

**CHAMBERS COUNTY EMERGENCY
SERVICES DISTRICT NO. 1**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

CHAMBERS COUNTY EMERGENCY SERVICES DISTRICT NO. 1
Annual Financial Report
For The Year Ended SEPTEMBER 30, 2024

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INTRODUCTORY SECTION

FINANCIAL SECTION



June 10, 2025

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Chambers County Emergency Services District No. 1
Chambers 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 Chambers County Emergency District # 1 (the "District") as of and for the year ended September 30, 2024, 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, 2024, 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.

BEAUMONT
office 409.898.8777
fax 409.898.1039
7596 Eastex Freeway
Beaumont, TX 77703

HOUSTON
office 713.636.9666

info@marinocpa.com
www.marinocpa.com



Responsibilities of Management for the Financial Statements, continued

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

Auditor's Responsibilities for the Audit of the Financial Statements

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 5-10 and 25 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

Required Supplementary Information, continued

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 10, 2025, 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 Chambers County Emergency Services District No. 1 (the District), discuss and analyze the District's financial performance for the fiscal year ended September 30, 2024. 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 \$2,562,113 at September 30, 2024.
- During the year, the District's revenues were \$418,683 more than the \$573,934 generated in expenses for governmental activities.
- The general fund reported a fund balance this year of \$2,046,152. 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 17-22 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 \$2,562,113 at September 30, 2024. (See Table I)

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

	September 30, 2024	September 30, 2023
Current and Other Assets	\$ 2,050,332	\$ 1,721,546
Capital Assets	710,000	657,722
Total Assets	<u>2,760,332</u>	<u>2,379,268</u>
Current Liabilities	66,704	66,103
Long-term liabilities	131,515	193,990
Total Liabilities	<u>198,219</u>	<u>260,093</u>
Net Assets:		
Invested in Capital Assets Net of Related Debt	515,961	403,121
Unrestricted	<u>2,046,152</u>	<u>1,716,054</u>
Total Net Position	<u><u>\$ 2,562,113</u></u>	<u><u>\$ 2,119,175</u></u>

Approximately \$515,961 of the District's net position represents investments in capital assets net of related debt. The \$2,046,152 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 \$992,617. For the current year most of the revenues resulted from sales taxes levied and miscellaneous revenues accounted for less than two percent.

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

Total Cost of all programs and services was \$573,934. The net position of the District for the current year increased \$418,683 (see Table II on page 8 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
CHAMBERS COUNTY EMERGENCY SERVICES DISTRICT No. 1
Changes in Net Position

	September 30, 2024	September 30, 2023
Revenues:		
General Revenues:		
Taxes	842,821	872,988
Contributions & Grants	100,000	102,732
Miscellaneous	49,796	19,028
Total Revenue	<u>992,617</u>	<u>994,748</u>
Expenses:		
General and administrative	222,201	203,918
Fire & Emergency Services	270,230	266,605
Depreciation	74,583	102,201
Interest	6,920	8,817
Total Expenses Governmental Activities	<u>573,934</u>	<u>581,541</u>
Increase (Decrease) in Net Assets	418,683	413,207
Net Position - October 1 (Beginning)	2,119,175	1,705,968
Prior Period Adjustment	24,255	-
Net Assets - September 1 (Restated)	2,143,430	1,705,968
Net Position - September 30 (Ending)	<u>\$ 2,562,113</u>	<u>\$ 2,119,175</u>

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 amended the budget during the fiscal year increasing income and decreasing expenditures to reconcile with actual amounts.

Additional information and a budgetary comparison can be found on page 24.

Revenue from taxes were slightly higher than budgeted amounts by approximately \$1,609. Current expenses for the year which include emergency services and administrative expenses were approximately \$121,403 more than budgeted.

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

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets. At September 30, 2024, the District had \$710,000 (net of depreciation) invested in capital assets, buildings, equipment and vehicles.

