginning	5,548,993
Fund balance - ending	$ 5,922,363

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

PALO PINTO COUNTY
EMERGENCY SERVICES DISTRICT NO. 1

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

Net change in fund balance - governmental fund (Exhibit A-5)		$ 373,370
Amounts reported for *governmental activities* in the Statement of Activities (Exhibit A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. The net difference between the two is as follows:		
Capital outlay during the year	$ 693,899	
Depreciation expense for the year	110,355	583,544
Property tax receivables will not be collected for several months after the District's fiscal year ends; therefore, they are not considered 'available' resources and are deferred in the governmental funds. Unavailable property taxes changed by this amount this year.		248,121
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. The long-term debt principal paid during the year was as follows:		
Note payable	29,472	
Right-to-use lease liabilities	29,263	58,735
Included in long-term liabilities are obligations for accrued vacation leave. The changes in these obligations are not included in the governmental fund financial statements, but are included in the government-wide financial statements. The change in these long-term obligations was:		349
Interest on long-term debt in the Statement of Activities differs from the amount reported in governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The change in accrued interest is as follows:		
Accrued interest at December 31, 2024	9,232	
Accrued interest at December 31, 2025	8,949	283
Change in net position of governmental activities (Exhibit A-2)		$ 1,264,402

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Palo Pinto County Emergency Services District No. 1 (District) was created pursuant to Chapter 794 of the Health and Safety Code of Vernon's Ann. Civil Statutes (Health and Safety Code) under the name of Palo Pinto County Rural Fire District. Effective September 1, 2003, Chapter 794 was superseded by Chapter 775 of the Health and Safety Code, thus necessitating a change in the name of the District to the Palo Pinto County Emergency Services District No. 1.

The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. GAAP for local governments includes those principles prescribed by the Governmental Accounting Standards Board (GASB), which includes all statements and interpretations of the National Council on Governmental Accounting (NCGA) unless modified by the GASB, and those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governments. The following is a summary of the more significant policies and practices by the District.

A. Reporting Entity

The District is a political subdivision of the state created to perform the functions of the District. The District operates on ad valorem and sales taxes levied and distributions from Palo Pinto County. The District distributes funds to eleven volunteer departments and several emergency medical service entities and pays other necessary costs to make fire-fighting facilities, fire extinguishment services and emergency medical and rescue services available to the District.

The District is not included in any other governmental "reporting entity" as defined in GASB pronouncements, since board members have decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The board members are appointed by the Commissioners' Court of Palo Pinto County.

The reporting entity of the District includes funds under the authority of the Board of Directors of the District. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the ability of the Board of Directors to exercise oversight responsibility. The most significant manifestation of this ability is financial inter-dependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Another criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. There are no related organizations that are required to be included within the reporting entity of the District. Additionally, the District is not a component unit of another government.

B. Basis of Presentation

Government-wide financial statements

The basic financial statements include both government-wide (based on the District as a whole) 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 non-fiduciary activities of the District.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs. Revenues that are not classified as program revenues are presented as general revenues.

Fund financial statements

Separate fund-based financial statements are provided for the governmental fund. The fund financial statements provide information about the District's fund. The General Fund is the District's only operating fund and accounts for all financial resources of the District. All general tax revenues and other receipts are accounted for in this fund. From the fund are paid general operating costs and fixed charges. This is a budgeted fund, and any unassigned fund balance is considered resources available for current operations.

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 the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Government fund-level 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. The District has elected not to include collections within 60 days of the end of the fiscal year as current year revenues. 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.

Property tax revenues associated with the current fiscal period are susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

GASB Statement No. 34 eliminates the presentation of account groups but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Position.

Amounts reported as program revenues include charges to customers or applicants for goods, services or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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. Budgetary Accounting

The District maintains control over operating expenditures by the establishment of an annual operating budget. The budget is prepared on a basis consistent with GAAP and is formally approved along with any revisions by the District's Board of Directors. The budget comparison schedule is presented as required supplementary information.

E. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. For the year ended December 31, 2025, the District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflow of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category, taxes collected in advance and property taxes receivable. Property taxes receivable ($1,405,280) is unavailable and therefore cannot be recognized as revenue in the governmental funds until received. Property taxes that are collected before the period which they are intended to finance are reported in this category ($566,176).

