MINUTES OF THE BUDGET WORKSHOP AND REGULAR MEETING OF THE BOARD OF COMMISSIONERS OF THE JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT NO. 5

A budget workshop and regular meeting of the Board of Commissioners of the Jefferson County Emergency Services District No. 5 ("District") was called for at 6:00 p.m. on June 22, 2026, at the Hamshire VFD Community Center Building located at 12318 2nd Street, Hamshire, Texas 77622, pursuant to notice duly posted according to law.

At approximately 6:00 p.m., the budget workshop was called to order. The roll was called of the duly constituted officers and members of the Board, to wit:

Daniel Hidalgo	President
Kade Broussard	Vice President
Aaron Permenter	Secretary
Steve Rice	Treasurer
Doug Saunders	Assistant Treasurer

All of said Board members were present, thus constituting a quorum. Also present at the workshop were: MaKayla Vidal, the District's accountant; Joshua Heinz of Benckenstein & Oxford, LLP, attorneys for the District; and, various members/representatives of Hamshire VFD.

Upon establishing that a quorum was present, President Hidalgo directed the Board to Budget Workshop Agenda Item No. 3, at which time the Board reviewed and discussed a working drafts of the District and Hamshire VFD's FY 2026-27 budget.

The budget workshop was then adjourned at 6:21 p.m., and the regular meeting was called to order immediately thereafter. All of the Board members remained present, and thus a quorum was again established.

President Hidalgo then directed the Board to Regular Meeting Agenda Item No. 3 for public comment, and being as there was none, the Board moved along to Regular Meeting Agenda Item No. 4 for review and approval of the minutes of the June 1, 2026 regular meeting. Upon motion by Secretary Permenter and seconded by Treasurer Rice, the meeting minutes were unanimously approved by the Board.

The Board then moved along to Regular Meeting Agenda Item No. 5 for the Treasurer's Report, at which time Treasurer Rice reviewed with the Board his monthly Treasurer's Report, a copy of which is attached hereto as **Exhibit A**. Upon motion by Assistant Treasurer Saunders and seconded by Secretary Permenter, the Board unanimously accepted and approved the Treasurer's Report.

Thereafter, the Board was directed to Regular Meeting Agenda Item No. 6, at which time Mr. Hidalgo reviewed with the Board the following equipment purchase proposals for Hamshire VFD: (i) 10 SCBA bottles (HEAT Safety - $12,687); (ii) Thermal Imager, Extinguishers, and Miscellaneous Tools (Delta Fire & Safety - $6,633.71); and, (iii) 2 sets of bunker gear (cost not to exceed $6,500 each / $13,000 total). Upon motion by Treasurer Rice and seconded by Assistant Treasurer Saunders, the Board unanimously approved and authorized the equipment purchases.

The Board then moved along to Regular Meeting Agenda Item No. 7, at which time President Hidalgo reviewed with the Board the May 2026 reimbursement request submitted by Hamshire VFD ($19,597.43), a copy of which is attached hereto as **Exhibit B**, along with the District's other bills/expenditures needing to be paid, as reflected in the Check Detail report attached hereto as **Exhibit C**. Upon motion by Secretary Permenter and seconded by Vice President Broussard, the Board unanimously approved and authorized payment of Hamshire VFD's reimbursement request and the District's other bills and accounts (Check Nos. 2082-2089).

Next, under Regular Meeting Agenda Item No. 8, at which time President Hidalgo discussed with the Board the need to purchase 5 iPads with data service plans for use by the District Board members, and a Dropbox account subscription for accessible storage of the District's digital records. Upon motion by Secretary Permenter and seconded by Vice President Broussard, the Board unanimously approved and authorized the purchase of iPads and the Dropbox subscription.

President Hidalgo then directed the Board to Regular Meeting Agenda Item No. 9, at which time the Board reviewed and discussed the proposed sales-tax consulting services agreement with HdL Companies, a copy of which is attached hereto as **Exhibit D**. Upon motion by Secretary Permenter and seconded by Vice President Broussard, the Board unanimously approved the agreement with HdL Companies.

Then, under Regular Meeting Agenda Item No. 10, the Board discussed need for a safe-deposit box at Texas First Bank to store important District records, including, but not limited to, vehicle titles. Upon motion by Treasurer Rice and seconded by Assistant Treasurer Saunders, the Board unanimously approved and authorized the District renting a 5"x 10" safe-deposit box at Texas First Bank's Winnie Branch.

After Mr. Heinz again advised on the schedule of events for adopting the District's FY 2026-27 budget and setting the 2026 property tax rate under Regular Meeting Agenda Item No. 11, the Board's attention was then directed to Regular Meeting Agenda Item No. 12, at which time Nick Morrison with Hamshire VFD provided the

Board with a summary of all May 2026 fire and emergency medical service responses by the department.

Being as there was no report from counsel under Regular Meeting Agenda Item No. 13, the Board moved along to Regular Meeting Agenda Item No. 14, at which time Mrs. Vidal reviewed the District's current financial and accounting reports, copies of which are attached hereto as **Exhibit E**. The Board also reviewed the District's FY 2024-25 Audit Report prepared by Roger Croley of The Marino CPA Firm, a copy of which is attached hereto as **Exhibit F**. Upon motion by Secretary Permenter and seconded by Assistant Treasurer Saunders, the Board unanimously accepted the FY 2024-25 Audit Report. Mr. Heinz will forward a copy of the Audit Report to the Jefferson County Commissioners Court.

Since there were no other matters to come before the Board under Regular Meeting Agenda Item No. 15, the regular meeting was adjourned at approximately 7:03 p.m.

~~Daniel Hidalgo, President~~
Steve Rice, Treasurer

Date: 7/27/2026

ATTEST:

Aaron Permenter, Secretary

Date: 7/21/2026

Exhibit A

Treasurer's Report

Texas First Bank	5/31/2026		06/22/2026 Balance	
Checking Account #XXXX0007	$	401,217.54	$	467,328.84
Savings Account #XXXX1128	$	14,998.07	$	14,998.07
TOTAL FUNDS	$	416,215.61	$	482,326.91

Deposits in Texas First Bank in June 2026		
06/12/26 Jefferson CO Tax/ACH JCESD NO 5	$	4,487.29
06/12/26 CPA STATE FISCAL (Sales Tax)	$	118,164.01
TOTAL JUNE DEPOSITS TO DATE:	$	122,651.30

Payments cleared in Texas First Bank in June 2026		
06/02/2026 CHK #2077 Vidal Accounting	$	1,295.00
06/02/2026 CHK #2081 Hamshire VFD	$	2,848.31
06/03/2026 CHK #2076 Joshua Heinz	$	500.00
06/04/2026 CHK #2075 Hubert Oxford IV	$	500.00
06/08/2026 CHK #2078 Technology Solutions of Texas	$	46.75
06/09/2026 CHK #2079 Government Capital Corporation	$	51,349.94
TOTAL JUNE PAYMENTS TO DATE:	$	56,540.00

