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NAVARRO COUNTY EMERGENCY SERVICES DISTRICT #1

BASIC FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2025

(With Independent Auditor's Report Thereon)

NAVARRO COUNTY EMERGENCY SERVICES DISTRICT #1
FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Navarro County ESD #1

Opinion

I have audited the accompanying financial statements of the governmental activities of the Navarro County Emergency Services District #1, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Navarro County Emergency Services District #1, as of September 30, 2025, and the respective changes in financial position and budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Navarro County Emergency Services District #1, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of these 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 of error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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 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, I:

- Exercise professional judgment and maintain professional skepticism through 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 Navarro County Emergency Services District #1's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Navarro County Emergency Services District #1's ability to continue as a going concern for a reasonable period of time.

I am 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 I 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, as listed in the table of contents, be presented to supplement the basic financial statements. Such 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Evelyn R. Pareja

June 1, 2026

Management's Discussion and Analysis

Navarro County Emergency Services District #1

As management of the Navarro County Emergency Services District #1, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Navarro County Emergency Services District #1 for the fiscal year ended September 30, 2025. The District was created as a result of an election held November 6, 2007. The first meeting of the Board of Commissioners was held January 6, 2008.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal period by $ 1,312,157.13 (net position). Of this amount, $ 903,259.29 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position during the year increased by $ 166,547.53.
- As of the close of the current fiscal year the District's governmental fund reported ending fund balance of $894,980.93, an increase of $153,293.62. The unassigned fund balance for the General Fund was $ 874,306.53.
- At the close of the current fiscal period, the District had no debt outstanding.

Overview of the Financial Statements

This discussion and analysis are intended to service as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.*

The governmental activities of the District reported in the government-wide financial statements include general government activities. The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Navarro County Emergency Services District #1, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has only a General Fund, which is a governmental fund.

Governmental funds: *Governmental* funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resource* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.* The basic governmental fund financial statements can be found on pages 3 and 4 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 7-9 of this report.

Overview of the District's Financial Position and Operations

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Navarro County Emergency Services District #1, assets exceeded liabilities by $ 1,312,157.13 at the close of the most recent fiscal year. The District's overall financial position and operations for the past two years is summarized as follows based on the information included in the government-wide financial statements.

Navarro County Emergency Service District #1's Net Position
September 30, 2025 & 2024

	Governmental Activities		Totals	
	9/30/25	9/30/24	9/30/25	9/30/24
Assets:				
Cash & cash equivalents	$ 902,067.90	$ 741,687.31	$ 902,067.90	$ 741,687.31
Accounts Receivable	28,952.76	29,766.69	28,952.76	29,766.69
Capital Assets	388,223.44	374,155.60	388,223.44	374,155.60
Total Assets	1,319,244.10	1,145,609.60	1,319,244.10	1,145,609.60
Liabilities:				
Accounts Payable	7,086.97	-	7,086.97	-
Total Liabilities	7,086.97	-	7,086.97	-
Net Position:				
Invested in capital assets, net of related debts	388,223.44	374,155.60	388,223.44	374,155.60
Restricted	20,674.40	13,205.84	20,674.40	13,205.84
Unassigned	903,259.29	758,248.16	903,259.29	758,248.16
Total Net Position	$ 1,312,157.13	$ 1,145,609.60	$ 1,312,157.13	$ 1,145,609.60

Navarro County Emergency Service District #1 Changes in Net Position
For the Fiscal Years Ended September 30, 2025 and 2024