F. Fund Balances

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 prepaid expenditures) or legally required to remain intact (such as notes receivable or principal of a permanent fund). The District had $324,539 of nonspendable fund balance for prepaid expenditures and $5,000 of nonspendable fund balance for inventory at December 31, 2025.

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation. The District had $10,000 restricted fund balance for EMS facility construction at December 31, 2025.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the Board of Directors. Committed amounts cannot be used for any other purpose unless the governing board 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 governing board. 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. The District had no committed fund balance at December 31, 2025.

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 governing board or by an official or body to which the governing board 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 District itself. The District had no assigned fund balance at December 31, 2025.

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.

G. <u>Cash and Cash Equivalents</u>

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

H. <u>Prepaid Items</u>

Certain payments to vendors such as rent and insurance reflect costs applicable to future periods and are recorded as prepaid items.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

I. Spare Parts Inventory

The District owns and maintains communication equipment within Palo Pinto County. As a result, the District maintains spare parts for repairs and maintenance. The spare parts are recorded at cost as spare parts inventory when purchased and then moved to repairs and maintenance when used to replace broken communication equipment parts.

J. Capital Assets

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

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

Asset Class	Estimated Useful Lives
Buildings and improvements	40 Years
Vehicles	7 Years
Equipment	5-15 Years
Right-to-use leased buildings	3 Years
Right-to-use leased equipment	25 Years

K. Right-to-Use Lease Liabilities

The District is a lessee for noncancellable leases of property and equipment. The District recognizes a lease liability, reported with long-term debt, and a right-to-use lease assets (lease asset), reported with other capital assets, in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgements related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Lease payments included in the measurement of the lease liability are composed of fixed payments and any purchase option price that the District is reasonably certain to exercise, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

L. Risk Management

The District is exposed to various risks of loss related to torts, errors and omissions, and injuries to volunteer fire fighters. The District purchased commercial insurance for liability through an independent third-party carrier. Prepaid portions of insurance premiums are capitalized when paid and fund balance reserved (nonspendable for prepaids) for the unexpired portion at year end.

M. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Accordingly, actual results could differ from those estimates.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

A. Finance-Related Legal and Contractual Provisions

There were no violations of finance-related legal and contractual provisions for the year ended December 31, 2025.

B. Deficit Fund Balance or Net Position of Individual Funds

The District had no funds with deficit fund balances or net position as of December 31, 2025.

NOTE 3 - DEPOSITS

The District's funds are required to be deposited under the terms of a written depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At December 31, 2025, the total amount of the District's demand and time deposits per the general ledger was $5,630,949, and the total amount per the District's December 31, 2025 bank statement was $5,678,586.

NOTE 3 - DEPOSITS (CONT'D.)

Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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.

At year end and throughout the year, the District's deposits were adequately secured by FDIC coverage and pledged securities.

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

PALO PINTO COUNTY
EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2025

NOTE 4 - PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 of the prior year. Taxes are levied on October 1, and become delinquent after January 31. The District is permitted by the Section 48-e, Article III, Texas Constitution, to levy taxes up to $.10 per $100 of assessed valuation for general services. However, the District must receive approval from the voters to go above the rate with which the District was created ($.03000 per $100 valuation). The tax rate to finance general governmental services for the year ended December 31, 2025 was $.028457 per $100 valuation for taxes levied October 1, 2024.

Property tax receivables as of December 31, 2025 consist of the following:

Gross receivables	$1,440,873
Less: Allowance for uncollectibles	(35,593)
Net receivables	$1,405,280
Amount expected to be collected within one year	$1,300,000

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

NOTE 5 - DUE FROM OTHER GOVERNMENTS

Other governments collect taxes on behalf of the District and remit the funds to the District throughout the year. At December 31, 2025, the District was owed $575,093 from other governments as follows:

<u>Property Taxes</u>

The Palo Pinto County Tax Assessor/Collector collects property taxes on behalf of the District and remits the collections to the District periodically. The tax assessor/collector had $174,683 of collections due to the District at December 31, 2025.

