

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

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

CHAMBERS COUNTY EMERGENCY SERVICES DISTRICT NO. 1
Annual Financial Report
For The Year Ended SEPTEMBER 30, 2017

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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, 2017 at a meeting of the Board of Commissioners held on the 13th day of June, 2018.

Board President

Board Secretary

J. R. Edwards & Associates, LLC

Certified Public Accountants

June 12, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Chambers County Emergency Services District No. 1
Chambers County, Texas

We have audited the accompanying financial statements of the governmental activities, and each major fund of Chambers County Emergency Services District No.1, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund the Chambers County Emergency Services District No. 1, as of September 30, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 - 9 and page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

J.R. Edwards & Associates, LLC

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, 2017. 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 \$928,461 at September 30, 2017.
- During the year, the District's revenues were \$57,223 more than the \$635,205 generated in expenses for governmental activities.
- The general fund reported a fund balance this year of \$819,688. 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 16-22 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 23 of this report.

CHAMBERS COUNTY EMERGENCY SERVICES DISTRICT No. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

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 \$928,461 at September 30, 2017. (See Table I)

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

	September 30, 2017	September 30, 2016
Current and Other Assets	\$ 853,702	\$ 897,978
Capital Assets	1,065,119	450,859
Total Assets	<u>1,918,821</u>	<u>1,348,837</u>
Current Liabilities	151,676	95,501
Long-term liabilities	838,684	376,098
Total Liabilities	<u>990,360</u>	<u>471,599</u>
Net Assets:		
Invested in Capital Assets Net of Related Debt	108,773	9,877
Unrestricted	819,688	861,361
Total Net Position	<u>\$ 928,461</u>	<u>\$ 871,238</u>

Approximately \$109,000 of the District's net position represents investments in capital assets net of related debt. The \$819,688 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 \$692,428. For the current year most of the revenues resulted from sales taxes levied and miscellaneous revenues accounted for less than three percent.

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

Total Cost of all programs and services was \$635,204. The net position of the District for the current year increased \$57,224 (see Table II on page 7 of this report).

CHAMBERS COUNTY EMERGENCY SERVICES DISTRICT No. 1
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 SEPTEMBER 30, 2017

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, 2017	September 30, 2016
Revenues:		
General Revenues:		
Taxes	428,131	488,933
Contributions & Grants	253,586	15,106
Miscellaneous	10,711	950
Total Revenue	<u>692,428</u>	<u>504,989</u>
Expenses:		
General and administrative	238,383	150,696
Public Safety	144,388	100,532
Depreciation	234,359	178,205
Interest	18,075	28,481
Total Expenses Governmental Activities	<u>635,205</u>	<u>457,914</u>
Increase (Decrease) in Net Assets	57,223	47,075
Net Position - October 1 (Beginning)	871,238	824,163
Net Position - September 30 (Ending)	<u>\$ 928,461</u>	<u>\$ 871,238</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 did not amend the budget during the fiscal year.

Additional information and a budgetary comparison can be found on page 23.

Revenue from taxes were less than budgeted amounts by approximately \$22,000. Current expenses for the year which include emergency services and administrative expenses were approximately \$4,000 less than budgeted.

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

CHAMBERS COUNTY EMERGENCY SERVICES DISTRICT No. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2017

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets. At September 30, 2017 the District had \$1.06 million (net of depreciation) invested in capital assets, buildings, equipment and vehicles.

CHAMBERS COUNTY EMERGENCY SERVICES DISTRICT No. 1

Capital Assets

Governmental Activities

	September 30, 2017	September 30, 2016
Vehicles	\$ 1,476,217	\$ 859,598
Leasehold improvements	10,008	10,008
Equipment	454,319	454,319
Buildings	166,000	-
Land	66,000	-
Totals	<u>2,172,544</u>	<u>1,323,925</u>
Less Accumulated Depreciation:	<u>(1,107,425)</u>	<u>(873,066)</u>
Net Capital Assets	<u>\$ 1,065,119</u>	<u>\$ 450,859</u>

Long-Term Debt. At year-end, the District had \$956,346 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, 2017	September 30, 2016
Governmental activities:		
Contractual Obligations	\$ 956,346	\$ 440,982
Total	<u>\$ 956,346</u>	<u>\$ 440,982</u>

ECONOMIC FACTORS AND NEW YEAR'S BUDGETS AND RATES

- The District sustained Hurricane Harvey at the end of the fiscal year ended September 30, 2017. This has increased the purchasing in the area, and in turn, raised the sales tax income for 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 Chambers County Emergency Services District # 1.

