

As management of the Caldwell Hays Emergency Services District #1 (the District), we are pleased to offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the year ended September 30, 2015. We encourage readers to consider it in conjunction with the additional information presented in the accompanying basic financial statements and the notes to the financial statements.

Financial Statements

- The District's ad valorem tax rate remained at \$.10 per \$100 of assessed valuation for the fiscal year ended September 30, 2015. The statutory limit, as established by the State of Texas constitution, is \$.10 per \$100 of assessed valuation.
- During the year, the District had expenses, including loss on the disposal of assets, of \$386,942 compared to total revenues of \$497,370 resulting in change in net position of \$110,428 for the year ended September 30, 2015.
- The District's expenses under its contract with Chisholm Trail Fire Rescue (TCFR) were \$172,600.
- The District's cash and investments were \$351,213 for the fiscal year.
- Net Investment of Capital Assets increased by \$214, primarily as a result of paying down debt through normal annual debt payments during the fiscal year.

Using this Annual Report

This annual report presents the following three components of the financial statements:

1. Government-wide financial statements provide information for the District as a whole.
2. Fund financial statements provide detailed information for the District's significant funds.
3. Notes to the financial statements provide additional information that is essential to understanding the government-wide and fund financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. This information includes a management's discussion and analysis as well as a budgetary comparison schedule.

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.

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The *Statement of Net Position* presents information on all of the assets and liabilities of the District. The difference between assets and liabilities is reported as net position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information on how the District's net position changed during the most recent fiscal year. This statement is presented using the accrual basis of accounting, which means that all of the current year revenues and expenses are taken into account regardless of when the cash is received or paid.

Both the Statement of Net Position and the Statement of Activities present information for the following:

- Government activities – This includes all of the District's emergency protection services which are primarily supported by property taxes.

The government-wide financial statements begin on page 9. The following is a summary of net position as of September 30, 2014, and 2015.

**Table 1
Net Position**

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2015</u>
Current Assets	\$ 269,256	\$ 407,274
Other Assets	18,732	16,031
Capital Assets, Net	<u>656,022</u>	<u>606,926</u>
Total Assets	\$ <u>944,010</u>	\$ <u>1,030,231</u>
Current Liabilities	\$ 64,448	\$ 91,738
Long-term Liabilities	<u>259,039</u>	<u>207,541</u>
Total Liabilities	\$ <u>323,487</u>	\$ <u>299,279</u>
Net Position:		
Net Investment in Capital Assets	\$ 348,234	\$ 348,020
Unrestricted	<u>272,289</u>	<u>382,932</u>
Total Net Position	\$ <u>620,523</u>	\$ <u>730,952</u>

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The following table is a summary of changes in net position for the years ended September 30, 2014, and 2015.

**Table 2
Changes in Net Position**

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2015</u>
Revenues		
Property Taxes	\$ 322,813	\$ 383,844
Penalties & Interest	9,573	7,617
Sales Tax	107,113	101,947
Interest	793	2,966
Miscellaneous	<u>63</u>	<u>966</u>
Total Revenues	\$ 440,355	\$ 497,370
Expenses:		
General Government	\$ <u>286,448</u>	\$ <u>381,859</u>
Total Expense	\$ <u>286,448</u>	\$ <u>381,859</u>
Loss on Disposal of Assets	\$ <u>-0-</u>	\$ <u>(5,083)</u>
Change In Net Position	\$ 153,907	\$ 110,428
Net Position – Beginning of Year	<u>466,617</u>	<u>620,524</u>
Net Position – Ending of Year	\$ <u>620,524</u>	\$ <u>730,952</u>

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 objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements provide detailed information about the District's significant funds – not the District as a whole. The District's funds fall into one category – 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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The *governmental funds statements* provide a detailed short-term view of the government operations and the basic services it provided, and are reported on the modified accrual basis of accounting which focuses on available spendable resources. This allows the reader to evaluate the District's short-term financing requirements. Both the governmental fund *Balance Sheet* and the governmental fund *Statement of Revenues, Expenditures, and Changes in Fund Balances* provide a reconciliation to the government-wide financial statements.

The District adopts an annual budget for the general fund. A budgetary comparison statement has been provided to demonstrate compliance. The governmental fund financial statements begin on page 9, and the budgetary comparison schedule is on page 23.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11 through 21 of this report.

General Fund Budgetary Highlights

The budgeted revenues were \$83,910 more than actual revenues and budgeted expenses were \$40,659 more than actual expenses for the year ended September 30, 2015.

Actual results for expenditures were 9.49% less than budgeted expenditures, while the District's overall actual revenue was 20.39% more than budgeted.