Exhibit B

HAMSHIRE VOLUNTARY FIRE DEPARTMENT, INC.
EXPENSE INVOICES SUBMITTED TO JCESD#5 FOR REIMBURSEMENT

Budget Line Item	Vendor/Payee Operating Expenses	Pmt/Chg Date	Payment Type	May 2026 Payments	May HVFD Portion	May JCESD5 Portion	FY 25-26 Activity to Date	FY 25-26 Budget
Dispatch Services	Orange County ESD#2	5/26/2026	BPck1855	6,800.00		6,800.00	6,800.00	10,000
Fuel-Fire & EMS Vehicles	WEX Fleet Flexcard (May purchases-Fire Vehs)	May1-31	WEX Bk Ccd	269.37				
	WEX Fleet Flexcard (May purchases-EMS Vehs)	May1-31	WEX Bk Ccd	117.79		387.16	3,869.31	5,500
Fundraiser Costs	M&D Supply (Auction Item Materials)	05/03/26)	Visaxx6845	514.88				
	Sam's Club (Water)	5/1/2026	Visaxx6852	51.36				
	John F. DeJean (Bread)	5/1/2026	Ck #10110	62.79				
	Zummo Meat Co.(Links)	5/1/2026	Visaxx6852	275.55				
	Ben E. Keith Co. (Matls & Supplies)	5/1/2026	Bank EFT	1,379.26				
	Square, Inc. (Ccd Processing)	5/4/2026	Bank EFT	43.35	2,327.19		3,271.60	9,000
Insurance-Commercial Pkg & Auto	VFIS of Texas (Commercial Pkg-Final Qtr Pmt)	5/20/2026	Online Eft	4,650.00				
	VFIS of Texas (Commercial Auto-Final Qtr Pmt)	5/20/2026	Online Eft	3,947.00		8,597.00	25,791.00	38,000
Insurance-Workers Compensation	Texas Mutual Insurance (Workers Comp.-6/10/26-6/10/27)	5/29/2026	Online Eft	3,243.00	3,243.00		3,243.00	5,000
Phone/Internet/Data Reporting	Verizon Wireless (Tablets/Cell Usage fees)	5/5/2026	Online Eft	156.58				
	Spectrum Business (Phone/Internet)	5/6/2026	Online Eft	94.75		251.33	2,205.31	7,000
Repairs/Maint-Trks/Vehs/Eqpt	O'Reilly Auto Parts (Trk3)	5/16/2026	Visaxx6845	69.26				
	Stryker Sales, LLC(Repairs-Stair Chair Tracks)	5/6/2026	Billpay 1854	1,290.00		1,359.26	13,373.67	30,000
Supplies - EMS	Life Assist, Inc. (Supplies)	5/6/2026	Billpay ck1858	499.90				
	Life Assist, Inc. (Supplies)	5/6/2026	Billpay ck1858	63.13				
	Life Assist, Inc. (Meds & Supplies)	5/21/2026	Billpay ck1861	577.50		1,140.53	15,601.83	25,000
Supplies - Firefighting	O'Reilly Auto Parts (Absorbent)	5/16/2026	Visaxx6845	129.90		129.90	4,840.81	7,500
Testing-Pumps/Hoses/Eqpt	Sharp Testing Services (Hoses/Ladder)	5/6/2026	Billpay ck1853	1,392.00	1,392.00		1,392.00	3,000
Utilities	W Jeffco-MWD - (Comm Bldg Water/Sewer)	5/6/2026	Billpay 1857	96.97				
	W Jeffco-MWD - (Station Water)	5/6/2026	Billpay 1856	57.65				
	Centerpoint Energy - (Comm Bldg Gas)	5/18/2026	Billpay 1859	61.69				
	Entergy (Station Electricity)	5/26/2026	Billpay 1862	328.65				
	Entergy (Annex Bldg Electricity)	5/26/2026	Billpay 1863	35.74				
	Entergy (Comm Bldg Electricity)	5/26/2026	Billpay 1864	351.55		932.25	6,848.11	11,000
	Total Operating Expenses			26,559.62	6,962.19	19,597.43	87,236.64	151,000
	Administrative Expenses							
Bank Service Charges	Texas First Bank - (May Electronic Bill Pay Svc)	5/1/2026	Bank Debit	8.00				
	WEX Bank (Monthly card fees)	5/15/2026	Stmt chg	36.00	44.00		392.00	500
Loan Principle & Interest	Bridge City Bank	5/21/2026	Billpay Ck1860	8,000.00	8,000.00		8,000.00	7,000
Service Fees - Billing	EMERGICON (Apr svcs fees w/h from May pmt)	5/19/2026	Eft	96.94	96.94		6,614.29	5,000
	Total Administrative Expenses			8,140.94	8,140.94	-	15,006.29	12,500.00
May 2026	**Total Expenses & Reimbursement Requests**			$ 34,700.56	$ 15,103.13	$ 19,597.43	$ 102,242.93	$ 163,500

Reimbursement Requested

HVFD BOARD APPROVAL: President

SUBMISSION DATE: 6/5/26

Exhibit C

Jefferson County Emergency Services District No. 5

Check Detail

June 2-22, 2026

DATE	TRANSACTION TYPE	NUM	NAME	MEMO/DESCRIPTION	CLR	AMOUNT
Public Funds AA (0007) - 1						
06/22/2026	Check	2082	Hubert Oxford IV	Monthly Retainer		-500.00
				Monthly Retainer		500.00
06/22/2026	Check	2083	Joshua Heinz	Monthly Retainer		-500.00
				Monthly Retainer		500.00
06/22/2026	Check	2084	Vidal Accounting, PLLC	Invoice #00147		-437.50
				Invoice #00147		437.50
06/22/2026	Check	2085	Benckenstein & Oxford	Invoice #51761		-1,017.50
				Invoice #51761		1,017.50
06/22/2026	Check	2086	Technology Solutions of Texas	Invoice #2057		-46.75
				Invoice #2057		46.75
06/22/2026	Check	2087	Total Safety U.S. Inc.	SCBA Inspection		-1,105.00
				SCBA Inspection		1,105.00
06/22/2026	Bill Payment (Check)	2088	Hamshire Voluntary Fire Dept., Inc			-19,597.43
						-19,597.43
06/22/2026	Check	2089	Jefferson Central Appraisal Districts	3rd Quarter 2026		-1,081.38
				3rd Quarter 2026		1,081.38

Exhibit D

CONSULTING SERVICES AGREEMENT

THIS AGREEMENT is made by and between HdL COMPANIES, whose mailing address is 9821 Katy Freeway, Suite 440, Houston, TX 77024, hereinafter referred to as "HDL" and the JEFFERSON COUNTY ESD #5 whose mailing address is P.O. Box 277, Hamshire, TX 77622, hereinafter referred to as "CLIENT."

