

JEFFERSON COUNTY EMERGENCY
SERVICES DISTRICT NO. 4

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2025

JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT NO. 4
Annual Financial Report
For The Year Ended SEPTEMBER 30, 2025

TABLE OF CONTENTS

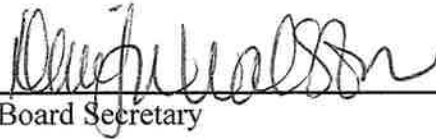
	<u>EXHIBIT</u>	<u>PAGE</u>
INTRODUCTORY SECTION		
Listing of Officials		1
FINANCIAL SECTION		
Independent Auditors' Report on Financial Statements		2
Management's Discussion and Analysis (Required Supplementary Information)		5
<u>Basic Financial Statements</u>		
Government-Wide Financial Statements:		
Statement of Net Position	A	11
Statement of Activities	B	12
Fund Financial Statements:		
Balance Sheet - Governmental Funds	C	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	C-1	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	D	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	D-1	16
Notes to the Financial Statements		17
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	E	24
COMPLIANCE SECTION		
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		25

JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT No. 4
CERTIFICATE OF BOARD

We, the undersigned, certify that this accompanying audit report of the above named district was reviewed and approved for the year ended September 30, 2025 at a meeting of the Board of Commissioners held on the 15th day of June, 2026.



~~Board President~~ Vice President



Board Secretary

INTRODUCTORY SECTION

JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT No. 4

JEFFERSON COUNTY, TEXAS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Board of Commissioners

Jeffery Roebuck
Charles Reneau
Davilyn Walston
Sandra Melton
Robert Bordes
David Stacey

President
Vice President
Secretary
Treasurer
Asst. Treasurer
District Manager

Command Staff

David Stacey

Fire Chief

FINANCIAL SECTION



May 7, 2026

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Jefferson County Emergency Services District No. 4
Jefferson County, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County Emergency District # 4 (the "District") 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 our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of September 30, 2025, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

2396 Eastex Fwy ♦ Beaumont, TX 77703
Phone (409) 898-8777 ♦ Fax (409) 898-1039

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–9 and 24 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Marino CPA Firm

Beaumont, TX

In this section of the Annual Financial Report, we, the managers of the Jefferson County Emergency Services District No. 4 (the District), discuss and analyze the District's financial performance for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with the independent auditors' report on page 2, and the District's Basic Financial Statements that begin on page 11.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$4,806,091 at September 30, 2025, as compared to \$3,203,614 at September 30, 2024.
- During the year, the District's expenses were \$1,602,477 less than the \$2,421,575 generated in taxes and other revenues for governmental activities. This compares to last year when expenses were \$743,482 less than revenues.
- The general fund reported a fund balance this year of 3,524,940. All is for unrestricted use by the District. The prior year fund balance was \$2,190,660 at year end.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: (1) management's discussion and analysis (this section), (2) the basic financial statements, and (3) required supplementary information.

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. They include the Statement of Net Position and the Statement of Activities that provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The Statement of Net Position presents information in a format that displays assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources to equal net position. Net position is displayed in three components – net investment in capital assets, restricted, and unrestricted. 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. To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The *Statement of Activities* presents information showing how the government's net position changed during the current fiscal year. All changes in net position are reported for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes (governmental activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges.

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

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 objects. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide detailed information about the District's most significant funds, *not* the District as a whole.

- Some funds are required by State law and by bond covenants.
- The Board of Commissioners may establish other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- **Governmental Funds.** 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 resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing 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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District's major governmental fund is the General Fund. Data for the remaining governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Notes to the Financial Statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-23 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on page 24 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the Net Position (Table I) and Changes in Net Position (Table II) of the District's governmental activities.

The District's combined net position was \$4,806,091 at September 30, 2025. (See Table I)

Table I
JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT No. 4
Net Position

	September 30, 2025	September 30, 2024
Current and Other Assets	\$ 3,631,965	\$ 2,269,350
Capital Assets	1,320,739	1,101,775
Total Assets	<u>4,952,704</u>	<u>3,371,125</u>
Long-term Liabilities	47,063	92,805
Other Liabilities	99,550	74,706
Total Liabilities	<u>146,613</u>	<u>167,511</u>
Net Assets:		
Invested in Capital Assets Net of Related Debt	1,227,934	964,513
Unrestricted	<u>3,578,157</u>	<u>2,239,101</u>
Total Net Position	<u>\$ 4,806,091</u>	<u>\$ 3,203,614</u>

A portion of the District's net position, \$1,227,934, reflects its investment in capital assets net of related debt. The District uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. The \$3,578,157 of unrestricted net position represents resources available to fund the programs of the District next year.