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Capital Assets

The District's investment in capital assets for its governmental activities as of September 30, 2015, amounts to \$606,926 (net of accumulated depreciation). This investment in capital assets includes vehicles, machinery and equipment, buildings, and land.

**Capital Assets
Governmental Activities**

	<u>9/30/14</u>	<u>9/30/15</u>
Buildings	\$ 234,529	\$ 234,529
Vehicles	\$ 832,172	838,672
Furniture & Equipment	129,735	86,276
Land	<u>53,220</u>	<u>53,220</u>
Total	\$ <u>1,249,656</u>	\$ <u>1,212,697</u>

Additional information on the District's capital assets can be found in Note 4 on page 17 of this report.

Debt Administration

As of September 30, 2014, and September 30, 2015, the District was obligated on the following debt:

Outstanding Debt at Year End

	<u>9/30/14</u>	<u>9/30/15</u>
	Total	Total
Capital Lease Obligation	\$ <u>307,788</u>	\$ <u>258,906</u>
Total	\$ 307,788	\$ 258,906

The District incurred \$14,902 in interest expense as of September 30, 2015.

Additional information on the District's non-current liabilities can be found in Note 5 on page 18 of this report.

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Economic Factors and Next Year's Budgets and Rates

The District's elected and appointed officials considered many factors when setting the fiscal year 2015 budget and tax rates. One of those factors is the economy and estimated needs to operate the District in the coming year.

This part of the county continues to grow, which provides some property tax revenue growth to offset inflationary trends in operating costs. As with many local government entities, the growth provides funding to help offset inflationary trends with existing programs, but it often leaves little funds available for new or enhanced programs or services.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives from the citizens of the Caldwell Hays Emergency Services District #1. If you have any questions about this report or need further information, contact:

Caldwell Hays Emergency Services District #1
James Clendennen, Treasurer
8809 Niederwald Strasse
Niederwald, Texas 78640

CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1
 GOVERNMENTAL FUND BALANCE SHEET AND
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2015

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	General Fund	Adjustments (Note 9)	Statement of Net Position
ASSETS			
Cash	\$ 351,213	\$ -	\$ 351,213
Property Taxes Receivable	48,930	-	48,930
Due from Other Governments	7,131	-	7,131
Other Asset	16,031	-	16,031
Prepaid Expenses	-	-	-
Capital Assets (net of accumulated depreciation)	-	606,926	606,926
TOTAL ASSETS	\$ 423,305	\$ 606,926	\$ 1,030,231
DEFERRED OUTFLOWS OF RESOURCES		\$ -	\$ -
LIABILITIES			
Accounts Payable	\$ 31,279	\$ -	\$ 31,279
Accrued Interest Payable	-	9,094	9,094
Deferred Revenues	48,930	(48,930)	-
Long Term Liabilities - Due within one year	-	51,365	51,365
Long Term Liabilities - Due after one year	-	207,541	207,541
TOTAL LIABILITIES	\$ 80,209	\$ 219,070	\$ 299,279
DEFERRED INFLOWS OF RESOURCES		\$ -	\$ -
FUND BALANCES/NET POSITION			
Fund balances:			
Non-Spendable	-	-	-
Spendable	-	-	-
Unassigned	343,096	(343,096)	-
Total fund balances	343,096	(343,096)	-
Total liabilities and fund balances	\$ 423,305	\$ -	\$ -
Net Position:			
Net investment in capital assets		348,020	348,020
Unrestricted		382,932	382,932
Restricted		-	-
Total net position		\$ 730,952	\$ 730,952

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See Accompanying Notes to the Financial Statements

CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING SEPTEMBER 30, 2015

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	General Fund	Adjustments (Note 9)	Statement of Activities
EXPENDITURES/EXPENSES			
VFD Contract	172,600	-	172,600
Special Projects	17,420	-	17,420
Computer Expense	1,303	-	1,303
Repairs/Maintenance	23,309	-	23,309
Conference	2,305	-	2,305
Professional Fees	27,199	-	27,199
Utilities	12,280	-	12,280
Election Expense	11,957	-	11,957
Office Supplies	88	-	88
Appraisal District & Tax Collector Fees	8,752	-	8,752
Miscellaneous	1,751	-	1,751
Capital Outlay	43,980	(43,980)	-
Depreciation	-	87,993	87,993
Debt Service:			-
Principal	48,883	(48,883)	-
Interest	16,219	(1,317)	14,902
Total expenditures/expenses	\$ 388,046	\$ (6,187)	\$ 381,859
PROGRAM REVENUES			
Grants/Contributions	-	-	-
Net program expense			381,859
GENERAL REVENUES			
Ad valorem taxes	381,810	2,034	383,844
Penalties and Interest	7,617	-	7,617
Sales Tax	101,947	-	101,947
Interest income	2,966	-	2,966
Miscellaneous	996	-	996
Total general revenues	\$ 495,336	\$ 2,034	\$ 497,370
Excess (Deficiency) of revenues over expenditures	\$ 107,290	\$ -	\$ -
OTHER FINANCING SOURCES/(USES):			
Loss on disposal of assets	-	(5,083)	(5,083)
Total Other Financing Sources/(Uses):	-	(5,083)	(5,083)
Net Change in Fund Balance	107,290	(107,290)	-
Change in Net Position	-	\$ 110,428	\$ 110,428
Fund Balance/Net Position			
Beginning of the year	235,806	268,292	620,524
End of the year	\$ 343,096	\$ 387,856	\$ 730,952

