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May 9, 2019

Hon. Jimmy Sylvia  
Chambers County Judge  
P. O. Box 939  
Anahuac, Texas 77514-0939

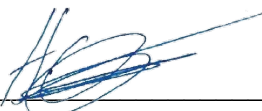
Re: Chambers County Emergency Service District #1 Audit Report for FY 2017-2018

Dear Judge Sylvia,

We are writing to submit the Chambers County Emergency Service District No. 1 ("District") October 1, 2017 through September 30, 2018 audit as required by Section 775.082 of the HEALTH AND SAFETY CODE. This audit was reviewed by the Board at last night's Regular Meeting and unanimously accepted.

We would request that you accept this letter and copy of the audit in satisfaction of the District's obligations pursuant to Health & Safety Code Section 775.082(e-1). If you have any questions or concerns, please do not hesitate to contact me.

With best regards, I remain, very truly yours,

By:   
Hubert Oxford, IV  
General Counsel  
Chambers County Emergency Service District No. 1

HOIV  
Enclosure

Cc:

<b>To:</b>	<b>E-mail Address:</b>
Mr. Jimmy Gore Commissioner, Pct. 1 P. O. Box 76 Wallisville, Texas 77597	<a href="mailto:jegore@co.chambers.tx.us">jegore@co.chambers.tx.us</a>
Mr. Tony Sims Chambers County Auditor P.O. Box 910 Anahuac, Texas 77514	<a href="mailto:tsims@co.chambers.tx.us">tsims@co.chambers.tx.us</a>
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Administrator Wayne Wilber	<a href="mailto:admin@ccesd1.net">admin@ccesd1.net</a>

CHAMBERS COUNTY EMERGENCY SERVICES DISTRICT No. 1  
825 HWY 124  
WINNIE, TEXAS 77665

May 3, 2019

J.R. Edwards & Associates, LLC  
1465 Cornerstone Court, Ste. A  
Beaumont, TX 77706

Dear Sirs:

This representation letter is provided in connection with your audit(s) of the financial statements of the Chambers County Emergency Services District No. 1 which comprise the respective financial position of the governmental activities, and each major fund as of September 30, 2018 and the respective changes in financial position and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

We confirm, to the best of our knowledge and belief, as of May 3, 2019 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 January 3, 2019, including our responsibility for the preparation and fair presentation of the financial statements and for preparation of the required 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 required by generally accepted accounting principles to be included in the financial reporting entity.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. 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. We are in agreement with the adjusting entries you have proposed.
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**

We have provided you with:

11. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
12. Additional information that you have requested from us for the purpose of the audit.
13. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
14. Minutes of the meetings of District Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
15. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
16. 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.
17. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.

18. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
19. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
20. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
21. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

**Government—specific**

22. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
23. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
24. The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
25. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
26. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
27. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
28. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

29. 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.
30. As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed all management responsibilities. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
31. 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.
32. 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.
33. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
34. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
35. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
36. 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.
37. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
38. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
39. Provisions for uncollectible receivables have been properly identified and recorded.
40. 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.
41. 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.
42. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
43. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

44. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
45. 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.
46. 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.
47. 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.
48. With respect to the introductory section:
  - a. We acknowledge our responsibility for presenting the above in accordance with accounting principles generally accepted in the United States of America, and we believe the above information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the above information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
49. If the introductory section is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Signed:

Wayne Swiller

Title: District Manager

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

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**



CHAMBERS COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
Annual Financial Report  
For The Year Ended SEPTEMBER 30, 2018

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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, 2018 at a meeting of the Board of Commissioners held on the 8th day of May, 2019.

\_\_\_\_\_  
Board President

\_\_\_\_\_  
Board Secretary

# J. R. Edwards & Associates, LLC

## Certified Public Accountants

May 3, 2019

### 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, 2018, 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, 2018, 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 23 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, 2018. 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 \$838,269 at September 30, 2018.
- During the year, the District's revenues were \$90,192 less than the \$636,271 generated in expenses for governmental activities.
- The general fund reported a fund balance this year of \$858,585. 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, 2018**

**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 \$838,269 at September 30, 2018. (See Table I)

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

	September 30, 2018	September 30, 2017
Current and Other Assets	\$ 892,319	\$ 853,702
Capital Assets	809,306	1,065,119
Total Assets	<u>1,701,625</u>	<u>1,918,821</u>
Current Liabilities	156,025	151,676
Long-term liabilities	707,331	838,684
Total Liabilities	<u>863,356</u>	<u>990,360</u>
Net Assets:		
Invested in Capital Assets Net of Related Debt	(20,316)	108,773
Unrestricted	858,585	819,688
Total Net Position	<u>\$ 838,269</u>	<u>\$ 928,461</u>

Approximately \$(20,316) of the District's net position represents investments in capital assets net of related debt. The \$858,585 of unrestricted net position represents resources available to fund the programs of the District next year.