WHEREAS, CLIENT desires to engage HDL, as an independent contractor, to provide CLIENT consulting services for the administration of its sales and use tax and;

WHEREAS, HDL desires to consult with CLIENT to assist CLIENT with its sales and use tax administration;

NOW, THEREFORE, it is agreed as follows:

1. **Term.** The respective duties and obligations of the Agreement parties shall be for a period of twelve (12) months, commencing on October 1, 2026 (Commencement Date). The Agreement automatically renews in Twelve (12) month increments unless terminated in accordance with Section 10.

2. **Consulting Services.** HDL will provide, for all sales tax rate areas of CLIENT, consulting services as defined in Exhibit I.

A. **Incorrectly Received Tax Research Services Authorization.** HDL's Consulting Services have the potential to identify businesses which have reported, are reporting, or could report significant sales or use tax in error to CLIENT. Identification and correction of incorrectly reported tax could lead to CLIENT returning incorrectly received tax. CLIENT (authorizes _________) (does not authorize_________) HDL to conduct incorrectly received tax research. With authorization to conduct incorrectly received tax research HDL will initiate corrective actions without prior consultation with CLIENT and will keep CLIENT informed of any potential repayments.

B. **Additional Services.** CLIENT may request HDL provide additional consulting services at any time during the term of the Agreement. If CLIENT and HDL mutually agree on the scope of the additional consulting, then HDL will provide those services on a Time and Materials basis, or otherwise, as the parties agree. Hourly rates will vary depending on the scope and structure of the work and the personnel required. Any additional consulting services shall be agreed in writing by the parties prior to any services being performed. HDL will invoice monthly any fees and expenses for additional consultation services.

3. **Report & Consultation Fee.** A report and consultation fee of three thousand six hundred dollars ($3,600.00) is due and payable for the twelve (12) month period of the Agreement on the Commencement Date of the Agreement.

A. **CPI Adjustment.** Fees may be increased as of the renewal date for the Sales Tax Administration Services each contract year with reference to the 12-month percent change in the most recently published annual Consumer Price Index for All Urban Consumers (CPIU), South Region, as reported by the U.S. Bureau of Labor Statistics (the "CPI Change"). Each annual increase in the Fees will be equal to the greater of two percent (2%) or the actual CPI Change and the lesser of ten percent (10%) or the actual CPI Change. For example, if the actual CPI Change is 1.5%, then the annual increase will be 2%, if the actual CPI Change is 3.5%, 2 then the annual increase will be 3.5%, and if the actual CPI Change is 12%, then the annual increase will be 10%.

4. Commission Fee. HDL is due a commission fee only if HDL work or recommendations made during the term of this Agreement, or any extensions thereof, resulted in Recovered, Future, or Increased Taxes actually being received by CLIENT. Any commissions earned during the Agreement or extensions thereof survive termination of the Agreement and CLIENT's commission fee obligations remain until completed.

A. Definitions.

(1) **Recovered Taxes.** Recovered Taxes are taxes incorrectly paid to another jurisdiction which are, as a result of HDL recommendations or work, subsequently re-allocated to CLIENT; or are taxes that were not collected and paid to CLIENT for historical periods but are subsequently paid as a result of HDL recommendations or work.

(2) **Future Taxes.** Future Taxes are taxes received by CLIENT as a result of HDL finding and fixing errors which result in taxes received forward from the error correction.

(a) An error correction can result in both Recovered Taxes and Future Taxes.

(3) **Increased Taxes.** Increased Taxes are taxes received by CLIENT as a result of HDL finding and fixing errors which result in an increase in taxes received above historic levels from the point of error correction.

B. Commission Fees. Commission fees are calculated based on the sales and use tax specific businesses or individuals reported to the Texas Comptroller of Public Accounts (TCPA) and were allocated to CLIENT and are documented by data and reports received from the TCPA.

(1) **Recovered Taxes Commission.** HDL is due a commission of thirty- five percent (35%) of Recovered Taxes.

(2) **Future Taxes Commission.** HDL is due a commission of thirty-five percent (35%) of Future Taxes received by the CLIENT for a period of twenty-four (24) months, which period begins upon CLIENT's first receipt of the correct Future Taxes.

(3) **Increased Taxes Commission.** HDL is due a commission of thirty-five percent (35%) of Increased Taxes received by the CLIENT for a period

of twenty-four (24) months, which period begins upon CLIENT's first receipt of the correct Increased Taxes.

C. Commission Fees Determinations. Commissions fees due are determined and invoiced on quarterly basis, based on the commencement date.

D. Commission Refund. If HDL received commissions based on Taxes that are subsequently found to have been incorrectly paid to CLIENT and which Taxes are subsequently re-allocated from CLIENT or CLIENT is required to return those taxes to the TCPA, HDL will return or credit to CLIENT any commissions related to those taxes. HDL and CLIENT agree to negotiate a mutually agreeable commission repayment schedule on a case-by-case basis.

E. Commission Period Shortened. If certain Future Taxes or Increased Taxes cease as a result of annexation of CLIENT's territory, CLIENT's obligations to pay commissions to HDL which are based upon Future Taxes or Increased Taxes from the annexed territory cease on the effective date of the annexation.

F. Cooperation after Termination. CLIENT agrees to cooperate and to provide HDL necessary authorizations or provide HDL access to reports or information necessary to allow HDL to calculate its commission fees for the Recovered Taxes, Future Taxes, and/or Increased Taxes until such time as CLIENT's obligations for those are complete.

5. Expenses. Expenses incurred by HDL in providing services in Exhibit I are the responsibility of HDL. If approved in advance in writing by CLIENT, HDL shall be reimbursed for any expenses, including travel, incurred by HDL beyond the scope of services included in Exhibit I. HDL shall invoice those expenses quarterly and they are due on receipt of invoice.

6. Client Obligations.

A. Authorizations.

(1) **Information.** CLIENT authorizes HDL to request, receive and discuss tax information, whether or not confidential, related to CLIENT from the Texas Comptroller of Public Accounts (TCPA) officials, from County or other appraisal district officials and any other individuals or parties who are or may be obligated to collect sales and use tax on behalf of CLIENT. CLIENT authorizes HDL to initiate, request and to represent CLIENT in any discussions or reviews with parties obligated to collect sales and use tax on behalf of CLIENT but in no circumstance may these actions be construed to be, or HDL represent that HDL is an employee of CLIENT. CLIENT agrees and understands that the Texas Comptroller of Public Accounts has the exclusive authority and responsibility to administer and collect sales and use taxes on behalf of CLIENT and agrees that in retaining HDL, CLIENT is not delegating any of its responsibilities or authority to administer and enforce its sales and use taxes.