	Governmental Activities		Total	
	9/30/25	9/30/24	9/30/25	9/30/24
General Revenues:				
Property taxes & related revenues	$ 441,948.88	$ 401,764.67	$ 441,948.88	$ 401,764.67
Intergovernmental Support	9,900.00	7,200.00	9,900.00	7,200.00
Contributions	1,464.42	2,400.00	1,464.42	2,400.00
Grant Income	-	20,000.00	-	20,000.00
Investment revenues	15,168.80	1,630.56	15,168.80	1,630.56
Total Revenues	468,482.10	432,995.23	468,482.10	432,995.23
Expenses:				
Administration	33,052.95	36,218.08	33,052.95	36,218.08
Emergency Service Support	214,286.62	124,158.32	214,286.62	124,158.32
Depreciation Expense	54,595.00	50,391.00	54,595.00	50,391.00
Total Expenses	301,934.57	210,767.40	301,934.57	210,767.40
Increase (Decrease) in net position	166,547.53	222,227.83	166,547.53	222,227.83
Net position, beginning of year	1,145,609.60	923,381.77	1,145,609.60	923,381.77
Total Net Position, End of Year	$ 1,312,157.13	$ 1,145,609.60	$ 1,312,157.13	$ 1,145,609.60

The District's net position increased by $ 166,547.53 during the current fiscal year.

General Fund Budgetary Highlights.

The original budget was not amended during the fiscal year presented. During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates.

Capital Asset Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of September 30, 2025 amounted to $ 388,223.44 (net of accumulated depreciation). This investment in capital assets includes land, a building, emergency service vehicles, and equipment. The increase in the District's investment in capital assets for the current fiscal year was 3.5%, mainly due to improvements to the existing building.

Navarro County Emergency Services District #1
Capital Assets at Year-End (net of depreciation)

	Governmental Activities		Totals	
	9/30/25	9/30/24	9/30/25	9/30/24
Vehicles	$ 40,861.05	$ 65,681.05	$ 40,861.05	$ 65,681.05
Equipment	40,664.06	55,110.31	40,664.06	55,110.31
Other Equipment	1,786.27	-	1,786.27	-
Building	188,962.06	156,614.24	188,962.06	156,614.24
Construction In Progress	19,200.00	-	19,200.00	-
Land	96,750.00	96,750.00	96,750.00	96,750.00
Total Assets	$ 388,223.44	$ 374,155.60	$ 388,223.44	$ 374,155.60

Requests for Information

This financial report is designed to provide a general overview of the Navarro County Emergency Services District #1's financial condition and financial activities for all those with an interest in the District's financial activity. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District at P. O. Box 177, Kerens, Texas 75144.

Navarro County Emergency Services District #1
Statement of Net Position
September 30, 2025

	Governmental Activities	Total
Assets		
Current Assets:		
Cash & Cash Equivalents	$ 881,393.50	$ 881,393.50
Taxes Receivable	28,952.76	28,952.76
Total Current Assets	910,346.26	910,346.26
Non-current Assets:		
Restricted Cash	20,674.40	20,674.40
Capital Assets (net of accumulated depreciation):	388,223.44	388,223.44
Total non-current assets	408,897.84	408,897.84
Total assets	1,319,244.10	1,319,244.10
Liabilities		
Current Liabilities:		
Accounts Payable	7,086.97	7,086.97
Total liabilities	7,086.97	7,086.97
Net Position		
Net investment in capital assets	388,223.44	388,223.44
Restricted	20,674.40	20,674.40
Unrestricted	903,259.29	903,259.29
Total Net Position	$ 1,312,157.13	$ 1,312,157.13

See accompanying notes to the financial statements.

Navarro County Emergency Services District #1
Statement of Activities
Year Ended September 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
Emergency Service Support	$ (268,881.62)	$ -	$ 11,364.42	$ -	$ (257,517.20)
General Government	(33,052.95)	-	-	-	(33,052.95)
Total governmental activities	$ (301,934.57)	$ -	$ 11,364.42	$ -	(290,570.15)
	General revenues:				
	Ad Valorem Taxes				434,738.78
	Penalty & Interest				7,210.10
	Unrestricted investment earnings				15,168.80
	Total General Revenues				457,117.68
	Change in net position				166,547.53
	Net position - beginning				1,145,609.60
	Net position - ending				$ 1,312,157.13

See accompanying notes to the financial statements.