<u>Sales Taxes</u>

The Texas Comptroller of Public Accounts collects sales taxes on behalf of the District and remits the collections to the District two months after the month of collection. The Texas Comptroller of Public Accounts had $400,410 of collections due to the District at December 31, 2025.

The District expects all of the amounts to be collected within one year.

PALO PINTO COUNTY
EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2025

NOTE 6 - CAPITAL ASSETS

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

Governmental activities:	Balance January 1, 2025	Increases	Decreases	Balance December 31, 2025
Capital assets not being depreciated:				
Land	$ 328,428	$452,231	$ -	$ 780,659
Construction in progress	-	6,473	-	6,473
Total capital assets not being depreciated	328,428	458,704	-	787,132
Capital assets being depreciated:				
Buildings and improvements	2,184,931	-	-	2,184,931
Vehicles	92,428	67,856	-	160,284
Equipment	146,356	167,339	-	313,695
Right-to-use leased buildings	59,989	-	-	59,989
Right-to-use leased equipment	294,160	-	-	294,160
Total capital assets being depreciated	2,777,864	235,195	-	3,013,059
Less accumulated depreciation for:				
Buildings and improvements	185,816	58,155	-	243,971
Vehicles	3,302	17,165	-	20,467
Equipment	142,426	3,273	-	145,699
Right-to-use leased buildings	19,996	19,996	-	39,992
Right-to-use leased equipment	111,553	11,766	-	123,319
Total accumulated depreciation	463,093	110,355	-	573,448
Total capital assets being depreciated, net	2,314,771	124,840	-	2,439,611
Governmental activities capital assets, net	$2,643,199	$583,544	$ -	$3,226,743

Depreciation expense of $110,355 was charged to the emergency services function/program of the primary government.

NOTE 7 - LONG-TERM OBLIGATIONS

The District issued a note payable and lease liabilities to provide funds for the acquisition and construction of major capital facilities and equipment. These issues are direct obligations and pledge the full faith and credit of the District. The note payable is also secured by the EMS facilities.

NOTE 7 - LONG-TERM OBLIGATIONS (CONT'D.)

Changes in long-term liabilities for the year ended December 31, 2025 was as follows:

Governmental activities:	Balance 01/01/2025	Additions	Retirements	Balance 12/31/2025	Due Within One Year
Note payable	$415,732	$ -	$29,472	$386,260	$30,335
Right-to-use lease liabilities	262,134	-	29,263	232,871	34,432
Compensated absences	697	-	349	348	348
Total long-term liabilities - governmental activities	$678,563	$ -	$59,084	$619,479	$65,115

Compensated absences displayed as additions or retirements represent the net change in the liability.

Total debt service requirements to maturity are as follows:

Year	Principal	Interest	Total
2026	$ 64,767	$ 12,504	$ 77,271
2027	41,530	10,905	52,435
2028	43,007	9,966	52,973
2029	44,540	8,998	53,538
2030	49,853	8,029	57,882
2031-35	260,414	24,005	284,419
2036-40	115,020	2,436	117,456
Totals	$619,131	$ 76,843	$695,974

Note Payable

The note payable to The Independent Bankersbank, N.A. was originally borrowed from Government Capital Corporation. The District borrowed $500,000 with interest of 2.926% to help fund the construction of an emergency medical services (EMS) facility. The note payable requires annual principal and interest payments of $41,659 beginning March 17, 2022, with a maturity of March 17, 2036.

Purpose	Original Amount	Date Issued	Final Maturity	Interest Rate	Balance 12/31/2025
EMS Facility Construction	$500,000	4/5/2021	3/17/2036	2.926%	$386,260

PALO PINTO COUNTY
EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2025

NOTE 7 - LONG-TERM OBLIGATIONS (CONT'D.)

Note payable service requirements to maturity are as follows:

Year	Principal	Interest	Total
2026	$ 30,335	$11,324	$ 41,659
2027	31,222	10,437	41,659
2028	32,135	9,524	41,659
2029	33,076	8,583	41,659
2030	34,044	7,615	41,659
2031-35	185,757	22,541	208,298
2036	39,691	1,968	41,659
Totals	$386,260	$71,992	$458,252

Right-to-use Lease Liabilities

The District has entered into the following right-to-use lease liabilities:

On March 1, 2015, the District leased tower space. The lease requires twenty-five annual payments ranging from $6,000 to $19,350 beginning March 1, 2015. The lease carries interest at an imputed rate of 3.00%.