(2) **Transmission of Confidential Information.** CLIENT will designate a person or location (CONTACT POINT) to whom or which HDL is

authorized to transmit CLIENT specific reports and information, some of which may be confidential. CLIENT acknowledges that on receipt of any confidential information from HDL, CLIENT assumes responsibility for assuring compliance with Section 9A. CLIENT will designate who is authorized to establish and/or change the CONTACT POINT and will communicate it or any change in CONTACT POINT in writing to HDL.

B. Map. CLIENT will provide HDL a detailed map of CLIENT's jurisdiction boundaries and its sales tax boundaries, if different from its jurisdiction boundaries. If CLIENT cannot provide a detailed map and if CLIENT requests HDL will arrange for one to be made and the costs for the map will be billed to CLIENT.

C. Coordination. CLIENT will designate a person to serve as the coordination point for CLIENT with HDL for sales/use tax issues related to CLIENT and who will be available to discuss with and provide HDL information, in a timely manner, to resolve questions related to CLIENT's jurisdiction boundaries. CLIENT agrees HDL will be the principal communications point related to sales tax between CLIENT and the TCPA and businesses and agrees to refer all contacts from the TCPA or businesses related to sales tax to HDL.

D. Boundary Changes. CLIENT will promptly notify HDL of any annexations or de-annexations of its territory or of any other jurisdiction boundary changes during the term of this Agreement.

7. Copyrights and License. HDL retains all the rights, title, and interest in to the processes, procedures, software, ideas, and know-how, whether patentable, copyrightable, or proprietary that HDL may develop or utilize in performing services for CLIENT. HDL grants CLIENT a non-exclusive license to reproduce for CLIENT's sole internal use and benefit any copyrighted materials provided by HDL to CLIENT under the Agreement as long as the copyright mark and any confidentiality notices, if applicable, are not removed in the copying process.

8. Data Source and Accuracy. In performing services under this Agreement HDL will rely on data and information from the Texas Comptroller of Public Accounts (TCPA) and potentially other public and private sources. In relying on such data and information HDL will exercise reasonable due diligence as to its accuracy; however HDL makes no warranties or representations as to its accuracy.

9. Parties Document Retention and Confidentiality Obligations. HDL, its principals, employees, agents, contractors and associates agree to maintain confidential, for a period of 5 years or any other period as required by statute, any information marked or designated as confidential by CLIENT or received for CLIENT'S benefit, and agree to destroy, at the written request of the CLIENT, all such documents and any other documents obtained by HDL on CLIENT's behalf, whether or not confidential, within 30 days of termination of this Agreement. CLIENT, its officers, employees, associates, agents, or contractors agree, except as required by the Texas Open Records Act or other legal process, to maintain confidential any HDL contacts disclosed to CLIENT, any proprietary analytical methods, procedures, or any software disclosed to and/or used on behalf of CLIENT.

A. CLIENT and HDL acknowledge certain data received from the TCPA and utilized by HDL in providing services under this Agreement is made confidential by Texas Tax Code, ¶ 321.3022, 322.2022, 323.2022, as applicable, and may be used only for the purpose of economic forecasting and internal audit. Unauthorized distribution or disclosure of confidential information by an individual or employee of a company or an officer or employee of a government agency is punishable by six (6) months in jail and a $1,000 fine (Texas Government Code ¶ 552.352). CLIENT agrees any confidential information provided CLIENT by HDL will be maintained confidential and will not be utilized in any manner inconsistent with the law. HDL agrees it will not use confidential information in any manner other than for providing services to CLIENT for CLIENT's internal audit and economic forecasting.

10. Termination. This Agreement may be terminated during its initial term by CLIENT if HDL is or has not fulfilled its obligations in Exhibit I, has been notified in writing HDL is in material breach of the Agreement and HDL has not corrected the breach within 30 days of notice. This Agreement may be terminated after the initial twelve (12) month term by either party by giving ninety (90) days' written notice to the other party at the address above or at an address chosen subsequent to the execution of this Agreement and communicated in writing. If CLIENT terminates this Agreement before a term's expiration, HDL will not refund any reports and consultation fee paid to HDL. If HDL terminates this Agreement prior to a term's expiration, HDL will return to CLIENT, pro-rata, the portion of the reports and consultation fee paid to HDL based upon the proportionate number of days remaining in the Agreement period for which the prior payment was due, but any payments due HDL as defined in Section 4 continue until fulfilled.

11. Dispute Resolution. If a dispute arises out of this Agreement, and if the dispute cannot be settled through negotiation, the parties agree first to try in good faith to settle the dispute by mediation before resorting to arbitration, litigation, or some other dispute resolution procedure. The fees for the mediation will be borne equally by the parties.

12. General Provisions.

A. Fee Payments. Fee payments are governed by Texas Government Code, Title 10, Subtitle F, Chapter 2251 - Payment for Goods and Services.

B. Non-Waiver. It is expressly understood and agreed that, in the execution of this Agreement, neither party waives, nor shall be deemed hereby to waive, any immunity or defense that would otherwise be available to it against claims arising in the exercise of its rights pursuant to the Texas Tort Claims Act or other applicable statute, law, rule, or regulation.

C. Assignment; No Third-Party Beneficiaries. This Agreement shall bind and benefit the Parties hereto. This Agreement shall be for the sole and exclusive benefit of the Parties hereto and their legal successors and assigns and shall not be construed to confer any rights upon any third party.

D. Choice of Law and Venue. This Agreement shall be governed by and interpreted in accordance with laws of the State of Texas, without giving effect to any conflict-of-laws provisions. Venue shall be in the County of Texas in which CLIENT is located.

E. Insurance. HDL will maintain general business liability insurance of not less than $1,000,000 from an A+ or better carrier and will provide CLIENT a Certificate of Insurance on request.

F. Notices. All notices and other communications required or permitted hereunder or necessary or convenient in connection herewith shall be in writing and shall be deemed to have been given when hand delivered, sent by facsimile or electronic mail with evidence of receipt, sent by reputable overnight courier with signature of recipient required or mailed by registered or certified mail, as follows (provided that notice of change of address shall be deemed given only when received):

If to HDL to: HdL Companies
9821 Katy Freeway, Suite 440
Houston, Texas 77024
Attention: Richard Fletcher

If to CLIENT to: Jefferson County ESD #5
P.O. Box 277
Hamshire, TX 77622
Attention:

or to such other names or addresses as HDL or CLIENT, as the case may be, shall designate by notice to each other person entitled to receive notices in the manner specified in this Section.

