

ORANGE COUNTY EMERGENCY
SERVICES DISTRICT NO. 1

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2025

ORANGE COUNTY EMERGENCY SERVICES DISTRICT NO. 1
Annual Financial Report
For The Year Ended SEPTEMBER 30, 2025

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INTRODUCTORY SECTION

ORANGE 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, 2025 at a meeting of the Board of Commissioners held on the 21st day of April, 2026.

Board President

Board Secretary

FINANCIAL SECTION



March 23,2026

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of Orange County Emergency Services District No.1, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund the Orange County Emergency Services District No. 1, as of September 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibility of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but it is not absolute assurance and therefore is not a guarantee

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that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-11 and 33 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2026, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



Marino CPA Firm, LLC

Beaumont, TX

March 23, 2026

As management of the Orange County Emergency Services District # 1 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with the independent auditors' report and the District's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the OCESD # 1 exceeded liabilities as of September 30, 2025, by \$3,742,259 (net position). Of this amount \$1,877,030 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The District had expenses associated with governmental activities totaling \$2,585,073 and total revenues and other financing sources were \$2,704,554.
- As of September 30, 2025, the OCESD # 1 general fund reported an ending fund balance of \$1,545,734, a decrease of \$14,805 in comparison with the prior year.

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) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The District adopted the provisions of Governmental Accounting and Financial Reporting for Non-exchange Transactions and Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements-Management's Discussion and Analysis for State and Local Governments as of October 1, 2003.

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.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. 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.

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 as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation).

In the Statement of Net Position and the Statement of Activities, the District report contains one type of activity:

Governmental activities – All of the District's basic services are reported here, including the administration, emergency equipment upkeep and purchases, data processing and general and administrative.

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 District has only one type of fund, which is the governmental fund.

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.

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.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows exceeded liabilities by \$3,742,259 at the close of the fiscal year September 30, 2025.

Table I
ORANGE COUNTY EMERGENCY SERVICES DISTRICT No. 1
NET POSITION

	September 30, 2025	September 30, 2024
Current and Other Assets	\$ 1,772,008	\$ 1,812,799
Capital Assets, Net	4,156,241	4,308,723
Noncurrent Assets	-	-
Total Assets	<u>5,928,249</u>	<u>6,121,522</u>
Deferred Outflows		
Differences - Pension	45,847	65,244
Contributions subsequent	56,722	
Total Assets and Deferred Outflows	<u>6,030,818</u>	<u>6,186,766</u>
Current and Other Liabilities	\$ 153,662	\$ 392,350
Long-term Liabilities	2,126,169	2,171,638
Total Liabilities	<u>2,279,831</u>	<u>2,563,988</u>
Deferred Inflows	8,728	-
Total Liabilities and Deferred Inflows	<u>2,288,559</u>	<u>2,563,988</u>
Net Assets:		
Invested in Capital Assets Net of Related Debt	1,865,229	1,833,129
Unrestricted	1,877,030	1,789,649
Total Net Position	<u>\$ 3,742,259</u>	<u>\$ 3,622,778</u>

Changes in net position. The District had an increase in net position of \$119,481. The difference from the prior year increase of \$176,418, is mainly due to the slight increase in interest and human resource expense and increase in property tax revenues in current year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

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

Table II
ORANGE COUNTY EMERGENCY SERVICES DISTRICT NO. 1
CHANGE IN NET POSITION

	<u>2025</u>	<u>2024</u>
Revenues		
General Revenues:		
Property Taxes	\$2,514,961	\$ 2,380,932
Penalties and Interest	90,102	87,293
Interest Income	34,277	5,501
Program Revenue:		
Charges for Services	25,823	20,357
Grants and Contributions	9,027	10,642
Other miscellaneous	30,364	4,527
Total Revenues	<u>2,704,554</u>	<u>2,509,252</u>
Expenses		
Human Resources	1,627,897	1,413,250
Supplies	360,947	399,298
Contract Services	233,536	191,765
Interest Expense	104,905	123,258
Depreciation	257,788	205,263
Total Expenses	<u>2,585,073</u>	<u>2,332,834</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>119,481</u>	<u>176,418</u>
Net Change in Net Position	119,481	176,418
Net Position, Beginning of Year	<u>3,622,778</u>	<u>3,446,360</u>
Net Position, End of Year	<u>\$3,742,259</u>	<u>\$ 3,622,778</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.

GOVERNMENTAL FUNDS

The focus of the District’s governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of September 30, 2025, the District’s governmental fund reported an ending balance of \$1,545,734, a decrease of \$14,805 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues exceeded budgeted revenues by \$243,821 which is the result of property taxes outperforming budgeted amounts and hazmat cost recovery income received. Actual expenses were more than budgeted expenses by \$74,043 mainly due to capital acquisitions and human resource expenditures being higher than budgeted.