**Changes in net position.** The District's total revenues were \$546,079. 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 \$636,271. The net position of the District for the current year decreased \$90,192 (see Table II on page 7 of this report).

**CHAMBERS COUNTY EMERGENCY SERVICES DISTRICT No. 1****MANAGEMENT'S DISCUSSION AND ANALYSIS****SEPTEMBER 30, 2018****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, 2018	September 30, 2017
Revenues:		
General Revenues:		
Taxes	475,801	428,131
Contributions & Grants	16,502	253,586
Miscellaneous	53,776	10,711
Total Revenue	<u>546,079</u>	<u>692,428</u>
Expenses:		
General and administrative	276,722	238,383
Public Safety	72,805	144,388
Depreciation	255,813	234,359
Interest	30,931	18,075
Total Expenses Governmental Activities	<u>636,271</u>	<u>635,205</u>
Increase (Decrease) in Net Assets	(90,192)	57,223
Net Position - October 1 (Beginning)	928,461	871,238
Net Position - September 30 (Ending)	<u>\$ 838,269</u>	<u>\$ 928,461</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 \$4,614. Current expenses for the year which include emergency services and administrative expenses were approximately \$6,914 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, 2018****CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY**

**Capital Assets.** At September 30, 2018 the District had \$809,306 (net of depreciation) invested in capital assets, buildings, equipment and vehicles.

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

	September 30, 2018	September 30, 2017
Vehicles	\$ 1,400,217	\$ 1,476,217
Leasehold improvements	10,008	10,008
Equipment	454,319	454,319
Buildings	166,000	166,000
Land	66,000	66,000
Totals	<u>2,096,544</u>	<u>2,172,544</u>
Less Accumulated Depreciation:	<u>(1,287,238)</u>	<u>(1,107,425)</u>
Net Capital Assets	<u>\$ 809,306</u>	<u>\$ 1,065,119</u>

**Long-Term Debt.** At year-end, the District had \$829,622 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, 2018	September 30, 2017
Governmental activities:		
Contractual Obligations	\$ 829,622	\$ 956,346
Total	<u>\$ 829,622</u>	<u>\$ 956,346</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.

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2018

	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 816,056
Taxes receivable	76,263
Capital assets:	
Land	66,000
Buildings, property, and equipment, net	743,306
Total Assets	<u>1,701,625</u>
<b>LIABILITIES</b>	
Accounts payable	9,756
Accrued interest	23,978
Non-current liabilities:	
Due within one year	122,291
Due in more than one year	707,331
Total Liabilities	<u>863,356</u>
<b>NET POSITION</b>	
Net investment in capital assets	(20,316)
Unrestricted	858,585
Total Net Position	<u>\$ 838,269</u>

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

## CHAMBERS COUNTY EMERGENCY SERVICES DISTRICT NO. 1

EXHIBIT B

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2018

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	\$ 563,466	\$ -	\$ -	\$ (563,466)
Fire and emergency services	72,805	-	-	(72,805)
Total governmental activities	636,271	-	-	(636,271)
Total Primary Government	\$ 636,271	\$ -	\$ -	\$ (636,271)
Sales taxes, penalties and interest				475,801
Contributions and grants				16,502
Other miscellaneous				53,776
Total general revenues				546,079
Change in Net Position				(90,192)
Net Position- Beginning				928,461
Net Position - Ending				\$ 838,269

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

CHAMBERS COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018

EXHIBIT C

	Total Governmental Funds
	<u>General Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 816,056
Sales taxes receivable	<u>76,263</u>
TOTAL ASSETS	<u>\$ 892,319</u>
LIABILITIES AND FUND BALANCES:	
LIABILITIES:	
Accounts payable	\$ 9,756
Accrued Interest	<u>23,978</u>
TOTAL LIABILITIES	<u>33,734</u>
FUND BALANCES:	
Unassigned Fund Balance	<u>858,585</u>
TOTAL FUND BALANCES	<u>858,585</u>
 TOTAL LIABILITIES DEFERRED INFLOWS AND FUND BALANCE	 <u>\$ 892,319</u>