See Accompanying Notes to the Financial Statements

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CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. More significant of these accounting policies are described below.

REPORTING ENTITY

The Caldwell Hays Emergency Services District No.1 (the District) was created in August 2007 to protect life and health and promote the public safety, welfare, health, and convenience of person residing and property located within their district. The District contracts with and disburses funds to Chisholm Trail Fire Rescue and monitors their expenditures.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit with the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations 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. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third 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 government is able to exercise oversight responsibilities. Based upon the application of these criteria, no potential component units appear to exist.

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CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF PRESENTATION

Basic Financial Statements

GASB sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses or either fund category or governmental and enterprise combined. Due to the fund structure of the District, all funds have been classified as major funds. As a part of this Statement, there is a reporting requirement regarding the local government's infrastructure (road, bridges, etc.) The District does not own any infrastructure assets and therefore is unaffected by this requirement.

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The reporting model focus is on either the District as a whole or major individual funds (within the fund financial statements). In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The District does not have any business-type activities.

The government-wide Statement of Activities reflects both the gross and net cost per functional category which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. However, the District does not have any program revenues for this fiscal period.

The net cost by function is normally covered by general revenues (intergovernmental revenues, interest income, etc). The District does not currently employ indirect cost allocation systems.

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the District's actual experience conforms to the budget or fiscal plan.

GASB provides that for governments engaged in a single governmental program, the fund financial statements and the government-wide statements may be combined. The District presents the general fund in the first column. The next column is an adjustments column. It reconciles the amounts reported in the governmental funds to show how each would change

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CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

when reported on the full-accrual basis of accounting. The last column of these combination statements shows the amounts that normally would appear in the government-wide statements.

Expenses are reported by category, rather than by function since the District has only one function – providing emergency services to the residents of the District.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented on an accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers all revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

In applying the “susceptible to accrual” concept to intergovernmental revenues, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

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CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUDGETS

The District follows these procedures in establishing the budget reflected in the financial statements:

1. Prior to the beginning of each fiscal year, the District prepares a budget. The operating budget includes proposed expenditures and the means of financing those expenditures and is prepared in accordance with the basis of accounting utilized by that fund.
2. Public meetings are conducted at which all interested persons' comments concerning the budget are heard. After such meetings, the Board of Commissioners formally adopts the budget through passage of a motion in a public meeting.
3. The District amends the budget throughout the year approving such additional expenses. The original and final amended budgets are used in presenting the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.
4. All annual appropriations lapse at fiscal year end.

The General Fund did have expenditures in excess of appropriations, however, prior years accumulated fund balances were sufficient to offset the current year excess.

CAPITAL ASSETS

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The range of estimated useful lives by type of asset is as follows:

Vehicles	5-10 years
Other Equipment	5-20 years

The District does not own any infrastructure assets.

EQUITY CLASSIFICATIONS

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net Investment in capital assets— Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other government; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “investment in capital assets.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable or spendable with spendable being further classified into restricted, committed, assigned or unassigned.

RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District purchases its insurance from regular commercial companies. As of September 30, 2015, no claims or losses have been incurred that were not covered by insurance. There is no liability due to any claim or suit having ever been filed.

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the period. Operating results in the future could vary from the amounts derived from management's estimates.

NOTE 2: PROPERTY TAXES

The District's boundaries extend into 2 counties (Caldwell and Hays). 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. The District's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. An enforceable lien is attached to the property as of January 1. The assessed value of the roll as of January 1, 2014, upon which the 2014 levy was based, was \$380,085,183 as certified by the Caldwell and Hays County Central Appraisal Districts.

Taxes are due by January 31 following the October 1 levy date. The total 2014 levy was \$380,085 (Caldwell and Hays) and the tax rate was \$ 0.10 per \$100 assessed valuation. Property taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

NOTE 3: DEPOSITS, SECURITIES AND INVESTMENTS

As of September 30, 2015, cash deposits were with 2 different depository banks in interest bearing accounts, and these balances approximated fair value. As of the balance sheet date, the District's deposits totaled \$351,213 and the bank balance was \$404,844.