	Fiscal Year 2025			Fiscal Year 2024		
	Actual	Budget	Budget Variance	Actual	Budget	Budget Variance
Income:						
Tax Revenue	2,579,221	2,425,091	154,130	2,460,768	2,376,387	\$ 84,381
Interest Income	34,277	100	34,177	5,501	2,880	2,621
Grants and Contributions	9,027	-	9,027	10,642	7,790	2,852
Charges for Services	25,823	9,600	16,223	20,358	600	19,758
Miscellaneous	30,364	100	30,264	4,527	766	3,761
Total Income	<u>2,678,712</u>	<u>2,434,891</u>	<u>243,821</u>	<u>2,501,796</u>	<u>2,388,423</u>	<u>113,373</u>
Expense:						
Human Resources	1,697,925	1,597,606	100,319	1,466,600	1,414,048	52,552
Supplies	360,947	348,562	12,385	399,298	484,429	(85,131)
Contract Services	233,536	212,200	21,336	191,765	213,346	(21,581)
Capital Acquisitions	105,306	-	105,306	976,512	-	976,512
Debt Service	111,220	276,523	(165,303)	176,437	276,600	(100,163)
Total Expense	<u>2,508,934</u>	<u>2,434,891</u>	<u>74,043</u>	<u>3,210,612</u>	<u>2,388,423</u>	<u>822,189</u>
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	<u>169,778</u>	<u>-</u>	<u>169,778</u>	<u>(708,816)</u>	<u>-</u>	<u>(708,816)</u>
Other Financing Sources:						
Proceeds from note payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>169,778</u>	<u>-</u>	<u>169,778</u>	<u>\$ (708,816)</u>	<u>\$ -</u>	<u>\$ (708,816)</u>

GENERAL FUND BUDGETARY HIGHLIGHTS, Continued

A net change in fund balance (decrease of \$14,805) is mainly due to an increase in human resource expenses.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets. The District’s investment in capital assets for its governmental activities as of September 30, 2025 amount to \$4,156,241 net of accumulated depreciation. This investment in capital assets includes land, buildings, apparatus, emergency equipment, office equipment, furniture and fixtures, and fire prevention equipment.

CAPITAL ASSETS

	Fiscal Year 2025	Fiscal Year 2024
Land	\$ 101,000	\$ 101,000
Buildings	2,681,513	2,681,513
Emergency Equipment	590,579	507,746
Apparatus	3,457,812	3,435,339
Furniture and Fixtures	17,850	17,850
Fire Prevention	130,674	130,674
Total Capital Assets	6,979,428	6,874,122
Less Accumulated		
Depreciation	(2,823,187)	(2,565,399)
Capital Assets, net of		
Depreciation	\$ 4,156,241	\$ 4,308,723

Long-Term Debt. The District has long-term debt (due in more than one year) in the amount of \$2,102,925 at the end of the fiscal year. Additional information on long-term debt can be found in note number 5.

ECONOMIC FACTORS AND NEW YEAR’S BUDGETS AND RATES

\$1,053,702 of the unassigned fund balance in the general fund is available for spending in the 2025/2026 budget. The District has \$188,087 and \$303,945 in committed fund balance. The following classification define these fund balance amounts (Note K):

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Committed fund balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.

Restricted fund balance – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

ECONOMIC FACTORS AND NEW YEAR'S BUDGETS AND RATES, Continued

The tax rate for year 2025 was \$.1000 on \$100 valuation. There is no change because all emergency Services Districts are capped at \$.1000 on \$100 valuation by law.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Orange County Emergency Services District # 1's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District Secretary at 2351 Hwy 12, Vidor, TX 77662.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Primary Government <u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,166,369
Taxes receivable - net of allowance	605,639
Capital assets:	
Buildings, property, and equipment, net	<u>4,156,241</u>
Total Assets	<u>5,928,249</u>
Deferred Outflows of Resources	
Difference between expected and actual expense	45,847
Contributions subsequent to measurement date	<u>56,722</u>
Total Assets and Deferred Outflows	<u>6,030,818</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	9,038
Accrued Liabilities	35,680
Interest Payable	108,944
Non-current liabilities:	
Due within one year	188,087
Due in more than one year	2,102,925
Net Pension Liability	<u>(164,843)</u>
Total Liabilities	<u>2,279,831</u>
Deferred Inflows of Resources	<u>8,728</u>
Total Liabilities and Deferred Inflows	<u>2,288,559</u>
NET POSITION	
Net investment in capital assets	1,865,229
Unrestricted	<u>1,877,030</u>
Total Net Position	<u>\$ 3,742,259</u>