G. Counterparts. This Agreement shall become binding when any one or more counterparts hereof, individually or taken together, shall bear the signatures of CLIENT and HDL. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original as against any Party whose signature appears thereon, but all of which together shall constitute but one and the same instrument.

13. Compliance With Texas Government Code Section 2271.002. As required by Section 2271.002 of the Texas Government Code, HDL hereby verifies that it does not boycott Israel and will not boycott Israel during the term of this Agreement. For purposes of this Agreement, the phrase "boycott Israel" has the meaning provided in section 808.001 of the Texas Government Code.

14. Compliance With Texas Government Code Chapter 2252 Subchapter F. Unless affirmatively declared by the United States government to be excluded from its federal sanctions regime relating to Sudan, its federal sanctions regime relating to Iran, or any federal sanctions regime relating to a foreign terrorist organization, HDL represents it is not identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under section 2252.153 or section 2270.0201 of the Texas Government Code.

15. Compliance with Texas Government Code Section 2274. Pursuant to Section 2274 of the Texas Government Code, HDL hereby verifies it does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of this Agreement. "Discriminate against a firearm entity or firearm trade association" has the meaning provided in section 2274.001(3) of the Texas Government Code. "Firearm entity" and "firearm trade association" have the meanings provided in section 2274.001(6) and (7) of the Texas Government Code.

16. Compliance with Texas Government Code Section 2276. Pursuant to Section 2276 of the Texas Government Code, HDL hereby verifies that it does not boycott or will not boycott energy companies. "Boycott energy HDL" has the meaning provided in section 809.001 of the Texas Government Code.

17. Compliance with Texas Government Code 2252.908. Pursuant to Section 2252.908, Texas Government Code, the Form 1295 filing requirement applies to this Agreement and HDL shall furnish a Form 1295 to District.

IN WITNESS WHEREOF, the parties have hereunto executed this Agreement as of the dates set forth below.

JEFFERSON COUNTY ESD #5	HdL COMPANIES
	Richard Fletcher
By:	By: Richard Fletcher
Authorized Agent	V.P. of Operations and Client Services
Date:	Date: June 15, 2026

Exhibit I
Sales/Use Tax Compliance Consulting Services

In providing CLIENT comprehensive sales/use tax review, compliance and recovery services HDL will:

1. Serve as the primary contact point for CLIENT with the TCPA and businesses collecting sales/use tax for benefit of CLIENT,
2. Provide coordination and information as appropriate with and to the TCPA and businesses in order for CLIENT to receive its correct sales/use tax payments,
3. Research and review businesses reporting sales tax to CLIENT to assure they should be and are collecting and paying sales tax appropriately to CLIENT,
4. Research new businesses established in CLIENT's locale and fix any not registered appropriately to collect sales tax for the District,
5. Develop the requisite information and work with certain out-of-jurisdiction services and sales providers to assure the appropriate tax is collected and reported for CLIENT,
6. Review monthly details of CLIENT's sales tax receipts and research any anomalies which could result in missing tax,
7. Provide CLIENT <u>monthly</u> a series of reports, individually or aggregated in a package, as listed below. HDL may from time-to-time include additional reports and, with the concurrence of CLIENT, eliminate reports which may no longer be useful.
    a. STS: a snapshot summary of several CLIENT sales tax metrics,
    b. MSTG: current and historical sales tax receipts and their change and trends,
    c. TOP100: Top 100 sales taxpayers in rank order with change from prior year,
    d. TOP 30: Top 30 sales taxpayers in rank order with aggregated total and change from prior year,
    e. MVAR: current month's sales tax collections variance contributor analysis,
    f. FYTDVAR: fiscal year-to-date sales tax collections variance contributor analysis,
    g. STPD: net sales tax payment detail and change from prior year,
    h. ISRD: sales tax from industry segments rank and distribution,
    i. ISRC: sales tax from industry segments ranked and change from prior year,
    j. IST: sales tax from top industry segments trends,
    k. STTG: a graphical report of CLIENT's month and year-to-date sales tax collections change compared with selected jurisdictions in CLIENT's County.
    l. Business Group Sales Tax Forecast
8. Provide CLIENT periodically a sales tax analysis update report including issues HDL is researching which have potential for additional sales tax revenue for CLIENT,
9. Provide special reports and analyses of issues not included in the above reports but are within the scope of the Agreement,
10. Provide CLIENT's governing officials and management consultations as appropriate.

JEFFERSON COUNTY ESD #5
P.O. BOX 277
HAMSHIRE, TX 77622

October 1, 2026

The Honorable Kelly Hancock
Acting Texas Comptroller of Public Accounts
Post Office Box 13528, Capitol Station
Austin, Texas 78711-3528

Re: AUTHORIZATION TO RECEIVE INFORMATION
JEFFERSON COUNTY ESD #5

Dear Mr. Hancock:

Please be advised that JEFFERSON COUNTY ESD #5 (JFCESD5) has retained HdL COMPANIES (HdL) to provide JFCESD5 administrative assistance related to its sales and use tax. JFCESD5 hereby authorizes HDL, its principals, employees, and associates, to discuss, request, and receive any data, reports, and information, including any that may be confidential, which JFCESD5 would normally be entitled to receive, and which are pertinent to JFCESD5 sales and use taxes. This authorization applies to the State of Texas Comptroller's Office and to any entities which collect taxes on behalf of JFCESD5. This authorization is effective on the date of this notification and continues three hundred sixty-five (365) days from the date of this notification unless cancelled, in writing, by JFCESD5.

Sincerely,

____
Signature

____
Printed Name

____
Title

Cc: HdL Companies

JEFFERSON COUNTY ESD #5
P.O. BOX 277
HAMSHIRE, TX 77622

October 1, 2026

Re: AUTHORIZATION TO RECEIVE INFORMATION
JEFFERSON COUNTY ESD #5

To whom it may concern:

Please be advised that JEFFERSON COUNTY ESD #5 (JFCESD5) has retained HdL COMPANIES (HDL) to provide JFCESD5 administrative assistance related to its tax revenue. JFCESD5 hereby authorizes HDL, its principals, employees, and associates to discuss, request, and receive any data, reports, and information, including any that may be confidential, which JFCESD5 would normally be entitled to receive, and which are pertinent to JFCESD5 property or sales taxes. This authorization is effective on the date of this notification and continues until cancelled, in writing, by JFCESD5.