CHAMBERS COUNTY EMERGENCY SERVICES DISTRICT No. 1**Capital Assets****Governmental Activities**

	September 30, 2024	September 30, 2023
Vehicles	\$ 1,753,396	\$ 1,753,396
Leasehold improvements	40,750	40,750
Equipment	621,410	494,548
Buildings	190,315	190,315
Land	66,000	66,000
Totals	<u>2,671,871</u>	<u>2,545,009</u>
Less Accumulated Depreciation:	<u>(1,961,871)</u>	<u>(1,887,287)</u>
Net Capital Assets	<u>\$ 710,000</u>	<u>\$ 657,722</u>

Long-Term Debt. At year-end, the District had \$194,039 in notes payable and tax exempt obligations outstanding. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

CHAMBERS COUNTY EMERGENCY SERVICES DISTRICT No. 1**Outstanding Debt**

	September 30, 2024	September 30, 2023
Governmental activities:		
Contractual Obligations	\$ 194,039	\$ 254,601
Total	<u>\$ 194,039</u>	<u>\$ 254,601</u>

ECONOMIC FACTORS AND NEW YEAR'S BUDGETS AND RATES

- The District contracts a third party to provide data regarding sales tax within the taxing district. There has been an increase in sales taxes from eateries, online sales and local businesses. This can be attributed to more traffic through the District and a slight increase in population.
- The fire department has begun to receive a share of the county sales tax, which has increased the sales tax income.

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 Chambers County Emergency Services District # 1.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2024

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,854,537
Taxes receivable	195,795
Capital assets:	
Land	66,000
Buildings, property, and equipment, net	644,000
Total Assets	<u>2,760,332</u>
LIABILITIES	
Accrued interest	4,180
Non-current liabilities:	
Due within one year	62,524
Due in more than one year	131,515
Total Liabilities	<u>198,219</u>
NET POSITION	
Net investment in capital assets	515,961
Unrestricted	2,046,152
Total Net Position	<u>\$ 2,562,113</u>

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

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2024

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	\$ 270,230	\$ -	\$ -	\$ (270,230)
Fire and emergency services	303,704	-	100,000	(203,704)
Total governmental activities	573,934	-	100,000	(473,934)
Total Primary Government	\$ 573,934	\$ -	\$ 100,000	\$ (473,934)
Sales taxes, penalties and interest				842,821
Contributions and grants				50
Interest				37,659
Other miscellaneous				12,087
Total general revenues				892,617
Change in Net Position				418,683
Net Position- Beginning				2,119,175
Prior period adjustment				24,255
Net Position - Restated				2,143,430
Net Position - Ending				\$ 2,562,113

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

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2024

Total Governmental Funds <u>General Fund</u>

ASSETS:

Cash and cash equivalents	\$ 1,854,537
Sales taxes receivable	<u>195,795</u>
TOTAL ASSETS	<u>\$ 2,050,332</u>

LIABILITIES AND FUND BALANCES:

LIABILITIES:

Accrued Interest	\$ 4,180
TOTAL LIABILITIES	<u>\$ 4,180</u>

FUND BALANCES:

Unassigned Fund Balance	<u>2,046,152</u>
TOTAL FUND BALANCES	<u>2,046,152</u>

TOTAL LIABILITIES DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 2,050,332</u>
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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, 2024

Governmental fund balance as reported on the balance sheet for governmental funds.	\$ 2,046,152
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	710,000
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(194,039)</u>
Total net position as reported on the Statement of Net Position for Governmental Activities.	<u>\$ 2,562,113</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, 2024

	Total Governmental Funds
	General Fund
REVENUES	
Sales taxes, penalties and interest	\$ 842,821
Contributions and grants	100,050
Other miscellaneous	49,746
Total revenue	992,617
EXPENDITURES:	
Current:	
General government	195,647
Fire and emergency services	303,704
Capital outlay	126,861
Total expenditures	626,212
OTHER FINANCING SOURCES (USES)	
Principal payments on loan	(60,562)
Total other financing sources and uses	(60,562)
NET CHANGE IN FUND BALANCES	305,843
FUND BALANCES - BEGINNING	1,716,054
Prior Period Adjustment	24,255
FUND BALANCES - RESTATED	1,740,309
FUND BALANCES - ENDING	\$ 2,046,152

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, 2024

Net change in fund balances - total governmental funds (Exhibit D) \$ 305,843

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	\$ 126,861	
Depreciation	<u>\$ (74,583)</u>	52,278

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.