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

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Governmental activities:				
Human resources	1,627,897	25,823		(1,602,074)
Supplies	360,947			(360,947)
Contract services	233,536			(233,536)
Depreciation	257,788			(257,788)
Interest on long-term debt	104,905	-	-	(104,905)
Total governmental activities	<u>2,585,073</u>	<u>25,823</u>	<u>-</u>	<u>(2,559,250)</u>
Total Primary Government	<u>\$ 2,585,073</u>	<u>\$ 25,823</u>	<u>\$ -</u>	<u>(2,559,250)</u>
				2,605,063
				9,027
				34,277
				30,364
				<u>2,678,731</u>
				119,481
				<u>3,622,778</u>
				<u>3,742,259</u>

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

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	Total Governmental Funds
	<u>General Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 1,166,369
Property taxes receivable (net of allowances for doubtful accounts)	<u>605,639</u>
TOTAL ASSETS	<u><u>\$ 1,772,008</u></u>
LIABILITIES AND FUND BALANCES:	
LIABILITIES:	
Accounts Payable	\$ 9,038
Accrued Liabilities	<u>35,680</u>
TOTAL LIABILITIES	<u>44,718</u>
DEFERRED INFLOWS OF RESOURCES:	
Unavailable revenue - property tax	<u>181,556</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>181,556</u>
FUND BALANCES:	
Committed for Debt Service	188,087
Committed for Stabilization / Contingency	303,945
Unassigned Fund Balance	<u>1,053,702</u>
Total fund balances	<u>1,545,734</u>
 TOTAL LIABILITIES DEFERRED INFLOWS AND FUND BALANCE	 <u><u>\$ 1,772,008</u></u>

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

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

Governmental fund balance as reported on the balance sheet for governmental funds.	\$ 1,545,734
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,156,241
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,291,012)
Interest on long-term debt is not accrued in the funds	(108,944)
Net pension liability is not accrued in the funds	164,843
Recognition of deferred property taxes as revenue increases net position.	181,556
Certain pension contributions and changes in the pension plan net position are reported as deferred outflows / inflows of resources in the Statement of Net Position, but are reported as in the governmental funds	<u>93,841</u>
Total net position as reported on the Statement of Net Position for Governmental Activities.	<u><u>\$ 3,742,259</u></u>

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

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

	Total Governmental Funds
	<u>General Fund</u>
REVENUES	
Property taxes, penalties and interest	\$ 2,579,221
Charges for services	25,823
Grant income	9,027
Other miscellaneous	64,641
Total revenue	<u>2,678,712</u>
EXPENDITURES:	
Current:	
Human resources	1,697,925
Supplies	360,947
Contract services	233,536
Debt service	111,220
Capital outlay	105,306
Total expenditures	<u>2,508,934</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>169,778</u>
OTHER FINANCING SOURCES (USES)	
Principal payments on loan	<u>(184,583)</u>
Total other financing sources and uses	<u>(184,583)</u>
NET CHANGE IN FUND BALANCES	(14,805)
FUND BALANCES - BEGINNING	<u>1,560,539</u>
FUND BALANCES - ENDING	<u>\$ 1,545,734</u>

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

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

Net change in fund balances - total governmental funds (Exhibit D) \$ (14,805)

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	\$ 105,306	
Depreciation	<u>(257,788)</u>	(152,482)

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.

Issuance of new debt	\$ -	
Principal payments on loan	<u>184,583</u>	184,583

Because some tax revenues will not be collected for several months after the District's fiscal year end, they are not considered "available" revenue and are deferred in the governmental funds. Deferred revenues increased by this amount in the current period. 25,842

Interest expense on long-term liabilities of governmental debt are not due and payable in the current period and accordingly are not reported as current period expenditures.

Accrued interest expense on long-term debt of the governmental activities is reported in the Statement of Activities.

Accrued interest on notes payable - prior year	\$ (115,259)	
Accrued interest on notes payable - current year	<u>108,944</u>	6,315

Certain pension contributions and changes in the pension plan net position are reported as deferred outflows in the government wide financial statements. Additional pension expense is reported in the government wide financial statements as the deferred outflows are amortized and the net pension liability changes from year to year

70,028

Change in net position of governmental activities (Exhibit B) \$ 119,481

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 Orange 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

Creation of the District – The Orange County Emergency Services District # 1 (District) was organized as provided by Article III, Section 48-e of the Texas Constitution and adopted by the voters at an election held May 1, 1993. The Orange County Emergency Services District # 1 began operations effective October 1, 1993. Chapter 775 of the *Health and Safety Code*, Texas Department of Health, authorizes the District to levy an ad valorem tax of up to ten (10) cents per \$100 valuation, thus providing increased funding to provide fire prevention and education, fire-fighting services and other emergency services to the western end of Orange County.