Changes in net position. The District's total revenues were \$2,421,575. For the current year most of the revenues resulted from property and sales and use taxes levied. Miscellaneous revenues accounted for approximately 24 percent of total revenues.

In future years most of the District's revenues will be derived from property and sales and use taxes.

Total Cost of all programs and services was \$819,098. The net position of the District for the current year increased \$1,602,477 (see Table II on page 7 of this report).

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Key elements of the governmental activities of the District are reflected in the following table.

TABLE II
JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT No. 4
Changes in Net Position

	September 30, 2025	September 30, 2024
Revenues:		
General Revenues:		
Property taxes, penalites and interest	797,806	782,814
Sales and use taxes	1,050,527	457,994
Other miscellaneous	573,242	122,411
Total Revenue	<u>2,421,575</u>	<u>1,363,219</u>
Expenses:		
General government	165,051	177,478
Fire and emergency services	654,047	442,259
Total Expenses Governmental Activities	<u>819,098</u>	<u>619,737</u>
Increase (Decrease) in Net Assets	1,602,477	743,482
Net Assets - October 1 (Beginning)	3,203,614	2,460,132
Net Assets - September 30 (Ending)	<u>\$ 4,806,091</u>	<u>\$ 3,203,614</u>

GOVERNMENTAL ACTIVITIES

- Property tax rates for the current year were set at \$.068304 per \$100 valuation for M&O. The rate for 2025-2026 is set at \$.069874 per \$100 of taxable valuation for M&O.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was one budget amendment for the 2024-2025 year and it was approved by the Commissioners.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets. At September 30, 2025 the District had \$1,320,739 (net of depreciation) invested in capital assets, buildings, equipment and vehicles.

JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT No. 4
Capital Assets
Governmental Activities

	September 30, 2025	September 30, 2024
Buildings and Improvements	\$ 231,997	\$ 226,729
Emergency equipment and vehicles	2,364,750	1,969,609
Totals	<u>2,596,747</u>	<u>2,196,338</u>
Less Accumulated Depreciation:		
Buildings and Improvements	(17,992)	(14,598)
Emergency equipment and vehicles	(1,258,016)	(1,079,965)
Total Accumulated Depreciation	<u>(1,276,008)</u>	<u>(1,094,563)</u>
Net Capital Assets	<u>\$ 1,320,739</u>	<u>\$ 1,101,775</u>

Long-Term Debt. At year-end, the District had \$92,805 in notes payable outstanding. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT No. 4
Outstanding Debt

	September 30, 2025	September 30, 2024
Governmental activities:		
Note Payable	\$ 92,805	\$ 137,262
Total	<u>\$ 92,805</u>	<u>\$ 137,262</u>

ECONOMIC FACTORS AND NEW YEAR'S BUDGETS AND RATES

- The District's board adopted a balanced budget for the next fiscal year after giving consideration to the property tax assessed valuations and the level tax rate along with the needs of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Jefferson County Emergency Services District No 4.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Primary Government <u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 3,387,774
Taxes receivable - net of allowance	57,205
Sales and use tax receivable	163,998
Other receivables	2,361
Prepays	20,627
Capital assets:	
Buildings, property, and equipment, net	1,320,739
Total Assets	<u>4,952,704</u>
LIABILITIES	
Accounts payable	52,240
Payroll tax payable	1,568
Non-current liabilities:	
Due within one year	45,742
Due in more than one year	47,063
Total Liabilities	<u>146,613</u>
NET POSITION	
Net investment in capital assets	1,227,934
Unrestricted	3,578,157
Total Net Position	<u>\$ 4,806,091</u>