Sincerely,

____

Signature

____

Printed Name

____

Title

Cc: HdL Companies

JEFFERSON COUNTY ESD #5
P.O. BOX 277
HAMSHIRE, TX 77622

October 1, 2026

HdL COMPANIES
9821 KATY FREEWAY, SUITE 440
HOUSTON, TX 77024

Re: CONTACT POINT FOR TRANSMITTAL OF INFORMATION

FISCAL YEAR: ____________________ (beginning month-ending month)

JEFFERSON COUNTY ESD #5 (JFCESD5) authorizes HdL COMPANIES (HDL) to transmit information, some of which may be confidential, to the following:

CONTACT POINT NAME OR DESCRIPTION: ______________________________
CONTACT POINT TITLE OR AFFILIATION: ______________________________
CONTACT E-MAIL ADDRESS: ____
CONTACT PHONE NUMBER: ____

CONTACT POINT NAME OR DESCRIPTION: ______________________________
CONTACT POINT TITLE OR AFFILIATION: ______________________________
CONTACT E-MAIL ADDRESS: ____
CONTACT PHONE NUMBER: ____

CONTACT POINT NAME OR DESCRIPTION: ______________________________
CONTACT POINT TITLE OR AFFILIATION: ______________________________
CONTACT E-MAIL ADDRESS: ____
CONTACT PHONE NUMBER: ____

JFCESD5 authorizes HDL to change CONTACT POINT only when directed in writing from:
NAME: ______________________________
TITLE: ______________________________
E-MAIL ADDRESS: ______________________________
CONTACT PHONE NUMBER: ______________________________

Sincerely,

____
Signature

____
Printed Name

____
Title

***JFCESD5 is responsible for notifying HdL of any changes to this authorization. All updated Contact Point Authorizations will supersede any prior versions.**

Exhibit E

Jefferson County Emergency Services District No. 5

Budget vs. Actuals: Profit & Loss

October 2025 - May 2026

	TOTAL			
	ACTUAL	BUDGET	OVER BUDGET	% OF BUDGET
Income				
Other Income	99.49		99.49	
Property Tax Revenue	392,237.85	408,500.00	-16,262.15	96.02 %
Total Income	**$392,337.34**	**$408,500.00**	**$ -16,162.66**	**96.04 %**
Expenses				
Administrative Expenses				
Accounting	9,547.44	13,500.00	-3,952.56	70.72 %
Advertising	645.00	2,500.00	-1,855.00	25.80 %
Auditor		9,000.00	-9,000.00	
Background Checks		0.00	0.00	
Bank Service Charges		200.00	-200.00	
Class/Conferences		4,700.00	-4,700.00	
Dues	275.00	550.00	-275.00	50.00 %
Fees/Subscriptions		500.00	-500.00	
Insurance	4,642.00	5,000.00	-358.00	92.84 %
Internet		1,200.00	-1,200.00	
Legal Fees	17,699.72	24,500.00	-6,800.28	72.24 %
Office Supplies		4,000.00	-4,000.00	
Postage/Delivery		300.00	-300.00	
Professional Fees	7,059.35	7,500.00	-440.65	94.12 %
Service Fees - County Clerk	7,031.06	10,000.00	-2,968.94	70.31 %
Service Fees - Tax Assessor	2,883.73	5,000.00	-2,116.27	57.67 %
Service Fees - Tax Office	2,769.90	2,500.00	269.90	110.80 %
Website	719.25	1,500.00	-780.75	47.95 %
Total Administrative Expenses	**53,272.45**	**92,450.00**	**-39,177.55**	**57.62 %**
HVFD				
Fire Truck Loan Payment	11,868.75	51,386.00	-39,517.25	23.10 %
HVFD Reimbursements	92,333.51	209,000.00	-116,666.49	44.18 %
Total HVFD	**104,202.26**	**260,386.00**	**-156,183.74**	**40.02 %**
Total Expenses	**$157,474.71**	**$352,836.00**	**$ -195,361.29**	**44.63 %**
NET OPERATING INCOME	**$234,862.63**	**$55,664.00**	**$179,198.63**	**421.93 %**
NET INCOME	**$234,862.63**	**$55,664.00**	**$179,198.63**	**421.93 %**

Jefferson County Emergency Services District No. 5

Balance Sheet

As of May 31, 2026

	TOTAL
Assets	
Current Assets	
Bank Accounts	
Public Funds AA (0007) - 1	401,217.54
Public Funds Savings (1128) - 1	14,998.07
Total for Bank Accounts	**$416,215.61**
Total for Current Assets	**$416,215.61**
Fixed Assets	
Vehicles	185,460.00
Total for Fixed Assets	**$185,460.00**
Total for Assets	**$601,675.61**
Liabilities and Equity	
Liabilities	
Current Liabilities	
Accounts Payable	**$23,740.74**
Total for Current Liabilities	**$23,740.74**
Long-term Liabilities	
Fire Truck Loan	222,328.75
Total for Long-term Liabilities	**$222,328.75**
Total for Liabilities	**$246,069.49**
Equity	
Retained Earnings	120,743.49
Net Income	234,862.63
Total for Equity	**$355,606.12**
Total for Liabilities and Equity	**$601,675.61**

Jefferson County Emergency Services District No. 5

Public Funds AA (0007) - 1, Period Ending 05/31/2026

RECONCILIATION REPORT

Reconciled on: 06/10/2026

Reconciled by: MaKayla Vidal

Any changes made to transactions after this date aren't included in this report.

Summary

	USD
Statement beginning balance	399,652.06
Checks and payments cleared (4)	-2,240.09
Deposits and other credits cleared (1)	3,805.57
Statement ending balance	401,217.54
Register balance as of 05/31/2026	401,217.54
Cleared transactions after 05/31/2026	0.00
Uncleared transactions after 05/31/2026	-56,540.00
Register balance as of 06/10/2026	344,677.54

Details

Checks and payments cleared (4)

DATE	TYPE	REF NO.	PAYEE	AMOUNT (USD)
04/27/2026	Check	2071	Vidal Accounting, PLLC	-875.00
04/27/2026	Check	2073	Hubert Oxford IV	-500.00
04/27/2026	Check	2072	Benckenstein & Oxford	-742.50
05/29/2026	Expense		QuickBooks Payments	-122.59
Total				-2,240.09

Deposits and other credits cleared (1)

DATE	TYPE	REF NO.	PAYEE	AMOUNT (USD)
05/11/2026	Deposit			3,805.57
Total				3,805.57

Additional Information

Uncleared checks and payments after 05/31/2026

DATE	TYPE	REF NO.	PAYEE	AMOUNT (USD)
06/01/2026	Bill Payment	2081	Hamshire Voluntary Fire Dept....	-2,848.31
06/01/2026	Check	2076	Joshua Heinz	-500.00
06/01/2026	Check	2075	Hubert Oxford IV	-500.00
06/01/2026	Bill Payment	2077	Vidal Accounting, PLLC	-1,295.00
06/01/2026	Check	2078	Technology Solutions of Texas	-46.75
06/01/2026	Check	2079	Government Capital Corporation	-51,349.94
Total				-56,540.00

Uncleared deposits and other credits after 05/31/2026

DATE	TYPE	REF NO.	PAYEE	AMOUNT (USD)
06/01/2026	Check	2080	Hamshire Voluntary Fire Dept....	0.00
Total				0.00

Exhibit F

JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT NO. 5

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2025

JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT NO. 5
Annual Financial Report
For The Year Ended SEPTEMBER 30, 2025

TABLE OF CONTENTS

INTRODUCTORY SECTION

JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT No. 5

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 22nd day of June, 2026

Board President

Board Secretary

June 19, 2026

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Jefferson County Emergency Services District No. 5
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 No. 5 (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.