The District has adopted Governmental Accounting Standards Board Statement No. 14, “The Financial Reporting Entity.” In accordance with this statement, a financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The District is governed by a Board of Commissioners consisting of five individuals who are appointed by the Commissioner’s Court of Orange County. As required by generally accepted accounting principles, these financial statements present the activities of the District which is considered to be the primary government as well as the reporting entity. There are no other organizations which meet the criteria for inclusion herein as part of the financial reporting entity.

B. Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the nonfiduciary activities of the primary government and its component units. Because the District has only one fund, there is no interfund activity to be removed from these statements.

Government activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-like activities, which rely to a significant extent on fees and charges for funding. The District has no business-like activities.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

B. Government-wide Financial Statements Continued

Separate financial statements would be provided for governmental funds and proprietary funds; however the District has no proprietary funds. Because the District has only one fund, the general fund, there is only one column in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 within 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 end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenue include 1) operating grants and contributions, 2) capital grants and contributions, 3) charges for services, and 4) miscellaneous revenue such as hazmat revenue. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses or expenditures, as appropriate. The following funds and groups of accounts are used by the District:

Governmental Fund Types:

General Fund – The general fund is the general operating fund of the District. All financial resources, except those required to be accounted for in other funds, are accounted for in the general fund.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Account Groups:

General Fixed Assets (GFA) – The general fixed assets account group is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. No depreciation is recorded on general fixed assets.

General Long-term Debt – Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

E. Budgetary Data

The Fire Chief submits an annual budget to the Board of Commissioners. In August, the Board adopts the annual fiscal year budget for District operating funds. Once approved, the District’s Board may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenditures.

The budget for the operating funds is prepared on the cash receipts and expenditures-encumbrances basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued.

The combined statement of revenues, expenditures and changes in fund balance – budget and actual for the general fund – presents comparisons of legally adopted budgets with actual data on a budgetary basis. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. Unused appropriations for the budgeted fund lapse at the end of the year.

F. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year end.

G. Property Taxes Receivable

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

H. Capital Assets

Capital assets which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

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

<u>Assets</u>	<u>Years</u>
Buildings	20-75
Leasehold Improvements	20-75
Equipment	5-20

I. 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

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates based on management’s knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

K. Fund Equity

As of these financial statements, the District has adopted GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. In accordance with GASB Statement No. 54, fund balance classifications are recorded as follows:

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

When the government incurs expenditure for purposes for which various fund balance classifications can be used, it is the government’s policy to use restricted fund balance first, then assigned fund balance, then unassigned fund balance, and finally committed fund balance.

The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution and formal action of the Board. This is done through adoption and amendment of the budget.

The fund balance as of September 30, 2025 includes the following classifications:

Committed for Debt Service:	\$ 188,087
Committed to Stabilization / Contingency Fund	303,945
Unassigned	<u>1,053,702</u>
Total Fund Balance	<u>\$ 1,545,734</u>

NOTE 2: CASH AND INVESTMENTS

The District maintains cash accounts that are available for use by the general fund, the District’s only fund type. The District conducts all of its banking transaction with its depository bank, First Financial Bank, Vidor, Texas.

Deposits: At September 30, 2025, the carrying amount of the District’s deposits was \$1,166,369 and the bank balance was \$1,222,197. The entire carrying amount was covered by Federal Deposit Insurance or collateralized with securities. First Financial Bank fully collateralized any deposits in excess of FDIC insurance.

Cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 – Deposits are insured or collateralized with securities held by the entity or by its agent in the entity’s name.

Category 2 – Deposits which are collateralized with securities held by pledging financial institutions, trust departments, or agent in the entity’s name.

Category 3 – Deposits which are not collateralized.

Based on these three levels of risk, the District’s deposits are all classified as Category 1.

Investments: The District has no cash investments.

NOTE 3: PROPERTY TAXES

District property taxes are assessed by the Orange County Appraisal District as mandated in the State Property Tax Code.

ORANGE COUNTY EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 3: PROPERTY TAXES Continued

The District contracts with the Orange County Tax Assessor/Collector on an annual basis, from tax year to tax year, until either party makes a decision to terminate the collections contract, with written notice. The Orange County Tax Assessor/Collector transmits current and delinquent tax collections to the District periodically throughout each month, along with computerized statements detailing the transactions. They also furnish the District with a month end summary.