On April 23, 2020, the District leased tower space. The lease requires five payments of $3,750 every five years beginning April 23, 2020. The lease carries interest at an imputed rate of 3.00%.

On January 1, 2024, the District leased a care flight facility. The lease requires thirty-six monthly payments of $1,800 beginning January 1, 2024. The lease carries interest at an imputed rate of 5.00%

Purpose	Original Amount	Date Issued	Final Maturity	Interest Rate	Balance 12/31/2025
Tower Space (SBA Structures, LLC)	$275,550	3/1/2015	3/1/2039	3.000%	$197,013
Tower Space (CTI Towers Assets II, LLC)	$ 18,610	4/23/2020	4/23/2040	3.000%	$ 14,908
Care Flight Facility (Fred Wilson)	$ 59,989	1/1/2024	12/31/2027	5.000%	$ 20,950
Total balance at December 31, 2025					$232,871

Interest expense of $2,109 was recorded in Emergency Services on the Statement of Activities for the year ended December 31, 2025.

PALO PINTO COUNTY
EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2025

NOTE 7 - LONG-TERM OBLIGATIONS (CONT'D.)

The assets under right-to-use lease liabilities and related accumulated depreciation at December 31, 2025 are included in right-to-use leased equipment in Note 6.

Right-to-use lease liabilities service requirements to maturity are as follows:

Year	Principal	Interest	Total
2026	$ 34,432	$1,180	$ 35,612
2027	10,308	468	10,776
2028	10,872	442	11,314
2029	11,464	415	11,879
2030	15,809	414	16,223
2031-35	74,657	1,464	76,121
2036-40	75,329	468	75,797
Totals	$232,871	$4,851	$237,722

NOTE 8 - COMMITMENTS AND CONTINGENCIES

EMS Building Commitment

The District constructed an emergency services building in conjunction with the Palo Pinto County Hospital District (PPCHD) on land that the District owns in the Possum Kingdom Lake area. The District uses a portion of the building to house ambulance emergency services and the PPCHD uses a portion of the building to operate a clinic. The building began operations in early 2022. The PPCHD contributed funds for the construction of its portion of the building, but the District owns the building and is responsible for its maintenance. The District signed a lease with PPCHD for the clinic portion of the building for $12 per year for 30 years with the option to extend the lease for two 10-year periods.

Emergency Medical Services Agreement Commitment

The District and Sacred Cross EMS, Inc. entered into a contract in October 2023 and effective January 1, 2024. The term of the contract is for five years and shall automatically renew for up to five one-year periods or until written notice of the intent not to renew is delivered by either party to the other party no less than ninety days prior to the end of the then current five or one-year term. In addition, any terms starting or completing after December 31, 2025, are subject to appropriation by the District. The agreement requires quarterly installments of $275,000, on or before the first day, or first business day if the 1st is a weekend or holiday, of each quarter for the duration of the agreement. If the District fails to make a payment by the due date, the District will incur a late fee penalty.

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONT'D.)

The District amended the new agreement in December 2023 to add the additional services of an in-county shift supervisor that will operate in a rapid response vehicle, denoted by Sacred Cross EMS, Inc., twenty-four hours a day licensed as an EMT-Paramedic or Licensed Paramedic in accordance with the State of Texas Department of State Health Services in accordance to TAC 157.11. The additional services are effective February 1, 2024 with quarterly payments of $31,250. A prorated payment is to be paid by the District by February 1, 2024 since the payment is not synchronized with the first calendar quarter. Subsequent payment due dates are synchronized by calendar quarter.

The future minimum payments under the agreement are as follows:

Year Ending December 31,	
2026	$ 1,225,000
2027	1,225,000
2028	1,225,000
2029	1,225,000
2030	1,225,000
2031-33	3,675,000
Total	$9,800,000

The amount paid under the agreement during the year ended December 31, 2025 was $1,225,000.