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

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Governmental activities:				
General government	\$ 165,051	\$ -	\$ -	\$ (165,051)
Fire and emergency services	654,047	-	-	(654,047)
Total governmental activities	819,098	-	-	(819,098)
Total Primary Government	\$ 819,098	\$ -	\$ -	\$ (819,098)
				797,806
Property taxes, penalties and interest				1,050,527
Sales and use taxes				573,242
Other miscellaneous				2,421,575
Total general revenues				1,602,477
Change in Net Position				3,203,614
Net Position- Beginning				4,806,091
Net Position - Ending				

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

BALANCE SHEET - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Total Governmental Funds
	<u>General Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 3,387,774
Property taxes receivable (net of allowances for doubtful accounts)	57,205
Sales and use tax receivable	163,998
Other receivables	2,361
Prepaid items	20,627
TOTAL ASSETS	<u>\$ 3,631,965</u>
LIABILITIES AND FUND BALANCES:	
LIABILITIES:	
Accounts payable	\$ 52,240
Other liabilities	1,568
TOTAL LIABILITIES	<u>53,808</u>
DEFERRED INFLOWS OF RESOURCES:	
Unavailable revenue - property tax	53,217
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>53,217</u>
FUND BALANCES:	
Assigned Fund Balance	1,012,500
Unassigned Fund Balance	2,512,440
Total fund balances	<u>3,524,940</u>
TOTAL LIABILITIES DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 3,631,965</u>

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

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

Governmental fund balance as reported on the balance sheet for governmental funds.	\$ 3,524,940
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,320,739
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(92,805)
Recognition of deferred revenue as revenue increases net position.	<u>53,217</u>
Total net position as reported on the Statement of Net Position for Governmental Activities.	<u><u>\$ 4,806,091</u></u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Total Governmental Funds
	<u>General Fund</u>
REVENUES	
Property taxes, penalties and interest	\$ 793,031
Sales and use tax revenues	1,050,527
Other miscellaneous	573,242
Total revenue	<u>2,416,800</u>
EXPENDITURES:	
Current:	
General government	165,051
Fire and emergency services	472,603
Capital outlay	400,409
Total expenditures	<u>1,038,063</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,378,737</u>
OTHER FINANCING SOURCES (USES)	
Principal payments on loan	<u>(44,457)</u>
Total other financing sources and uses	<u>(44,457)</u>
NET CHANGE IN FUND BALANCES	1,334,280
FUND BALANCES - BEGINNING	<u>2,190,660</u>
FUND BALANCES - ENDING	<u>\$ 3,524,940</u>

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

Net change in fund balances - total governmental funds (Exhibit D) \$ 1,334,280

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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay, net of asset dispositions	\$ 400,409	
Depreciation	<u>(181,445)</u>	218,964

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal payments on loan	44,457
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Because some revenues will not be collected for several months after the District's fiscal year end, they are not considered "available" revenue and are deferred in the governmental funds. Deferred revenues increased by this amount in the current period.

4,776

Change in net position of governmental activities (Exhibit B)

\$ 1,602,477

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Jefferson County Emergency Services District No. 4 (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following represents the significant accounting policies used by the District.

A. Reporting Entity

On May 11, 2013, the voters of the District approved the formation of an emergency services district under Article III, Section 48-e of the Texas Constitution and Chapter 775 of the Health and Safety Code of the State of Texas. On May 11, 2013, the County Commissioners Court of Jefferson County, Texas approved the order to form the Jefferson County Emergency Services District No. 4. The District was formed on June 10, 2013 and operates under Board of Commissioners appointed by the Commissioners Court of Jefferson County. The District services the areas previously serviced by the Cheek Volunteer Fire Department and the Labelle-Fannett Volunteer Fire Department. The District is exempt from federal income taxes, state sales tax and state franchise tax.

B. Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The District currently does not have any business-type activities or component units.

The statement of activities demonstrates the degree to which the direct expenses of a given structure or segment, are 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*.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

C. Fund Financial Statements

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds. At this time the District only has one fund.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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.

Governmental fund financial statements are reported using the current financial *resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., both measurable and available to finance expenditures of the fiscal period. Revenues are considered available when they are collectible within the current period or soon enough thereafter to be pay liabilities of the current period. For this purpose, the government considers revenues 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. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when the payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so 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 by the District.