Property taxes are attached as an enforceable lien on the property as of January 1st. Taxes are levied on October 1st and payable by January 31st. Taxes paid after January 31st are subject to penalty and interest. Taxes are considered delinquent after June 30th and are subject to attorney fees in addition to penalty and interest. The District's taxes are billed and collected by the county. The District's property tax revenues are recognized as collected.

The effective tax rate \$.10000 per \$100 valuation for the tax year 2025 was approved by the Board of Commissioners.

An analysis of taxes receivable for the year ended September 30, 2025:

Taxes receivable – September 30, 2025	\$	812,247
Provision for uncollectible taxes		<u>(206,608)</u>
Net Taxes Receivable – September 30, 2025	\$	<u>605,639</u>

NOTE 4: CAPITAL ASSETS

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

Governmental Activities	Beginning	Current Year		Ending
	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Land	\$ 101,000	\$ -	\$ -	\$ 101,000
Total capital assets not being depreciated:	<u>101,000</u>	<u>-</u>	<u>-</u>	<u>101,000</u>
Capital assets being depreciated:				
Buildings	\$ 2,753,819	\$ 14,280	\$ -	\$ 2,768,099
Fire equipment and vehicles	4,019,303	91,026	-	4,110,329
Total capital assets being depreciated:	<u>6,773,122</u>	<u>105,306</u>	<u>-</u>	<u>6,878,428</u>
Less accumulated depreciation:				
Buildings	(902,074)	(55,876)	-	(957,950)
Fire equipment and vehicles	(1,663,325)	(201,912)	-	(1,865,237)
Total accumulated depreciation	<u>(2,565,399)</u>	<u>(257,788)</u>	<u>-</u>	<u>(2,823,187)</u>
Total capital assets being depreciated, net	<u>4,207,723</u>	<u>(152,482)</u>	<u>-</u>	<u>4,055,241</u>
Governmental activities capital assets, net	<u>\$ 4,308,723</u>	<u>\$ (152,482)</u>	<u>\$ -</u>	<u>\$ 4,156,241</u>

ORANGE COUNTY EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

NOTE 4: CAPITAL ASSETS, Continued

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

Fire and Emergency Services	\$ 257,788
Total Depreciation Expense - Governmental Activities	<u>\$ 257,788</u>

NOTE 5: LONG TERM DEBT

On October 10, 2007 the District issued two notes with the United States Department of Agriculture (USDA), note # 1 for \$200,000 and note # 2 for \$1,375,000, both with interest rates ranging from 4.25% to 4.50%. The loans were used in the construction of the new fire station which is located at 2351 State Highway No. 12 in Orange County, Texas.

On February 1, 2016, the District issued a note with Government Capital Corporation for \$479,467 with interest rate 2.984%. The loan was used in the purchase of a new Spartan ERV Rescue Pumper which is located at 2351 State Highway No. 12 in Orange County, Texas.

On August 3, 2021, the District issued a note with Government Capital Corporation for \$299,779 with interest rate 2.499%. The loan was used in the purchase of a new 300g Pierce Commercial Freightliner M2 which is located at 2351 State Highway No. 12 in Orange County, Texas.

On August 30, 2024, the District issued a note with Government Capital Corporation for \$900,000 with interest rate 5.494%. The loan was used in the purchase of a new Spartan S-180 Model 3116 Pumper with a Hale Pump which is located at 2351 State Highway No. 12 in Orange County, Texas.

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

	Beginning Balance	Additions	Retirements	Ending Balance
USDA Note # 1	155,831	-	4,445	151,386
USDA Note # 2	1,094,681	-	28,445	1,066,236
Government Capital Corporation	107,603	-	52,955	54,648
Government Capital Corporation	217,479	-	28,816	188,663
Government Capital Corporation	900,000	-	69,921	830,079
Totals	<u>\$ 2,475,594</u>	<u>\$ -</u>	<u>\$ 184,582</u>	<u>\$2,291,012</u>

NOTE 5: LONG TERM DEBT Continued

Annual requirements to maturity for the loans are as follows:

Year Ending September 30,	Principal	Interest	Total
2026	188,087	106,482	294,569
2027	140,982	98,658	239,640
2028	147,484	92,456	239,940
2029	154,305	85,336	239,641
2030	161,461	78,179	239,640
2031-2048	1,498,693	599,193	2,097,886
Total	<u>\$ 2,291,012</u>	<u>\$ 1,060,304</u>	<u>\$ 3,351,316</u>

NOTE 6: RISK MANAGEMENT

The District is exposed to various risks of losses related to theft of, damage to and destruction of fixed assets; error and omission; injuries to employees; and natural disasters. The District has obtained commercial insurance coverage for these risks and provided various employee education and prevention programs.