NOTE 9 - SUBSEQUENT EVENT

TCDRS Participation

In February 2026, the District completed enrollment in Texas County and District Retirement System (TCDRS), effective March 1, 2026, to provide retirement, disability, and death benefits for all its full-time employees through a nontraditional, defined benefit pension plan in the statewide TCDRS. The plan will be funded by monthly contributions from both employee members and the District based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the District will be actuarially determined annually and the contribution rate payable by the employee members is adopted by the Board of Directors of the District. Both rates may be changed by the Board of Directors of the District within the options available in the TCDRS Act. The employee rate is 7% and the District's contribution rate is 12.59% at the effective date.

FireNet Communication Network

In March 2026, the District signed an interlocal agreement with FireNet Communications and Palo Pinto County Emergency Services District #2 effective April 1, 2026 requiring the District to contract a third party at a monthly fee of $1,350 for ten years to provide routine maintenance and repair of the FireNet Communications Network in the District's service area. The agreement also requires Palo Pinto County Emergency Services District #2 to reimburse the District $425 monthly over the ten year period. Either party may terminate the agreement upon ninety days' notice from the terminating party to the other party.

REQUIRED SUPPLEMENTARY INFORMATION

PALO PINTO COUNTY
EMERGENCY SERVICES DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Budget			Variance Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
Property taxes	$ 1,200,000	$ 1,714,949	$ 1,714,949	$ -
Sales taxes	1,600,000	2,234,284	2,234,284	-
Gifts and contributions	-	123,680	113,408	(10,272)
Interest income	70,000	209,647	209,647	-
Miscellaneous income	40,000	50,907	33,625	(17,282)
Total revenues	2,910,000	4,333,467	4,305,913	(27,554)
Expenditures:				
Emergency services:				
Appraisal fees	28,000	34,000	32,932	1,068
Accounting and audit fees	12,000	16,000	13,160	2,840
Distributions to volunteer fire departments	550,000	560,500	574,446	(13,946)
Reimbursements to and payments on-behalf of VFD/EMS entities	110,000	76,500	76,017	483
Contracted ambulance and EMS services	1,225,000	1,225,000	1,225,000	-
Insurance	180,000	233,406	230,479	2,927
Tax collector fees	12,000	16,772	16,772	-
Salaries and wages	145,000	208,717	208,716	1
Payroll taxes	30,000	29,405	16,077	13,328
Repairs and maintenance	69,000	403,846	403,338	508
Capital outlay	-	697,826	693,899	3,927
Rent	11,000	-	-	-
Utilities	3,500	12,315	12,315	-
Legal fees	25,000	23,241	23,241	-
Board training and travel	37,000	30,000	19,050	10,950
EMS supplies	5,000	7,000	6,197	803
EMS facilities	131,600	188,000	170,222	17,778
Debt - principal	37,000	58,765	58,735	30
Debt - interest	13,000	15,109	14,298	811
Miscellaneous	64,000	149,382	137,649	11,733
Contingency reserve	221,900	17,546	-	17,546
Total expenditures	2,910,000	4,003,330	3,932,543	70,787
Net change in fund balance	-	330,137	373,370	43,233
Fund balance - beginning	5,548,993	5,548,993	5,548,993	-
Fund balance - ending	$ 5,548,993	$ 5,879,130	$ 5,922,363	$ 43,233

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

PALO PINTO COUNTY
EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2025

A. BUDGETARY INFORMATION

Annual budgets are adopted on the GAAP basis of accounting for the General Fund. All annual appropriations lapse at fiscal year end.

The Treasurer of the Board of Directors is the Budget Officer of the District and has the responsibility of preparing the District's budget. Under the District's budgeting procedures, each volunteer fire department and EMS entity submits a budget request to the Treasurer. In July, before the District sets the tax rate for a fiscal year in August, a proposed budget is presented to the Board of Directors. A public hearing is then held and the Board of Directors takes action on the proposed budget. Before determining the final budget, the Board of Directors may increase or decrease the budgeted amounts. Amounts finally budgeted may not exceed the estimate of revenues and available fund balance.