E. Budgetary Data

The following procedures are utilized in establishing the budgetary data reflected in the basic financial statements:

- a. The Fire Chief submits to the Commissioners 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. The General Fund is the only Fund the District has at this time.
- b. A Public hearing is conducted, after proper official journal notification, to obtain taxpayer comments.
- c. Prior to September 30th, the budget is legally adopted.
- d. Budget appropriations lapse at year-end and are re-established in the succeeding year.
- e. Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Cash and Investments

Cash includes amounts in demand and time deposit accounts. Investments are reported at fair value. Short-term investments, such as certificates of deposit and debt securities with a maturity date of less than one year, are reported at cost, which approximates fair value.

G. Property Taxes Receivable

Property appraisal within the District is the responsibility of the Jefferson County Appraisal District (Appraisal District). The Appraisal District is required under the Property Tax Code to appraise all property within the County on the basis of 100% of its market value.

In the governmental fund financial statements, property taxes that are measurable and available (receivable within the current period and collected within the current period or within 60 days thereafter to be used to pay liabilities of the current period) are recognized as revenue in the year of levy. Property taxes that are measurable, but not available, are recorded, net of estimated uncollectible amounts, as deferred revenues in the year of levy. Such deferred revenues are recognized as revenue in the fiscal year in which they become available.

H. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

I. Prepaid Items

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

J. Capital Assets

Capital assets which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-30
Leasehold Improvements	15-30
Furniture and Equipment	5-10
Vehicles	5-15

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as expenditures.

L. Fund Equity

In the fund financial statements, governmental funds report classifications of fund balance based on controls placed upon the funds. In accordance with GASB Statement No. 54, fund balance classifications are recorded as follows:

Non-spendable Fund Balance – amounts that are not in spendable form or amounts that are legally and contractually required to be maintained intact.

Restricted Fund Balance – amounts constrained to a specific purpose by external parties through constitutional provisions or by enabling legislation.

Committed Fund Balance – amounts constrained to a specific purpose by the Commissioners (the highest level of authority within the District); amounts may only be appropriated by resolution of the Board of Commissioners and those amounts cannot be used for any other purpose unless the Commissioners take the same action to remove or change the constraint.

Assigned Fund Balance- the Board of Commissioners delegate authority to the District Fire Chief to assign amounts for specific purpose as appropriate.

Unassigned Fund balance – residual classification applicable to the general fund only.

The District’s unassigned general fund balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned general fund balance may only be appropriated by resolution of the Commissioners.

When it is appropriate for fund balance to be assigned, the Commissioners delegate authority to the District Fire Chief.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is from the most restrictive to the least restrictive, unless otherwise approved by the Commissioners.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Implementation of New Standards

GASB Statement 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, amends the net asset reporting requirements in Statement No. 34 and other pronouncements by incorporating deferred outflows of the resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position rather than net assets. This is reflected in the District's financial statements.

N. Date of Management's Review

In preparing the financial statements, the District has evaluated events and transactions for potential recognition for disclosure through May 7, 2026, the date that the financial statements were available to be issued.

NOTE 2: CASH AND INVESTMENTS

At year-end, the District's carrying amount of deposits was \$3,387,774 and the bank balance was \$3,389,761. At September 30, 2025, the bank balance was covered by federal depository insurance. Deposits are exposed to custodial 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. The District's ending bank balance with TexStar was \$3,333,586 as of September 30, 2025, which was collateralized; the remainder was covered by \$250,000 of FDIC coverage, allowing the District to be collateralized.

NOTE 3: PROPERTY TAXES

Property taxes are collected by Kate Carroll, Jefferson County Tax Assessor Collector, and are forwarded to the District through bank transfer. The tax rate held by the District during 2024 was \$.068304 per \$100 of assessed valuation. Property tax revenues are considered available when they become due or past due and are considered receivable within the current period, including those property taxes expected to be collected during a 60 day period after the close of the District's fiscal year. Property taxes are levied on October 1 of each year, a lien is placed on the property on January 1, and the taxes become due on January 31. The taxable assessed value for the roll of December 31, 2023 was \$1,039,483,545. Property taxes receivable for 2025 are \$81,721 net of allowance for doubtful accounts of \$24,516.