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

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RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018

Governmental fund balance as reported on the balance sheet for governmental funds.	\$ 858,585
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	809,306
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(829,622)</u>
Total net position as reported on the Statement of Net Position for Governmental Activities.	<u>\$ 838,269</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, 2018

	Total Governmental Funds
	General Fund
REVENUES	
Property taxes, penalties and interest	\$ 475,801
Contributions and grants	16,502
Other miscellaneous	53,776
Total revenue	<u>546,079</u>
EXPENDITURES:	
Current:	
General government	307,653
Fire and emergency services	72,805
Total expenditures	<u>380,458</u>
OTHER FINANCING SOURCES (USES)	
Principal payments on loan	<u>(126,724)</u>
Total other financing sources and uses	<u>(126,724)</u>
NET CHANGE IN FUND BALANCES	38,897
FUND BALANCES - BEGINNING	<u>819,688</u>
FUND BALANCES - ENDING	<u>\$ 858,585</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, 2018

Net change in fund balances - total governmental funds (Exhibit D) \$ 38,897

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.

Depreciation \$ (255,813) (255,813)

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.

126,724

Change in net position of governmental activities (Exhibit B)

\$ (90,192)

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, 2017 through September 30, 2018, at the September 2017 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.

**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 May 3, 2019 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 \$816,056 and the bank balance was \$816,376, and the Department's balance was \$27,550. 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 \$570,283 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, 2018

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the governmental activities for the year ended September 30, 2018 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	\$ 1,476,217	\$ -	\$ -	\$ 1,476,217
Leasehold Improvements	10,008	-	-	10,008
Buildings	166,000	-	-	166,000
Equipment	454,319	-	-	454,319
Total	2,106,544	-	-	2,106,544
Less accumulated depreciation:	(1,107,425)	(255,813)	-	(1,363,238)
Total capital assets being depreciated, net	999,119	(255,813)	-	743,306
Governmental activities capital assets, net	<u>\$ 1,065,119</u>	<u>\$ (255,813)</u>	<u>\$ -</u>	<u>\$ 809,306</u>

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

General Government	\$ 255,813
Total Depreciation Expense - Governmental Activities	<u>\$ 255,813</u>

**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, 2018****NOTE 5: LONG TERM DEBT, Continued**

Long-term debt at September 30, 2018, 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%	299,854
2017	580,249	2027	\$68,847	3.24%	529,768
Total Capital Lease Obligations					829,622
Less Current Portion					122,291
Total Long-term Capital Lease Obligations					<u>\$ 707,331</u>

**Changes in long-term liabilities**

Long-term liability activity for the year ended September 30, 2018, 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	956,346	-	126,724	829,622	122,291
Long-Term Liabilities	<u>\$ 956,346</u>	<u>\$ -</u>	<u>\$ 126,724</u>	<u>\$ 829,622</u>	<u>\$ 122,291</u>

Aggregate debt service requirements to maturity the capital lease obligations outstanding at September 30, 2018 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	122,291	26,754
2020	126,726	22,014
2021	131,521	17,091
2022	136,499	11,979
2023	58,710	10,138
2024 and thereafter	253,875	20,921

**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.

### ***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.

## CHAMBERS COUNTY EMERGENCY SERVICES DISTRICT NO. 1

## EXHIBIT E

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 480,415	\$ 475,801	\$ (4,614)
Contributions and grants	6,330	16,502	10,172
Miscellaneous	48,600	53,776	5,176
Total revenue	<u>535,345</u>	<u>546,079</u>	<u>10,734</u>
<b>EXPENDITURES</b>			
Current:			
General government	317,717	307,653	10,064
Fire and emergency services	69,655	72,805	(3,150)
Total expenditures	<u>387,372</u>	<u>380,458</u>	<u>6,914</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>147,973</u>	<u>165,621</u>	<u>17,648</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Principal Payments on loan	<u>(118,078)</u>	<u>(126,724)</u>	<u>(8,646)</u>
Total other financing sources and uses	<u>(118,078)</u>	<u>(126,724)</u>	<u>(8,646)</u>
<b>NET CHANGE IN FUND BALANCES</b>	29,895	38,897	9,002
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>819,688</u>	<u>819,688</u>	<u>-</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 849,583</u>	<u>\$ 858,585</u>	<u>\$ 9,002</u>

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



# J. R. Edwards & Associates, LLC

## Certified Public Accountants

May 3, 2019

### ***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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 3, 2019.

#### **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*