STATEMENT OF NET POSITION

SEPTEMBER 30, 2017

	Primary Government
	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 772,820
Taxes receivable - net of allowance	80,882
Capital assets:	
Land	66,000
Buildings, property, and equipment, net	999,119
Total Assets	<u>1,918,821</u>
LIABILITIES	
Accounts payable	15,939
Accrued Interest	18,075
Non-current liabilities:	
Due within one year	117,662
Due in more than one year	838,684
Total Liabilities	<u>990,360</u>
NET POSITION	
Net investment in capital assets	108,773
Unrestricted	819,688
Total Net Position	<u>\$ 928,461</u>

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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	\$ 490,817	\$ -	\$ -	\$ (490,817)
Fire and emergency services	144,388	-	-	(144,388)
Total governmental activities	635,205	-	-	(635,205)
Total Primary Government	\$ 635,205	\$ -	\$ -	\$ (635,205)
	Sales taxes, penalties and interest			428,131
	Contributions and grants			253,586
	Other miscellaneous			10,711
	Total general revenues			692,428
	Change in Net Position			57,223
	Net Position- Beginning			871,238
	Net Position - Ending			\$ 928,461

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

CHAMBERS COUNTY EMERGENCY SERVICES DISTRICT NO. 1

EXHIBIT C

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	<u>Total Governmental Funds</u> <u>General Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 772,820
Sales taxes receivable	80,882
TOTAL ASSETS	<u>\$ 853,702</u>
LIABILITIES AND FUND BALANCES:	
LIABILITIES:	
Accounts payable	\$ 15,939
Accrued Interest	18,075
TOTAL LIABILITIES	<u>34,014</u>
FUND BALANCES:	
Unassigned Fund Balance	819,688
TOTAL FUND BALANCES	<u>819,688</u>
 TOTAL LIABILITIES DEFERRED INFLOWS AND FUND BALANCE	 <u>\$ 853,702</u>

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

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

Governmental fund balance as reported on the balance sheet for governmental funds.	\$ 819,688
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,065,119
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(956,346)</u>
Total net position as reported on the Statement of Net Position for Governmental Activities.	<u>\$ 928,461</u>

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

CHAMBERS COUNTY EMERGENCY SERVICES DISTRICT NO. 3
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT D

	Total Governmental Funds
	<u>General Fund</u>
REVENUES	
Property taxes, penalties and interest	\$ 428,131
Contributions and grants	253,586
Other miscellaneous	10,711
Total revenue	<u>692,428</u>
EXPENDITURES:	
Current:	
General government	1,105,078
Fire and emergency services	144,388
Total expenditures	<u>1,249,466</u>
OTHER FINANCING SOURCES (USES)	
Issuance of debt	580,249
Principal payments on loan	<u>(64,884)</u>
Total other financing sources and uses	<u>515,365</u>
NET CHANGE IN FUND BALANCES	(41,673)
FUND BALANCES - BEGINNING	<u>861,361</u>
FUND BALANCES - ENDING	<u>\$ 819,688</u>

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2017

Net change in fund balances - total governmental funds (Exhibit D) \$ (41,673)

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	\$ 848,619	
Depreciation	<u>(234,359)</u>	614,260

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.

(515,363)

Change in net position of governmental activities (Exhibit B)

\$ 57,224

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, 2016 through September 30, 2017, at the September 2016 meeting. No amendments were made to this budget. 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.

CHAMBERS COUNTY EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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 12, 2018, 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 \$751,745 and the bank balance was \$752,321, and the Department's balance was \$21,075. 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, \$500,000 was covered by federal depository insurance and the remaining balance was collateralized by \$326,717 held on behalf of the District.

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.