NOTE 4: CAPITAL ASSETS

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

Governmental Activities	Beginning	Current Year		Ending
	Balance	Increases	Decreases	Balance
Capital assets being depreciated:				
Buildings	\$ 226,729	\$ 11,515	\$ (6,247)	\$ 231,997
Fire equipment and vehicles	1,969,608	395,141	-	2,364,749
Total capital assets being depreciated:	2,196,337	406,656	(6,247)	2,596,746
Less accumulated depreciation:				
Buildings	(14,597)	(3,394)	-	(17,991)
Fire equipment and vehicles	(1,079,965)	(178,051)	-	(1,258,016)
Total accumulated depreciation	(1,094,562)	(181,445)	-	(1,276,007)
Total capital assets being depreciated, net	1,101,775	225,211	(6,247)	1,320,739
Governmental activities capital assets, net	\$ 1,101,775	\$ 225,211	\$ (6,247)	\$ 1,320,739

Depreciation expense of the governmental activities was charged to functions/programs as follows:

Fire and Emergency Services	\$ 181,445
Total Depreciation Expense - Governmental Activities	\$ 181,445

NOTE 5: LONG TERM DEBT

The District entered into a loan agreement for the purchase of a vehicle for fire and emergency services.

Long-term debt at September 30, 2025, is summarized as follows:

Date Issued	Amount	Final Maturity	Annual Installments	% Rate	Outstanding Balance
2022	222,465	2027	48,424	2.890%	92,805
					\$ 92,805

Interest on the loan shall be computed at a fixed rate as shown above for five years provided that such rate shall not exceed the highest lawful rate. This note may be prepaid in full according to the early redemption value on due date of the loan in years three and four as shown on the table below.

NOTE 5: LONG TERM DEBT, Continued

Annual requirements to maturity for the loan is as follows:

Year Ending September 30,	Principal	Interest	Total	Early Redemption Value
2026	45,742	2,682	48,424	47,335
2027	47,063	1,361	48,424	N/A
Total	\$ 92,805	\$ 4,043	\$ 96,848	\$ 47,335

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities: Contractual Obligations	-	-	-	-	-
Loans payable	137,262	-	44,457	92,805	45,742
Governmental activities Long-Term Liabilities	\$ 137,262	\$ -	\$ 44,457	\$ 92,805	\$ 45,742

NOTE 6: OTHER INFORMATION

A. Risk Management

The District continues to carry commercial insurance for the risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage during the year. Management believes the amount and types of coverage are adequate to protect the District from losses which could reasonably be expected to occur.

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any to be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes, penalties and interest	\$ 799,000	\$ 799,000	\$ 793,031	\$ (5,969)
Sales and use tax revenue	700,000	1,000,000	1,050,527	50,527
Other miscellaneous	448,324	536,824	573,242	36,418
Total revenue	<u>1,947,324</u>	<u>2,335,824</u>	<u>2,416,800</u>	<u>80,976</u>
EXPENDITURES				
Current:				
General government	202,217	216,217	165,051	51,166
Fire and emergency services	1,700,650	2,075,150	472,603	1,602,547
Total expenditures	<u>1,902,867</u>	<u>2,291,367</u>	<u>1,038,063</u>	<u>1,253,304</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>44,457</u>	<u>44,457</u>	<u>1,378,737</u>	<u>1,334,280</u>
OTHER FINANCING SOURCES (USES)				
Principal payments on loan	<u>(44,457)</u>	<u>(44,457)</u>	<u>(44,457)</u>	<u>-</u>
Total other financing sources and uses	<u>(44,457)</u>	<u>(44,457)</u>	<u>(44,457)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	1,334,280	1,334,280
FUND BALANCES AT BEGINNING OF YEAR	<u>2,190,660</u>	<u>2,190,660</u>	<u>2,190,660</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,190,660</u>	<u>\$ 2,190,660</u>	<u>\$ 3,524,940</u>	<u>\$ 1,334,280</u>

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

COMPLIANCE SECTION



May 7, 2026

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 Commissioners
Jefferson County Emergency Services District No. 4
Jefferson County, Texas

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 business-type activities, and the aggregate remaining fund information of Jefferson County Emergency Services District #4 (the District), 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, and have issued our report thereon dated May 7, 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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*.

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Phone (409) 898-8777 • Fax (409) 898-1039

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

Sincerely,



Marino CPA Firm