NOTE 7: GRANT AND CONTRIBUTION REVENUE

For the year ended September 30, 2025, the District received the following grants:

Texas Forest Service	\$ 9,026
Total Grants	<u>\$ 9,026</u>

NOTE 8: PENSION LIABILITY

Plan Description: The District participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.

Description of benefit terms: All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership. The plan provides retirement, disability and survivor benefits. TCDRS is a savings-based plan. For the district's plan 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 200%) and is then converted to an annuity. There are no automatic COLAs. Each year, the district may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation. Benefit terms are established under the TCDRS Act. They may be amended as of Jan. 1 each year, but must remain in conformity with the Act.

Contribution Rate: The district's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Orange County Emergency Services District # 1 contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the district and are currently 7%.

NOTE 8: PENSION LIABILITY Continued

Actuarial Assumptions – All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2024 funding valuation, except as noted below and throughout this report. :

Valuation Date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates (Dec. 31, 2022 valuation for 2024 contributions):

Actuarial Cost Method Entry Age (level percentage of pay)

Amortization Method Level percentage of payroll, closed

Remaining Amortization Period 0.0 years (based on contribution rate calculated in 12/31/2024 valuation)

Asset Valuation Method 5-year smoothed market

Inflation 2.50%

Salary Increases Varies by age and service. 4.7% average over career including inflation.

Investment Rate of Return 7.50%, net of administrative and investment expenses, including inflation

Retirement Age Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.

Mortality 135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*
 2015: New inflation, mortality and other assumptions were reflected.
 2017: New mortality assumptions were reflected
 2019: New inflation, mortality and other assumptions were reflected
 2022: New investment return and inflation assumptions were reflected.

Changes in Plan Provisions Reflected in the Schedule of Employer Contributions (1)
 2015: Employer contributions reflect that the member contribution rate was increased to 7% and the current service matching rate was increased to 200% for future benefits.
 2016: No changes in plan provisions were reflected for benefits earned after 2017.
 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.
 2018: No changes in plan provisions were reflected in the Schedule.
 2019: No changes in plan provisions were reflected in the Schedule.
 2020: No changes in plan provisions were reflected in the schedule.

NOTE 8: PENSION LIABILITY Continued

2021: No changes in plan provisions were reflected in the schedule.

2022: No changes in plan provisions were reflected in the schedule.

2023: No changes in plan provisions were reflected in the schedule.

2024: No changes in plan provisions were reflected in the schedule.

(1) Only changes effective 2015 and later are shown in the Notes to Schedule.

Long-term expected rate of return – The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater, LLC. The numbers shown are based on January 2024 information for a 10-year horizon.

Note that the valuation assumption for a long-term expected return is re-assessed in detail at a minimum of every four years and is set based on a long-term horizon; the TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

NOTE 8: PENSION LIABILITY Continued

Asset Class	Benchmark	Target ⁽¹⁾ Allocation	Geometric Real Rate of Return (Expected minus Inflationary) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	13.00%	5.35%
Global Equities	MSCI World (net) index	4.00%	5.15%
International Equities	50% MSCI World Ex USA (net) Index	6.00%	4.75%
- Developed			
International Equities	50% MSCI Emerging Markets (net) Index	0.00%	4.75%
- Emerging			
Investment-Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.55%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	3.70%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD	16.00%	6.85%
Distressed Debt	Cambridge Assicoates Distressed Securities Index ⁽⁴⁾	4.00%	6.80%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.95%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	4.95%
Commodities	Bloombert Commodities Index	2.00%	1.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	5.75%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (5)	25.00%	8.15%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	3.60%
Cash Equivalents	90-Day U.S. Treasury	2.00%	1.10%

⁽¹⁾ Target asset allocation adopted at the March 2024 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return in addition to assumed inflation of 2.2% per Cliffwater's 2024 capital market assumptions.

⁽³⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

NOTE 8: PENSION LIABILITY Continued

Discount Rate Used – The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan’s fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1) calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan’s fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments.