Navarro County Emergency Services District #1
Balance Sheet
Governmental Funds
September 30, 2025

	General Fund	Total Governmental Funds
Assets		
Cash and cash equivalents	$ 881,393.50	$ 881,393.50
Restricted Cash	20,674.40	20,674.40
Receivables, net	28,952.76	28,952.76
Total assets	931,020.66	931,020.66
Liabilities and Fund Balances		
Liabilities:		
None	7,086.97	7,086.97
Total liabilities	7,086.97	7,086.97
Deferred Inflows of Resources		
Unavailable revenue:		
Property Taxes	28,952.76	28,952.76
Total deferred inflows of resources	28,952.76	28,952.76
Fund Balances		
Fund balances:		
Restricted	20,674.40	20,674.40
Unassigned	874,306.53	874,306.53
Total fund balances	894,980.93	894,980.93
Total liabilities, deferred inflows of resources, and fund balances	$ 931,020.66	
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		388,223.44
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		28,952.76
Net Position of Governmental Activities		$ 1,312,157.13

See accompanying notes to the financial statements.

Navarro County Emergency Services District #1

Statement of Revenues, Expenditures & Changes in Fund Balance

Governmental Funds

Year Ended September 30, 2025

	General Fund	Total Governmental Funds
Revenues:		
Ad Valorem Taxes	$ 435,552.71	$ 435,552.71
Penalty and Interest	7,210.10	7,210.10
Intergovernmental Support	9,900.00	9,900.00
Contributions	1,464.42	1,464.42
Interest Earned	15,168.80	15,168.80
Total Revenue	469,296.03	469,296.03
Expenditures:		
Current:		
Emergency Services Support:		
Kerens VFD	61,500.00	61,500.00
RC287 VFD	27,500.00	27,500.00
ESD Fire Department	63,461.76	63,461.76
Vehicle Insurance	12,496.00	12,496.00
Building Maintenance	42,257.86	42,257.86
Building Insurance	7,071.00	7,071.00
Other Insurance	5,791.58	5,791.58
Legal Fees	2,548.05	2,548.05
Appraisal District Fees	8,670.24	8,670.24
Auditing Fees	4,500.00	4,500.00
Office Expense	2,515.68	2,515.68
Tax Collection Expense	4,034.02	4,034.02
Education and Training	4,510.05	4,510.05
Travel	-	-
Membership Dues	458.33	458.33
Bank Charges	25.00	25.00
Capital Expenditures		
Firefighting Equipment	6,228.75	6,228.75
Equipment	2,041.07	2,041.07
Building Improvements	41,193.02	41,193.02
New Building	19,200.00	19,200.00
Total Expenditures	316,002.41	316,002.41
Excess of revenues over (under) expenditures	153,293.62	153,293.62
Fund Balance, Beginning of the year	741,687.31	741,687.31
Fund Balance, End of the Year	$ 894,980.93	$ 894,980.93

See accompanying notes to the financial statements.

Navarro County Emergency Services District #1
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended September 30, 2025

Net Change in fund balances - total governmental funds (Page 4)	$	153,293.62
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which asset additions ($68,662.84) exceeded depreciation expense ($54,595.00) for the current period.		14,067.84
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(813.93)
Change in net position of governmental activities	$	166,547.53

See accompanying notes to the financial statements.

Navarro County Emergency Services District #1

Statement of Revenues, Expenditures, & Changes in Fund Balance - Budget and Actual