	<u>60,562</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 418,683</u>

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 Chambers County Emergency Services District No. 1 (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 8, 2010, 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 June 21, 2010. 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 Winnie Stowell 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 measurable 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, 2023 through September 30, 2024, at the September 2023 meeting. One budget amendment was made and approved by the board. 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:

<u>Assets</u>	<u>Years</u>
Vehicles & Equipment	7
Computer and Office Equipment	5

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 10, 2025 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 \$1,854,537 and the bank balance was \$1,833,854 and the Department's balance was \$90,021 of that amount. 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. Of the bank balance, \$1,033,651 was at TexStar and does not require collateralization and the remaining was covered by \$1,000,000 federal depository insurance. The Districts deposits at each institution were under the \$250,000 federal depository insurance.

NOTE 3: TAXES

On May 8, 2010, voters approved \$.01 per \$100 of assessed valuation property tax for purposes of creating the District. The taxable value of East Chambers Independent School District is approximately \$320,000,000. The committee exempted 10% of the values. 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. On February 9, 2011, the board voted to reduce the property tax rate to zero.

On November 10, 2010, voters approved a sales tax rate of 0.625 percent for purposes of providing emergency services to the District.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2024 was as follows:

Governmental Activities	Beginning Balance	Current Year		Ending Balance
		Increases	Decreases	
Capital assets not being depreciated:				
Land	\$ 66,000	\$ -	\$ -	\$ 66,000
Total capital assets not being depreciated:	66,000	-	-	66,000
Capital assets being depreciated:				
Vehicles	\$ 1,753,396	\$ -	\$ -	\$ 1,753,396
Leasehold Improvements	40,750	-	-	40,750
Buildings	190,315	-	-	190,315
Equipment	494,548	126,861		621,409
Total	2,479,009	126,861	-	2,605,870
Less accumulated depreciation:	(1,887,287)	(74,583)	-	(1,961,870)
Total capital assets being depreciated, net	591,722	52,278	-	644,000
Governmental activities capital assets, net	\$ 657,722	\$ 52,278	\$ -	\$ 710,000

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

General Government	\$ 74,583
Total Depreciation Expense - Governmental Activities	\$ 74,583

NOTE 5: LONG TERM DEBT

The District entered into an agreement with Government Capital as of February 1, 2017 for the purchase of a Pierce Pumper/ Tanker. The gross amount of assets acquired under this agreement was \$580,249. The terms of the agreement assumes interest rate of 3.237% for a period of ten years. Once a year a payment is due in the amount of \$68,794.20, which includes principal and interest. This payment is due beginning on February 1, 2018.

NOTE 5: LONG TERM DEBT, Continued

Long-term debt at September 30, 2024, is summarized as follows:

Date Issued	Amount	Final Maturity	Annual Installments	% Rate	Outstanding Balance
2017	580,249	2027	\$68,794	3.24%	194,039
Total Obligations					194,039
Less Current Portion					62,524
Total Obligations					<u>\$ 131,515</u>

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Contractual Obligations	254,602	-	60,563	194,039	62,524
Long-Term Liabilities	<u>\$ 254,602</u>	<u>\$ -</u>	<u>\$ 60,563</u>	<u>\$ 194,039</u>	<u>\$ 62,524</u>

Aggregate debt service requirements to maturity the capital lease obligations outstanding at September 30, 2024 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	62,524	6,270
2026	64,547	4,246
2027	66,968	2,157

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 April 13, 2011, the District entered into an agreement with the Winnie-Stowell 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.

On April 11, 2012, the Board entered into an interlocal agreement with Chambers County, Texas to service the area outside the district's boundaries, but within the existing territory of the Department without any compensation from the County. The initial term of this agreement is for one year and continues year to year until such time either party requests to change the agreement.

NOTE 8: PRIOR PERIOD ADJUSTMENT

During the fiscal year 2024, the District found an instance of prior year totals needing adjustment. These adjustments were the result of reconciling of aged outstanding amounts in the bank account reconciliations. These adjustments were too large to record in the year under audit. Due to these misstatements the District has made a prior year adjustment to increase net position in the amount of \$24,255.