The funding requirements under the employer’s funding policy and the legal requirements under the TCDRS Act are such that depletion is not projected to occur. This is illustrated in the District’s Milliman GASB 68 Report under the exhibit “Projection of Fiduciary Net Position,” found on pages 7-9.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. For GASB 68 this long-term assumed rate of return is net of investment expenses, but gross of administrative expenses. Therefore, we have used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Sensitivity Analysis: The following presents the net pension liability of the employer, calculated using the discount rate of 7.60%, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Total pension liability	\$ 1,389,527	\$ 1,186,052	\$ 1,019,766
Fiduciary net position	1,350,895	1,350,895	1,350,895
Net pension liability / (Asset)	\$ 38,632	\$ (164,843)	\$ (331,129)

NOTE 8: PENSION LIABILITY Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2025, the District reported a liability / (asset) of \$(164,843) for its net pension liability / (asset). The net pension liability was measured as of December 31, 2024. The total pension liability / (asset) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024.

Changes in Net Pension Liability / (Asset)

Changes in Net Pension Liability / Asset	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2023	\$ 997,131	\$ 1,120,541	\$ (123,410)
Changes for the year:			-
Service Cost	85,092		85,092
(1) Interest on total pension liability	81,846		81,846
(2) Effect of plan changes	-		-
Effect of economic/demographic gains or losses	32,773		32,773
Effect of assumptions changes or inputs	-		-
Refund of contributions	-	-	-
Benefit payments	(10,791)	(10,791)	-
Administrative expenses		(735)	735
Member contributions		58,533	(58,533)
Net investment income		116,514	(116,514)
Employer contributions		60,540	(60,540)
(3) Other	-	6,291	(6,291)
Balances as of December 31, 2024	\$ 1,186,050	\$ 1,350,893	\$ (164,843)

(1) Reflects the change in the liability due to the time value of money. TCDRS does not change fees or interest.

(2) No plan changes valued.

(3) Relates to allocation of system-wide items.

NOTE 8: PENSION LIABILITY Continued

Pension Expense / (Income)

Pension Expense / (Income)	January 1, 2024 to December 31, 2024
Service Cost	\$ 85,092
Interest on total pension liability (1)	81,846
Effect of plan changes	-
Administrative expenses	735
Member contributions	(58,533)
Expected investment return net of investment expenses	(89,408)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(6,936)
Recognition of assumption changes or inputs	11,892
Recognition of investment gains or losses	(10,069)
Other (2)	(6,291)
Pension Expense / (income)	<u>\$ 8,328</u>

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) Relates to allocation of system-wide items.

Deferred Inflows / Outflows of Resources:

As of December 31, 2024, the deferred inflows and outflows of resources are as follows:

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 4,877	\$ 50,724
Change of assumptions	-	-
Net difference between projected and actual earnings	8,728	-
Contributions made subsequent to measurement date	N/A	54,531

NOTE 8: PENSION LIABILITY Continued

Amounts reported as deferred outflows of resources and relate to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:		
2025	\$	(530)
2026		27,626
2027		116
2028		4,444
2029		5,463
Thereafter ⁽⁴⁾		0

(3) Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year end should be reflected as outlined in Appendix D of the GASB 68 report.

(4) Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

NOTE 9: OTHER INFORMATION

A. Subsequent Events

The Orange County Emergency Services District # 1 has evaluated subsequent events March 23, 2026, the date on which the financial statements were available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes, penalties and interest	\$ 2,425,091	\$ 2,425,091	\$ 2,579,221	\$ 154,130
Charges for services	9,700	9,700	25,823	16,123
Grant income	-	-	9,027	9,027
Other miscellaneous	100	100	64,641	64,541
Total revenue	<u>2,434,891</u>	<u>2,434,891</u>	<u>2,678,712</u>	<u>243,821</u>
EXPENDITURES				
Human resources	1,597,606	1,597,606	1,697,925	(100,319)
Supplies	348,562	348,562	360,947	(12,385)
Contract services	212,200	212,200	233,536	(21,336)
Capital acquisitions	-	-	105,306	(105,306)
Debt service	276,523	276,523	111,220	165,303
Total expenditures	<u>2,434,891</u>	<u>2,434,891</u>	<u>2,508,934</u>	<u>(74,043)</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>169,778</u>	<u>169,778</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from loan	-	-	-	-
Principal payments on loan	-	-	(184,583)	(184,583)
Sale of general capital assets	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(184,583)</u>	<u>(184,583)</u>
NET CHANGE IN FUND BALANCES	-	-	(14,805)	(14,805)
FUND BALANCES AT BEGINNING OF YEAR	<u>1,560,539</u>	<u>1,560,539</u>	<u>1,560,539</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,560,539</u>	<u>\$ 1,560,539</u>	<u>\$ 1,545,734</u>	<u>\$ (14,805)</u>