General Fund

For the Fiscal Year Ended September 30, 2025

	Budgeted Amounts	Actual	Variance Favorable (Unfavorable)
REVENUE			
Ad Valorem Taxes	$ 409,010.55	$ 435,552.71	$ 26,542.16
Penalty and Interest	-	7,210.10	7,210.10
Intergovernmental Support	7,200.00	9,900.00	2,700.00
Contributions	-	1,464.42	1,464.42
Interest Earned	-	15,168.80	15,168.80
Total Revenue	416,210.55	469,296.03	53,085.48
EXPENDITURES			
Current:			
Emergency Services Support:			
Kerens VFD	59,000.00	61,500.00	(2,500.00)
RC287 VFD	27,500.00	27,500.00	-
NCESD #1 Fire Department	71,400.00	63,461.76	7,938.24
Vehicle Insurance	14,000.00	12,496.00	1,504.00
Building Lease & Maintenance	40,000.00	42,257.86	(2,257.86)
Building Insurance	7,000.00	7,071.00	(71.00)
Officers, Directors, & Liability Insurance	4,500.00	5,791.58	(1,291.58)
Legal Fees-operations	5,000.00	2,548.05	2,451.95
Appraisal District Fees	12,000.00	8,670.24	3,329.76
Auditing Fees	5,300.00	4,500.00	800.00
Education & Training	5,000.00	4,510.05	489.95
Office Expense	4,150.00	2,515.68	1,634.32
Tax Collection Expense	3,700.00	4,034.02	(334.02)
Miscellaneous	400.00	483.33	(83.33)
Capital expenditures			
Firefighting equipment	-	6,228.75	(6,228.75)
Office Equipment	-	2,041.27	(2,041.27)
Building Improvements	49,500.00	41,192.82	8,307.18
New Construction Design	26,000.00	19,200.00	6,800.00
Total Expenditures	334,450.00	316,002.41	18,447.59
Excess of revenues over (under) expenditures	$ 81,760.55	153,293.62	$ 71,533.07
Fund Balance, Beginning of the year		741,687.31	
Fund Balance, End of the Year		$ 894,980.93	

See accompanying notes to the financial statements.

I. Reporting Entity and Financial Reporting

The Navarro County Emergency Services District #1 is a political subdivision of the State of Texas, created as a result of a public election held November 6, 2007, under the provisions of Section 48-e of Article III of the Constitution of the State of Texas and Chapter 775 of the Texas Health and Safety Code. The Board of Commissioners held its first meeting on January 6, 2008. An Emergency Services District may support or provide local emergency services, including emergency medical services, emergency ambulance services, rural fire prevention and control services, and other emergency services authorized by the Texas Legislature. The purpose of the Navarro County Emergency Services District #1 is to provide fire prevention and control services for the geographic area included in the Kerens Independent School District. The accompanying financial statements are those of the District, the only entity for which the District is financially accountable.

II. Summary of significant accounting policies

(A) 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 nonfiduciary activities of the primary government. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

(B) 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 for which they are levied. 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 current fiscal period. Expenditures generally are recorded when a liability is incurred as under accrual accounting.

The District reports the following major governmental funds:

General Fund - The general fund is the District's primary operating fund. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

(C) Assets, liabilities, and net position or equity

(1) Deposits

The District's cash and cash equivalents consist of four demand deposit accounts, one of which is an interest-bearing savings account. The District has a demand deposit account for the purpose of segregating funds received from Navarro County to be used for supplementing fuel costs for fire-fighting equipment.

Statutes authorize the District to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987 (the Act). The District is also required to follow specific investments practices prescribed by the Act related to establishment of appropriate investment policies and management reports. The District is in compliance with all such significant provisions of the Act.

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.

(2) Receivables

All receivables are shown net of estimated uncollectible amounts.

(3) Property Taxes

The appraisal of property within the District is the responsibility of the Navarro County Appraisal District. The Emergency Service District's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The net assessed value upon which the fiscal 2024 levy was based was $ 1,013,985,105. Taxes are due by the January 31 following the October 1 levy date. Current tax collections for the year ended September 30, 2025 were 97.67% of the tax levy.

(III) Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between fund balance of total governmental funds and net position of governmental activities as reported in the government-wide statement of net position.

The governmental statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances of total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

(IV) Stewardship, compliance, and accountability

Budgetary Information – An annual budget for the general fund is adopted on a basis consistent with generally accepted accounting principles. Prior to August 1, the board develops a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of a resolution, and a tax rate is set.