Once the budget has been adopted by the Board of Directors, the Treasurer is responsible for monitoring the expenditures of the various departments of the District to prevent expenditures from exceeding budgeted appropriations and for keeping members of the Board of Directors advised of the conditions of the various funds and accounts.

Any transfers of appropriations are first approved by the Board of Directors. No amendments may be made without the Board of Directors' approval to the total budget or budget line. Thus, the legal level of budgetary control is at the budget line. No supplemental appropriations were required during the year.

OTHER SUPPLEMENTARY INFORMATION

PALO PINTO COUNTY
EMERGENCY SERVICES DISTRICT NO. 1

COMBINING BALANCE SHEET - GOVERNMENTAL FUND
DECEMBER 31, 2025

	Ad Valorem	Sales Tax	Total
Assets			
Cash and cash equivalents	$ 3,306,149	$ 2,324,800	$ 5,630,949
Property taxes receivable, net	1,405,280	-	1,405,280
Due from other governments	174,683	400,410	575,093
Due from (to) general fund	(116,529)	116,529	-
Prepaid expenditures	18,289	306,250	324,539
Spare parts inventory	5,000	-	5,000
Total assets	$ 4,792,872	$ 3,147,989	$ 7,940,861
Liabilities			
Accounts payable	$ 42,519	$ 3,025	$ 45,544
Accrued liabilities	898	600	1,498
Total liabilities	43,417	3,625	47,042
Deferred inflows of resources			
Property taxes collected in advance	566,176	-	566,176
Unavailable property taxes	1,405,280	-	1,405,280
Total deferred inflows of resources	1,971,456	-	1,971,456
Fund balance			
Nonspendable:			
Prepaid expenditures	18,289	306,250	324,539
Spare parts inventory	5,000	-	5,000
Restricted for EMS facility construction	10,000	-	10,000
Unassigned	2,744,710	2,838,114	5,582,824
Total fund balance	2,777,999	3,144,364	5,922,363
Total liabilities, deferred inflows of resources and fund balance	$ 4,792,872	$ 3,147,989	$ 7,940,861

PALO PINTO COUNTY
EMERGENCY SERVICES DISTRICT NO. 1

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

	Ad Valorem	Sales Tax	Total
Revenues:			
Property taxes	$ 1,714,949	$ -	$ 1,714,949
Sales taxes	-	2,234,284	2,234,284
Gifts and contributions	113,408	-	113,408
Interest income	117,709	91,938	209,647
Miscellaenous	33,625	-	33,625
Total revenues	1,979,691	2,326,222	4,305,913
Expenditures:			
Emergency Services:			
Appraisal fees	32,932	-	32,932
Accounting and audit fees	10,250	2,910	13,160
Distributions to volunteer fire departments	574,446	-	574,446
Reimbursements to and payments on-behalf of VFD/EMS entities	-	76,017	76,017
Contracted ambulance and EMS services	-	1,225,000	1,225,000
Insurance	209,406	21,073	230,479
Tax collector fees	16,772	-	16,772
Salaries and wages	135,274	73,442	208,716
Payroll taxes	10,348	5,729	16,077
Repairs and maintenance	381,346	21,992	403,338
Capital outlay	307,444	386,455	693,899
Utilities	12,315	-	12,315
Legal fees	23,241	-	23,241
Board training and travel	15,204	3,846	19,050
EMS supplies	-	6,197	6,197
EMS facilities	-	170,222	170,222
Debt - principal	9,258	49,477	58,735
Debt - interest	516	13,782	14,298
Miscellaneous	124,312	13,337	137,649
Total expenditures	1,863,064	2,069,479	3,932,543
Net change in fund balances	116,627	256,743	373,370
Fund balances - beginning	2,661,372	2,887,621	5,548,993
Fund balances - ending	$ 2,777,999	$ 3,144,364	$ 5,922,363