CHAMBERS COUNTY EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 4: CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2017 was as follows:

Governmental Activities	Beginning	Current Year		Ending
	Balance	Increases	Decreases	Balance
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	\$ 859,598	\$ 616,619	\$ -	\$ 1,476,217
Leasehold Improvements	10,008	-	-	10,008
Buildings	-	166,000	-	166,000
Equipment	454,319	-	-	454,319
Total	1,323,925	782,619	-	2,106,544
Less accumulated depreciation:	(873,066)	(234,359)	-	(1,107,425)
Total capital assets being depreciated, net	450,859	548,260	-	999,119

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

General Government	\$ 234,359
Total Depreciation Expense - Governmental Activities	\$ 234,359

NOTE 5: LONG TERM DEBT

The District entered into a lease-purchase agreement with OshKosh Capital on September 26, 2011, for the purchase of a Pierce PX Dryside Tanker (\$189,356), a Saber Pumper (\$430,483) and loose equipment included with the pumper (\$44,735). The gross amount of assets acquired under this capital lease was \$664,576. The terms of the lease-purchase agreement assumes an interest rate of 4.181 % for a period of ten years. Once a year payments in the amount of \$82,959, including principal and interest began on October 26, 2012. The agreement contains a \$1.00 buy-out option at the end of the lease.

The District entered into a lease-purchase 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 capital lease was \$580,249. The terms of the lease-purchase agreement assumes interest rate of 3.237% for a period of ten years. Once a year a payment is due in the amount of \$68,848.17, which includes principal and interest. This payment is due beginning on February 1, 2018. The agreement contains a \$1.00 buy-out option at the end of the lease.

CHAMBERS COUNTY EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 5: LONG TERM DEBT, Continued

Long-term debt at September 30, 2017, is summarized as follows:

<u>Date Issued</u>	<u>Amount</u>	<u>Final Maturity</u>	<u>Annual Installments</u>	<u>% Rate</u>	<u>Outstanding Balance</u>
2011	664,576	2021	\$82,959	4.18%	376,097
2017	580,249	2027	\$68,847	3.24%	580,249
Total Capital Lease Obligations					956,346
Less Current Portion					117,662
Total Long-term Capital Lease Obligations					<u>\$ 838,684</u>

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Contractual Obligations	440,982	580,249	64,885	956,346	117,662
Long-Term Liabilities	<u>\$ 440,982</u>	<u>\$ 580,249</u>	<u>\$ 64,885</u>	<u>\$ 956,346</u>	<u>\$ 117,662</u>

Aggregate debt service requirements to maturity the capital lease obligations outstanding at September 30, 2017 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	117,662	31,289
2019	125,053	26,754
2020	129,793	22,014
2021	134,716	17,091
2022	56,870	11,979
2023 and thereafter	392,252	31,059

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.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes	\$ 450,000	\$ 428,131	\$ (21,869)
Contributions and grants	2,250	253,586	251,336
Miscellaneous	5,250	10,711	5,461
Total revenue	<u>457,500</u>	<u>692,428</u>	<u>234,928</u>
EXPENDITURES			
Current:			
General government	75,571	1,105,078	(1,029,507)
Fire and emergency services	<u>360,260</u>	<u>144,388</u>	<u>215,872</u>
Total expenditures	<u>435,831</u>	<u>1,249,466</u>	<u>(813,635)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>21,669</u>	<u>(557,038)</u>	<u>(578,707)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of debt	-	580,249	580,249
Principal Payments on loan	<u>(82,965)</u>	<u>(64,884)</u>	<u>18,081</u>
Total other financing sources and uses	<u>(82,965)</u>	<u>515,365</u>	<u>598,330</u>
NET CHANGE IN FUND BALANCES	(61,296)	(41,673)	19,623
FUND BALANCES AT BEGINNING OF YEAR	<u>861,361</u>	<u>861,361</u>	-
FUND BALANCE AT END OF YEAR	<u>\$ 800,065</u>	<u>\$ 819,688</u>	<u>\$ 19,623</u>

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

J. R. Edwards & Associates, LLC

Certified Public Accountants

June 12, 2018

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of 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 governmental activities, and each major fund of Chambers County Emergency Services District No.1 (District), as of and for the year ended September 30, 2017, 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 12, 2018.

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) to determine the 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Chambers County Emergency Services District No. 1 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 determination of financial statement amounts. 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.

J.R. Edwards & Associates, LLC