(V) Detailed Notes on All Funds

(A) Deposits

The District's deposits are categorized to give an indication of the level of risk assumed by the District at fiscal year-end. The categories are described as follows:

Category 1: Insured or collateralized with securities held by the District or its agent in the District's name.
Category 2: Collateralized with securities held by the District or its agent in the District's name.
Category 3: Uncollateralized.

During the fiscal year ended September 30, 2025, all of the District's deposits were categorized as Category 1. The District had entered into an agreement with Prosperity Bank, whereby the bank pledges approved securities to insure the District's deposits in excess of the FDIC limit.

As of September 30, 2025, the District's carrying amount of deposits was $ 900,880.83; the bank balance was $900,880.83.

B. Receivables

As of year-end, receivables consisted of property taxes receivable in the amount of $ 28,952.76.

C. Fire Protection Services

The District has agreements with two local volunteer fire departments, Kerens VFD and 287 R/C Fire and Rescue, to provide fire protection and prevention services to the residents of the District. The District also maintains the Emergency Services Fire Department, which is staffed by volunteers. The District receives a monthly subsidy from Navarro County for the purpose of fueling and maintaining the fire fighting vehicles owned by the District.

D. Capital Assets

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

Primary Government	Balance 10/1/2024	Additions	Deletions	Balance 9/30/2025
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	$ 96,750.00	$	$	$ 96,750.00
Capital Assets, being depreciated:				
Emergency Vehicles	345,737.05	-	-	345,737.05
Fire Fighting Equipment	148,876.31	6,228.75	-	155,105.06
Other Equipment		2,041.27	-	2,041.27
Building	170,729.24	41,192.82	-	211,922.06
Construction in Progress	-	19,200.00	-	19,200.00
Total Capital Assets being depreciated	665,342.60	68,662.84	-	734,005.44
Less accumulated depreciation for:				
Emergency Vehicles	(280,056.00)	(24,820.00)	-	(304,876.00)
Fire Fighting Equipment	(93,766.00)	(20,675.00)	-	(114,441.00)
Other Equipment		(255.00)	-	(255.00)
Building	(14,115.00)	(8,845.00)	-	(22,960.00)
Total accumulated depreciation	(387,937.00)	(54,595.00)	-	(442,532.00)
Total Capital Assets Being Depreciated, Net	277,405.60	14,067.84	-	291,473.44
Total Governmental Capital Assets	$ 374,155.60	$ 14,067.84	$ -	$ 388,223.44

Depreciation was charged to programs of the District as follows:

Governmental Activities:	Emergency Services	$ 54,595

Capital asset activity consisted of the purchase of building improvements in the amount of $ 41,192.82, fire fighting equipment in the amount of $ 6,228.75, a laptop in the amount of $ 2,041.27, and $ 19,200 for construction design plans for a building addition.

E. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The district has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue,* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Navarro County Emergency Services District #1
P. O. Box 2
Powell, Texas 75153

June 1, 2026

Evelyn R. Pareya, C.P.A.
P. O. Box 431
West, Texas 76691

This representation letter is provided in connection with your audit of the financial statements of the Navarro County Emergency Services District #1, which comprise the respective financial position of the governmental activities as of September 30, 2025, and the respective changes in financial position and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of May 26, 2026, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 30, 2026.

2) The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity.

3) We acknowledge our responsibility 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.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates are reasonable.

6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

8) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.

9) Guarantees, whether written or oral, under which the district is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10) We have provided you with:

    a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and all audit or relevant monitoring reports, if any, received from funding sources.

    b) Additional information that you have requested from us for the purpose of the audit.

    c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

    d) Minutes of the meetings of the board of commissioners or summaries of actions of recent meetings for which minutes have not yet been prepared.

11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

12) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

    a) Management,

    b) Others where the fraud could have a material effect on the financial statements.

13) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by regulators or others.

14) We have disclosed to you all known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

15) We are not aware of any pending or threatened litigation, claims, and assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.

16) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

17) We have made available to you all financial records and related data.