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, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 760,000	\$ 841,212	\$ 842,821	\$ 1,609
Contributions and grants	-	-	100,050	100,050
Miscellaneous	16,255	46,685	49,746	3,061
Total revenue	776,255	887,897	992,617	104,720
EXPENDITURES				
Current:				
General government	219,450	141,557	195,647	(54,090)
Fire and emergency services	254,130	292,461	303,704	(11,243)
Capital Outlay	85,000	70,791	126,861	(56,070)
Total expenditures	558,580	504,809	626,212	(121,403)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	217,675	383,088	366,405	(16,683)
OTHER FINANCING SOURCES (USES)				
Principal Payments on loan	(58,664)	(68,794)	(60,562)	8,232
Total other financing sources and uses	(58,664)	(68,794)	(60,562)	8,232
NET CHANGE IN FUND BALANCES	159,011	314,294	305,843	(8,451)
FUND BALANCES AT BEGINNING OF YEAR	1,740,309	1,740,309	1,740,309	-
FUND BALANCE AT END OF YEAR	\$ 1,899,320	\$ 2,054,603	\$ 2,046,152	\$ (8,451)

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

COMPLIANCE SECTION



June 10, 2025

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
Chambers County Emergency Services District No. 1
Chambers 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 Chambers County Emergency Services District #1 (the District), as of and for the year ended September 30, 2024, 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 10, 2025.

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.

BEAUMONT

office 409.898.8777

fax 409.898.1039

2506 Eastex Freeway

Beaumont, TX 77705

HOUSTON

office 713.638.6660

info@marinocpa.com

www.marinocpa.com



Report on Compliance and Other Matters

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

Purpose of This Report

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

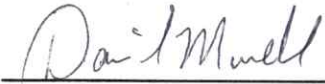
Sincerely,

Marino CPA Firm

CHAMBERS COUNTY EMERGENCY SERVICES DISTRICT No. 1

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, 2024 at a meeting of the Board of Commissioners held on the 11th day of June, 2025.



Board President



Board Secretary

CHAMBERS COUNTY EMERGENCY SERVICES DISTRICT #1
821 STATE HIGHWAY 124
WINNIE, TX 77665

June 10, 2025

Marino CPA Firm
2396 Eastex Freeway
Beaumont, TX 77703

Dear Sirs:

This representation letter is provided in connection with your audit of the financial statements of the Chambers County Emergency Services District # 1, hereafter referred to as "the District", which comprise the respective financial position of the governmental activities, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows for the period then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

We confirm, to the best of our knowledge and belief, as of June 10, 2025, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 12, 2025 including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the district is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11) We have provided you with:

- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters [and all audit or relevant monitoring reports, if any, received from funding sources].
- b) Additional information that you have requested from us for the purpose of the audit.
- c) Unrestricted access to persons within the district from whom you determined it necessary to obtain audit evidence.
- d) Minutes of the meetings of the district or summaries of actions of recent meetings for which minutes have not yet been prepared.

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

13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14) We have no knowledge of any fraud or suspected fraud that affects the district and involves—

- Management,
- Employees who have significant roles in internal control, or
- Others where the fraud could have a material effect on the financial statements.

15) We have no knowledge of any allegations of fraud or suspected fraud affecting the district's financial statements communicated by employees, former employees, regulators, or others.

16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.

- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the names of the district's related parties and all the related party relationships and transactions, including any side agreements.

Government-specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
- 21) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 22) The district has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 24) We have appropriately disclosed all information for conduit debt obligations in accordance with [GASBS No. 91](#).
- 25) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
- 26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27) As part of your audit, you assisted with preparation of the financial statements and disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.
- 28) The district has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) The district has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 30) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 31) The financial statements include all fiduciary activities required by [GASBS No. 84](#), as amended.

- 32) The financial statements properly classify all funds and activities in accordance with GASBS No. 34, as amended.
- 33) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 34) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 35) Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.
- 36) Provisions for uncollectible receivables have been properly identified and recorded.
- 37) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 38) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 39) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 40) Deposits and investment securities and derivative instrument transactions are properly classified as to risk and are properly disclosed.
- 41) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 42) We have appropriately disclosed the district's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 43) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 44) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Signature: Michelle Hendry
Title: Administrator

Signature: Don't Murrell
Title: PRESIDENT