BEAUMONT
office 409.898.8777
fax 409.898.1039
2396 Eastex Freeway
Beaumont, TX 77703
HOUSTON
office 713.636.9966
info@marinocpafirm.com
www.marinocpafirm.com

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 5–9 and 22 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 June 19, 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, LLC

Marino CPA Firm

Beaumont, TX

In this section of the Annual Financial Report, we, the managers of the Jefferson County Emergency Services District No. 5 (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 10.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was $650,543 at September 30, 2025.
- During the year, the District's revenues were $198,636 more than the $302,774 generated in expenses for governmental activities.
- The general fund reported a fund balance this year of $300,025. All is for unrestricted use by the District.

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 16-21 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 22 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 $650,543 at September 30, 2025. (See Table I)

Table I
JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT No. 1
Net Position

	September 30, 2025
Current and Other Assets	$ 342,176
Capital Assets	825,251
Total Assets	1,167,427
Current Liabilities	263,213
Long-term liabilities	253,671
Total Liabilities	516,884
Net Assets:	
Invested in Capital Assets Net of Related Debt	333,449
Unrestricted	317,094
Total Net Position	$ 650,543

Approximately $333,449 of the District's net position represents investments in capital assets net of related debt. The $317,094 of unrestricted net position represents resources available to fund the programs of the District next year.

Changes in net position. The Districts total revenues were $501,410. For the current year most of the revenues resulted from sales taxes.

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

Total Cost of all programs and services was $302,774. The net position of the District for the current year increased $198,636 (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. 1
Changes in Net Position

	September 30, 2025
Revenues:	
General Revenues:	
Taxes	$ 400,895
Contributions & Grants	82,087
Miscellaneous	18,428
Total Revenue	501,410
Expenses:	
General and administrative	96,989
Fire and emergency services	188,694
Depreciation	17,091
Total Expenses Governmental Activities	302,774
Increase (Decrease) in Net Assets	198,636
Net Position - October 1 (Beginning)	451,907
Net Position - September 30 (Ending)	$ 650,543

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

The District made few budget amendments, all were approved by the Board. Additional information and a budgetary comparison can be found on page 22.

Revenue from taxes were properly budgeted. Current expenses for the year which include emergency services and administrative expenses were also properly budgeted in total.

The District included the capital expenditures for the equipment in the budget for this year.

CAPITAL ASSET ACTIVITY

Capital Assets. At September 30, 2025 the District had $825,251 (net of depreciation) invested in capital assets, buildings, equipment and vehicles.

CAPITAL ASSET ACTIVITY, Continued

JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT No. 1
Capital Assets
Governmental Activities

	September 30, 2025	September 30, 2024
Fire Equipment and Vehicles	$ 1,040,856	$ 744,735
Buildings and Improvements	493,700	477,185
Land and Improvements	33,170	33,170
Totals	1,567,726	1,255,090
Less Accumulated Depreciation:	(927,935)	(911,693)
Net Capital Assets	$ 639,791	$ 343,397

LONG-TERM DEBT

At year-end, the District had $491,802 in a note payable. 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. 1
Outstanding Debt

	September 30, 2025	September 30, 2024
Governmental activities:		
Note payable	$ 491,802	$ 37,261
Total	$ 491,802	$ 37,261

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 # 5.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

		Primary Government
		Governmental Actitivies
ASSETS		
Cash and cash equivalents	$	323,910
Taxes receivable		18,266
Capital assets:		
Land		12,884
Buildings, property, and equipment, net		812,367
Total Assets		1,167,427
LIABILITIES		
Accounts payable		22,650
Other current liabilities		2,432
Non-current liabilities:		
Due within one year		238,131
Due in more than one year		253,671
Total Liabilities		516,884
NET POSITION		
Net investment in capital assets		333,449
Unrestricted		317,094
Total Net Position	$	650,543

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

JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT NO. 5 — EXHIBIT B

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities
Governmental activities:				
General government	$ 96,989	$ -	$ -	$ (96,989)
Fire and emergency services	205,785	-	-	(205,785)
Total governmental activities	302,774	-	-	(302,774)
Total Primary Government	$ 302,774	$ -	$ -	$ (302,774)
Taxes, penalties and interest				400,895
Contributions, grants and EMS				82,087
Other miscellaneous				18,428
Total general revenues				501,410
Change in Net Position				198,636
Net Position- Beginning				451,907
Net Position - Ending				$ 650,543

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

JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT NO. 5 — EXHIBIT C

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	Total Governmental Funds
	General Fund
ASSETS:	
Cash and cash equivalents	$ 323,910
Taxes receivable	18,266
TOTAL ASSETS	$ 342,176
LIABILITIES AND FUND BALANCES:	
LIABILITIES:	
Accounts payable	$ 22,650
Other liabilities	2,432
TOTAL LIABILITIES	25,082
DEFERRED INFLOWS OF RESOURCES:	
Unavailable revenue - property tax	17,069
TOTAL DEFERRED INFLOWS OF RESOURCES	17,069
FUND BALANCES:	
Unassigned Fund Balance	300,025
TOTAL FUND BALANCES	300,025
TOTAL LIABILITIES DEFERRED INFLOWS AND FUND BALANCE	$ 342,176

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
	General Fund
REVENUES	
Property taxes, penalties and interest	$ 383,826
Contributions and grants	82,087
Other miscellaneous	18,428
Total revenue	484,341
EXPENDITURES:	
Current:	
General government	96,989
Fire and emergency services	188,694
Capital outlay	313,485
Total expenditures	599,168
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(114,827)
OTHER FINANCING SOURCES (USES)	
Issuance of debt	460,460
Principal payments on loan	(5,919)
Total other financing sources and uses	454,541
NET CHANGE IN FUND BALANCES	339,714
FUND BALANCES - BEGINNING	(39,689)
FUND BALANCES - ENDING	$ 300,025

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)		$ 339,714
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	$ 313,485	
Depreciation	$ (17,091)	296,394
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.		
Loan proceeds	$ (460,460)	
Principal payments on loan	5,919	
		$ (454,541)
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.		17,069
Change in net position of governmental activities (Exhibit B)		$ 198,636

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. 5 (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 November 7, 2023, 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. The District Commissioners met for the first time on April 22, 2024. The District provides emergency services to all persons residing in the proposed district. The District is exempt from federal income taxes, state sales tax and state franchise tax.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the District (the primary government) and its component units. In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in generally accepted accounting principles. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant indication of this ability is financial interdependency. Other indications of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the district is able to exercise oversight responsibilities.