18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

19) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

20) The district has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

22) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

23) As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

24) The district has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as has been made known to you.

The district has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

25) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

26) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

27) The financial statements properly classify all funds and activities.

28) All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

29) Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.

30) Provisions for uncollectible receivables have been properly identified and recorded.

31) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

32) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

33) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

34) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

35) We have appropriately disclosed the district's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.

36) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Signature: ______________________ Signature: [illegible signature]

Title: ______________________ Title: Treasurer

EVELYN R. PAREYA
CERTIFIED PUBLIC ACCOUNTANT
209 E. Oak St., P. O. Box 431
West, Texas 76691-0431
(254) 826-3271

April 30, 2026

Navarro County Emergency Services District #1
P. O. Box 177
Kerens, Texas 75144

I am pleased to confirm my understanding of the services I am to provide for the Navarro County Emergency Services District #1 for the year ended September 30, 2025.

Audit Scope and Objectives

I will audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the disclosures, which collectively comprise the basic financial statements of the Navarro County Emergency Services District #1 as of and for the year ended September 30, 2025. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the Navarro County Emergency Services District #1's basic financial statements. Such 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. As part of my engagement, I will apply certain limited procedures to the Navarro County Emergency Services District #1 's RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I will not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited:

1) Management's Discussion and Analysis.

The objectives of my audit are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; issue an auditor's report that includes my opinion about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP; and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

I will conduct my audit in accordance with GAAS and will include tests of your accounting records and other procedures I consider necessary to enable me to express such an opinion. As part of an audit in accordance with GAAS, I exercise professional judgment and maintain professional skepticism throughout the audit.

I will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. I will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. I will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstate, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because I will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by me, even though the audit is properly planned and performed in accordance with GAAS. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, I will inform the appropriate level of management of any material errors or any fraudulent financial reporting or misappropriation of assets that come to my attention. I will also inform the appropriate level of management of any violations of laws or governmental regulations that come to my attention, unless clearly inconsequential. My responsibility as auditor is limited to the period covered by my audit and does not extend to any later periods for which I am not engaged as auditor.

I will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

My procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. At the conclusion of my audit, I will require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Control

I will obtain an understanding of the government and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for my opinion. 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, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, I will express no such opinion. However, during the audit, I will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I will perform tests of the Navarro County Emergency Services District #1's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of my audit will not be to provide an opinion on overall compliance and I will not express such an opinion.

Other Services

I will also assist in preparing the financial statements of the Navarro County Emergency Services District #1 in conformity with accounting principles generally accepted in the United States based on information provided by you.

I will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. I, in my sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

You agree to assume all management responsibilities for financial statement preparation services and any other nonattest services I provide; oversee the services by designating an individual with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Responsibilities of Management for the Financial Statements

My audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America with the oversight of those charged with governance.

Management is responsible for making drafts of financial statements, all financial records, and related information available to me and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing me with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that I may request for the purpose of the audit; and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. At the conclusion of my audit, I will require certain written representations from you about the financial statements and related matters.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to me in the management representation letter that the effects of any uncorrected misstatements aggregated by me during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing me about all known or suspected fraud or illegal acts affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing me of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or other. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with accounting principles generally accepted in the United States of America (GAAP). You agree to include my report on the supplementary information in any document that contains, and indicates that I have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes my report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with my report thereon. Your responsibilities include acknowledging to me in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to me any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Engagement Administration, Fees, and Other

I understand that your employees will prepare all cash or other confirmations I request and will locate any documents selected by me for testing.

The audit documentation for this engagement is the property of Evelyn Pareya, C.P.A. and constitutes confidential information.

Evelyn Pareya is the engagement partner and is responsible for supervising the engagement and signing the report. I expect to begin my audit on approximately April 30, 2026 and to issue my report no later than May 31, 2026.

My fees will be at my standard hourly rates plus out-of-pocket costs, except that I agree that my gross fee, including expenses, will not exceed $ 4,750. This fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit.