PALO PINTO COUNTY
EMERGENCY SERVICES DISTRICT NO. 1

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2025

	Ad Valorem		
	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property taxes	$ 1,714,949	$ 1,714,949	$ -
Sales taxes	-	-	-
Gifts and contributions	123,680	113,408	(10,272)
Interest income	117,709	117,709	-
Miscellaenous	50,907	33,625	(17,282)
Total revenues	2,007,245	1,979,691	(27,554)
Expenditures:			
Emergency Services:			
Appraisal fees	34,000	32,932	1,068
Accounting and audit fees	13,000	10,250	2,750
Distributions to volunteer fire departments	560,500	574,446	(13,946)
Reimbursements to and payments on-behalf of VFD/EMS entities	-	-	-
Contracted ambulance and EMS services	-	-	-
Insurance	209,406	209,406	-
Tax collector fees	16,772	16,772	-
Salaries and wages	135,274	135,274	-
Payroll taxes	10,348	10,348	-
Repairs and maintenance	381,346	381,346	-
Capital outlay	307,444	307,444	-
Utilities	12,315	12,315	-
Legal fees	23,241	23,241	-
Board training and travel	21,000	15,204	5,796
EMS supplies	-	-	-
EMS facilities	-	-	-
Debt - principal	9,258	9,258	-
Debt - interest	516	516	-
Miscellaneous	128,382	124,312	4,070
Contingency reserve	17,546	-	17,546
Total expenditures	1,880,348	1,863,064	17,284
Net change in fund balance	126,897	116,627	(10,270)
Fund balance - beginning	2,661,372	2,661,372	-
Fund balance - ending	$ 2,788,269	$ 2,777,999	$ (10,270)

Sales Tax			Total		
Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
$ -	$ -	$ -	$ 1,714,949	$ 1,714,949	$ -
2,234,284	2,234,284	-	2,234,284	2,234,284	-
-	-	-	123,680	113,408	(10,272)
91,938	91,938	-	209,647	209,647	-
-	-	-	50,907	33,625	(17,282)
2,326,222	2,326,222	-	4,333,467	4,305,913	(27,554)
-	-	-	34,000	32,932	1,068
3,000	2,910	90	16,000	13,160	2,840
-	-	-	560,500	574,446	(13,946)
76,500	76,017	483	76,500	76,017	483
1,225,000	1,225,000	-	1,225,000	1,225,000	-
24,000	21,073	2,927	233,406	230,479	2,927
-	-	-	16,772	16,772	-
73,443	73,442	1	208,717	208,716	1
19,057	5,729	13,328	29,405	16,077	13,328
22,500	21,992	508	403,846	403,338	508
390,382	386,455	3,927	697,826	693,899	3,927
-	-	-	12,315	12,315	-
-	-	-	23,241	23,241	-
9,000	3,846	5,154	30,000	19,050	10,950
7,000	6,197	803	7,000	6,197	803
188,000	170,222	17,778	188,000	170,222	17,778
49,507	49,477	30	58,765	58,735	30
14,593	13,782	811	15,109	14,298	811
21,000	13,337	7,663	149,382	137,649	11,733
-	-	-	17,546	-	17,546
2,122,982	2,069,479	53,503	4,003,330	3,932,543	70,787
203,240	256,743	53,503	330,137	373,370	43,233
2,887,621	2,887,621	-	5,548,993	5,548,993	-
$ 3,090,861	$ 3,144,364	$ 53,503	$ 5,879,130	$ 5,922,363	$ 43,233

INTERNAL CONTROL AND COMPLIANCE

EDGIN, PARKMAN, FLEMING & FLEMING, PC
CERTIFIED PUBLIC ACCOUNTANTS

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JOSHUA R. HARMAN, CPA

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*

Board of Directors
Palo Pinto County Emergency Services District No. 1

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Palo Pinto County Emergency Services District No. 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 15, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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. 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 the 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 those 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 have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas
June 15, 2026

PALO PINTO COUNTY
EMERGENCY SERVICES DISTRICT NO. 1

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2025

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiencies identified that are not considered to be material weaknesses?	______ Yes	__X__ None reported
Noncompliance material to the financial statements noted?	______ Yes	__X__ No

B. Financial Statement Findings

There were no findings in the current year.

PALO PINTO COUNTY
EMERGENCY SERVICES DISTRICT NO. 1

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2025

There were no findings in the prior year.

PALO PINTO COUNTY
EMERGENCY SERVICES DISTRICT NO. 1

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2025

There were no findings in the current year.