The District has determined that the Hamshire Fannett Volunteer Fire Department (the Department) should be blended with the activities of the District. The District is financially accountable for the blended component unit. The basis for blending in the District requires the Department to present its budget for approval and that the Department is financially dependent upon the District.

B. Government-Wide 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 District. The reporting model includes financial statements prepared using the economic resources measurement focus and the accrual basis of accounting for all the District's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

The Statement of Net Position is designed to display the financial position of the primary government (the District) and its component units. Governments will report all capital assets, including infrastructure, in the government-wide Statement of Net Position and will report depreciation expense – the cost of "using up" capital assets – in the Statement of Activities. The net position of a government will be broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measureable and available. Revenue is considered to be available when it is collectible during the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the District considers revenue to be available if it is collected within 60 days 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 and claims and judgements, are recorded only when payment is due.

Sales taxes, taxes receivable for service and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period where considered material.

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.

D. Budgetary Data

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments will provide budgetary comparison information in their annual reports. The District is required to present the original budget with the comparison of final budget and actual results.

The budget was discussed and adopted by the Board for the fiscal year October 1, 2024 through September 30, 2025, at the September 2024 meeting. The budget was amended with board approval. The District adopted the current year budget on a line item basis.

E. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Receivables

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

G. Capital Assets

Capital outlays are recorded as expenditures of the General Fund and as assets in the government-wide financial statements of the District. Depreciation is recorded on general fixed assets on a government-wide basis. All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. Depreciation is computed using the straight line method.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations. Estimated useful lives for depreciable assets are as follows:

Assets	Years
Vehicles & Equipment	7
Computer and Office Equipment	5
Fire Engines	10

H. 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.

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

I. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assigned Fund Balance- the Board of Commissioners delegate authority to the District 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.

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.

J. Date of Management's Review

In preparing the financial statements, the District has evaluated events and transactions for potential recognition for disclosure through June 19, 2026 the date that the financial statements were available to be issued.

K. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting year. Actual results could differ from those estimates.

NOTE 2: CASH AND INVESTMENTS

At year-end, the District's carrying amount of deposits was $323,910 and the bank balance was $333,757, and the Department's balance was $180,516. 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 remaining funds were collateralized by the FDIC coverage.

NOTE 3: TAXES

On November 7, 2023, voters approved $0.10 per $100 of assessed valuation property tax for purposes of creating the District. The District's tax assessor / collectors have submitted the certified appraisal roll for the District, showing $400,840,815 to be the total taxable value of property. The District's property tax is levied each October 1, on the assessed value listed as of the previous January 1 for all real property located in the District.

NOTE 4: CAPITAL ASSETS

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

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:	12,884			12,884
Capital assets being depreciated:				
Fire Equip and Vehicles	744,735	296,970	849	1,040,856
Buildings and Improvements	477,185	16,515	-	493,700
Land Improvements	20,286	-	-	20,286
Total	1,242,206			1,554,842
Less accumulated depreciation:	(911,693)	(17,091)	849	(927,935)
Total capital assets being depreciated, net	330,513	(17,091)	849	626,907

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

General Government	$ 17,091
Total Depreciation Expense - Governmental Activities	$ 17,091

NOTE 5: LONG TERM DEBT

The District entered into a purchase 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
2025	460,460	2030	51,350	6.128%	460,460
					$ 460,460

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 lease-purchase agreement is as follows:

Year Ending September 30,	Principal	Interest	Total	Early Redemption Value
2026	238,131	13,494	251,625	N/A
2027	52,130	6,764	58,894	N/A
2028	46,397	12,497	58,894	140,101
2029	48,878	10,016	58,894	95,616
2030	51,510	7,384	58,894	48,951
2030-2038	54,756	3,445	58,201	-
Total	$ 491,802	$ 53,600	$ 545,402	$ 48,951

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:					
Notes payable	37,261	460,460	5,919	491,802	238,131
Governmental activities Long-Term Liabilities	$ 37,261	$ 460,460	$ 5,919	$ 491,802	$ 238,131

NOTE 6: OTHER INFORMATION

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.

NOTE 7: COMMITMENTS

Effective November 7, 2023, the District entered into an agreement with the Jefferson County Emergency Services District No. 5, and Hamshire Fannett Volunteer Fire Department (the Department). The Department agreed to provide emergency services to all persons and property within the Emergency Services District, on a 24-hour day basis seven days a week to the greatest extent possible including response to life-threatening emergencies and rescue calls by making available adequate staff and administrative assistance and summon mutual aid from others including other volunteer fire and first responder organizations when appropriate or as needed. Amounts to be paid to the Volunteer Fire Department shall be disbursed at the discretion of the Commissioners and may include expenses for operations and other expenditures approved by the District for maintaining emergency services within the District.

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

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	$ 400,840	$ 400,840	$ 383,826	$ (17,014)
Contributions, grants and EMS	43,000	43,000	82,087	39,087
Miscellaneous	19,000	19,000	18,428	(572)
Total revenue	462,840	462,840	484,341	21,501
EXPENDITURES				
Current:				
General government	138,340	138,340	96,989	41,351
Fire and emergency services	269,500	269,500	188,694	80,806
Total expenditures	407,840	407,840	599,168	(191,328)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	55,000	55,000	(114,827)	(169,827)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	460,460	460,460
Principal Payments on loan	-	-	(5,919)	(5,919)
Total other financing sources and uses	-	-	454,541	454,541
NET CHANGE IN FUND BALANCES	55,000	55,000	339,714	284,714
FUND BALANCES AT BEGINNING OF YEAR	(39,689)	(39,689)	(39,689)	-
FUND BALANCE AT END OF YEAR	$ 15,311	$ 15,311	$ 300,025	$ 284,714

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

COMPLIANCE SECTION

June 19,2026

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. 5
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 #1 (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 June 19, 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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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, LLC

Marino CPA Firm

Beaumont, TX