Reporting

I will issue a written report upon completion of my audit of the Navarro County Emergency Services District #1's financial statements. My report will be addressed to the management of the Navarro County Emergency Services District #1. Circumstances may arise in which my report may differ from its expected form and content based on the results of my audit. Depending on the nature of these circumstances, it may be necessary for me to modify my opinion, add a separate section, or add an add an emphasis-of-matter or other-matter paragraph to my auditor's report, or if necessary, withdraw from this engagement. If my opinion is other than unmodified, I will discuss the reasons with you in advance. If, for any reason, I am unable to complete the audit or am unable to form or have not formed an opinion, I may decline to express an opinion or to issue a report as a result of this engagement.

I appreciate the opportunity to be of service to the Navarro County Emergency Services District #1 and believe this letter accurately summarizes the significant terms of my engagement. If you have any questions, please let me know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to me.

Very truly yours,

Evelyn R. Pareya

Evelyn R. Pareya

RESPONSE:

This letter correctly sets forth the understanding of the Navarro County Emergency Services District #1.

By: [signature]

Title: Treasurer

Date: 5/5/26

STANDARD FORM TO CONFIRM ACCOUNT BALANCE INFORMATION WITH FINANCIAL INSTITUTIONS

Navarro County ESD #1
CUSTOMER NAME

We have provided to our accountants the following information as of the close of business on 9-30, 20 25 regarding our deposit and loan balances. Please confirm the accuracy of the information, noting any exceptions to the information provided. If the balances have been left blank, please complete this form by furnishing the balance in the appropriate space below.* Although we do not request nor expect you to conduct a comprehensive, detailed search of your records, if during the process of completing this confirmation additional information about other deposit and loan accounts we may have with you comes to your attention, please include such information below. Please use the enclosed envelope to return the form directly to our accountants.

Financial Institution's Name and Address
[Prosperity Bank
Attn: Sherry Thomas
Sherry.Thomas@ProsperityBankUSA.com
]

1. At the close of business on the date listed above, our records indicated the following deposit balance(s):

ACCOUNT NAME	ACCOUNT NO.	INTEREST RATE	BALANCE*
Navarro County ESD #1	216008117		141,404.78
Navarro County ESD #1	216008079		20,674.40
Navarro County ESD #1	216008060		736,306.49
Navarro County ESD #1	223687812		2,495.16

2. We were directly liable to the financial institution for loans at the close of business on the date listed above as follows:

ACCOUNT NO./ DESCRIPTION	BALANCE*	DUE DATE	INTEREST RATE	DATE THROUGH WHICH INTEREST IS PAID	DESCRIPTION OF COLLATERAL

(Customer's Authorized Signature)

5/5/62
(Date)

The information presented above by the customer is in agreement with our records. Although we have not conducted a comprehensive, detailed search of our records, no other deposit or loan accounts have come to our attention except as noted below.

(Financial Institution Authorized Signature)

(Date)

(Title)

EXCEPTIONS AND/OR COMMENTS

Please return this form directly to our accountants:
[
Evelyn Pareya, C.P.A.
P. O. Box 431
West, Tx. 76691-0431
]

*Ordinarily, balances are intentionally left blank if they are not available at the time the form is prepared.

D451 5951

NCESD1 Treasurer <ncesd1treasurer@navarrocounty.org>

FY 9-30-25 documents

1 message

EVELYN PAREYA <pareyae@gmail.com> Fri, May 1, 2026 at 3:11 PM
To: "ncesd1treasurer@navarrocounty.org" <ncesd1treasurer@navarrocounty.org>

Cylynne,

I am attaching two documents:

Engagement Letter
Bank Confirmation Request

Please print out both documents, sign them, and email the signed documents back to me.
Thank you!

Evelyn Pareya,C.P.A.
(254) 826-3271

2 attachments

Navarro Co ESD #1 Eng Ltr 9-30-25.pdf
295K

Navarro Co ESD #1 Bank Conf.pdf
62K