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

ORANGE COUNTY EMERGENCY SERVICES DISTRICT NO. 1
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	\$ 85,092	\$ 52,618	\$ 50,132	\$ 52,092	\$ 42,861	\$ 42,464	\$ 39,628	\$ 37,867	\$ 35,350	\$ 31,793
Interest on total pension liability	81,846	69,458	62,914	61,307	52,243	48,677	42,877	36,039	38,147	35,519
Effect of plan changes	-	-	-	-	-	-	-	-	-	(9,119)
Effect of assumption changes or inputs	-	-	-	2,849	55,895	-	-	986	-	1,994
Effect of economic.demographic (gains) or losses	32,773	26,429	11,587	(61,974)	8,176	(34,145)	(633)	16,600	(83,601)	253
Benefit payments.refunds of contributions	(10,791)	(24,901)	(56,536)	(6,708)	(6,708)	(19,772)	(6,708)	(10,867)	(61,069)	(6,455)
Net change in total pension liability	188,920	123,604	68,097	47,566	152,467	37,224	75,164	80,625	(71,173)	53,985
Total pension liability, beginning	997,131	873,528	805,431	757,866	605,400	568,176	493,012	412,387	483,560	429,574
Total pension liability, ending (a)	\$1,186,050	\$ 997,131	\$ 873,528	\$ 805,432	\$ 757,867	\$ 605,400	\$ 568,176	\$ 493,012	\$ 412,387	\$ 483,559
Fiduciary Net Position										
Employer contributions	60,540	35,961	39,983	22,749	27,339	17,555	18,405	26,523	24,933	22,067
Member contributions	58,533	36,472	31,029	25,038	27,496	19,052	20,193	21,998	19,655	17,394
Investment income net of investment expens	116,514	106,457	(60,320)	177,841	69,295	92,070	(9,666)	63,978	31,073	(1,240)
Benefit payments.refunds of contributions	(10,791)	(24,901)	(56,536)	(6,708)	(6,708)	(19,772)	(6,708)	(10,867)	(61,069)	(6,455)
Administrative expenses	(735)	(585)	(565)	(545)	(577)	(510)	(450)	(358)	(388)	(290)
Other	6,291	2,756	2,881	1,381	1,491	670	1,004	532	3,854	1,870
Net change in fiduciary net position	230,352	156,160	(43,528)	219,756	118,336	109,065	22,778	101,806	18,058	33,346
Fiduciary net position, beginning	1,120,543	964,383	1,007,911	788,156	669,820	560,755	537,978	436,173	418,065	384,718
Fiduciary net position, ending (b)	\$1,350,895	\$ 1,120,543	\$ 964,383	#####	\$ 788,156	\$ 669,820	\$ 560,755	\$ 537,978	\$ 436,173	\$ 418,065
Net pension liability / (asset), ending = (a) - (b)	\$ (164,843)	\$ (123,412)	\$ (90,855)	\$ (202,480)	\$ (30,290)	\$ (64,420)	\$ 7,421	\$ (44,965)	\$ (23,786)	\$ 65,495
Fiduciary net position as a % of total pension liability	113.90%	112.38%	125.14%	125.14%	104.00%	110.64%	98.69%	109.12%	105.77%	86.46%
Pensionable covered payroll	\$ 836,186	\$ 521,034	\$ 357,691	\$ 357,691	\$ 392,802	\$ 272,177	\$ 288,475	\$ 314,251	\$ 248,491	\$ 248,491
Net pension liability as a % of covered payroll	-19.71%	-23.69%	-20.50%	-56.61%	-7.71%	-23.67%	2.57%	-14.31%	-9.57%	26.36%

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

ORANGE COUNTY EMERGENCY SERVICES DISTRICT NO. 1
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

Schedule of Employer Contributions

Year Ending December 31	Actuarially Determined Contribution (a)	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll (b)	Actual Contribution as a % of Covered Payroll
2015	22,067	22,067	0	248,491	8.9%
2016	24,933	24,933	0	280,779	8.9%
2017	26,523	26,523	0	314,251	8.4%
2018	18,405	18,405	0	288,475	6.4%
2019	17,555	17,555	0	272,177	6.4%
2020	27,339	27,339	0	392,802	7.0%
2021	22,749	22,749	0	357,691	6.4%
2022	39,983	39,983	0	443,268	9.0%
2023	35,951	35,951	0	521,034	6.9%
2024	60,540	60,540	0	836,186	7.2%

(a) *TCDRS calculates actuarially determined contribution on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.*

(b) *Payroll is calculated based on contributions as reported to TCDRS.*

COMPLIANCE SECTION



March 23, 2026

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
Orange County Emergency Services District No. 1
Orange 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 Orange County Emergency Services District No. 1 (District), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 23, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Orange 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Marino CPA Firm, LLC
Beaumont, TX
March 23, 2026