At September 30, 2015, all of the District's balances were insured by FDIC insurance coverage.

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CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

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NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, was as follows:

	Balance 09/30/2014	Additions/ Completions	Retirements/ Adjustments	Balance 09/30/2015
Governmental Activities:				
Capital assets not being depreciated:				
Land	53,220	-	-	53,220
Total capital assets not being depreciated	53,220	-	-	53,220
Capital assets, being depreciated				
Vehicles	832,172	6,500	-	838,672
Equipment	129,735	37,480	(80,939)	86,276
Buildings and Structures	234,529	-	-	234,529
Construction-in-Progress	-	-	-	-
Total capital assets being depreciated	1,196,436	43,980	(80,939)	1,159,477
Less accumulated depreciation for:				
Vehicles	445,516	65,532	-	511,048
Equipment	107,087	16,167	(75,856)	47,398
Buildings and Structures	41,031	6,294	-	47,325
Total accumulated depreciation	593,634	87,993	(75,856)	605,771
Total capital assets, being depreciated, net	602,802	(44,013)	(5,083)	553,706
Governmental activities capital assets, net	656,022	(44,013)	(5,083)	606,926

Current year depreciation expense was \$87,993.

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CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

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NOTE 5: LIABILITIES

Transactions for the year ended September 30, 2015, are summarized as follows:

Lender	Description	Amount of Original Issue	Maturity Date	Interest Rate	Balance 9/30/2014	Additions	Retirements	Balance 9/30/2015
Government Capital Corp	Vehicles	343,500	2/15/2019	5.598%	191,459	-	34,511	156,948
Government Capital Corp	Pumper	159,180	3/1/2021	4.806%	116,329	-	14,372	101,958
Totals					307,788	-	48,883	258,906

Annual Payments required to amortize all long-term debt outstanding as of September 30, 2015, including interest payments, are as follows:

<u>Year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	51,365	13,737	65,102
2017	54,121	10,981	65,102
2018	57,025	8,076	65,101
2019	60,087	5,015	65,102
2020	18,174	1,789	19,963
Thereafter	18,134	915	19,049
	<u>\$ 258,906</u>	<u>\$40,513</u>	<u>\$ 299,419</u>

NOTE 6: COMMITMENTS

Amounts to be paid to the Volunteer Fire Department shall be distributed 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. In addition, the District provides equipment that it owns for the Volunteer Fire Department's use. Total payments made to the VFD for the year were \$172,600.

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CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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NOTE 7: DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through the date the financial statements were available to be issued.

NOTE 8: FUND BALANCE CLASSIFICATION

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Non-spendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board or Board designee that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as non-spendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balance is included in the Governmental Fund Balance Sheet on page 9.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board.

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 as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

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CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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NOTE 8: FUND BALANCE CLASSIFICATION (continued)

As of September 30, 2015, the District has not adopted a minimum fund balance policy.

**NOTE 9: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
AND GOVERNMENT-WIDE STATEMENTS**

Differences between the Governmental Fund Balance Sheet and the Statement of Net Position:

The differences (as reflected in the adjustments column) primarily result from the long-term economic resources focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheet.

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the District as a whole.

Cost of capital assets	\$ 1,212,697
Accumulated Depreciation	(605,771)
	<u>\$ 606,926</u>

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Accrued interest payable	\$ 9,094
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Taxes receivable are offset by deferred revenues in the governmental funds and thus are not included in fund balance.

Deferred revenue	\$ (48,930)
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Long-term liabilities applicable to the district's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities – both current and long-term—are reported in the statement of net assets.

Due within one year	\$ 51,365
Due after one year	207,541

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CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

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**NOTE 9: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
 AND GOVERNMENT-WIDE STATEMENTS (continued)**

Differences between the Governmental Fund Operating Statement and the Statement of Net Activities:

The differences (as reflected in the adjustments column) arise primarily from the long-term economic resources focus of the statement of activities versus the current financial resources focus of the governmental funds.

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	\$ (43,980)
Depreciation Expense	87,993

Repayment of capital lease obligations is reported as an expenditure in governmental funds. For the district as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.

Payment of Principal	\$ (48,883)
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Interest expense in the statement of activities differs from the amount reported in governmental funds because additional accrued interest was calculated for capital lease obligations.

Change in accrued interest payable	(1,317)
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Because some property taxes will not be collected for several months after the district's year end, they are not considered as "available" revenues in the governmental funds.

Adjustment for property taxes collected after year-end	\$ 2,034
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In the statement of activities, only the loss on the disposal of equipment is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the equipment less any accumulated depreciation.

Loss from disposal of assets	\$ 5,083
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CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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NOTE 10: OTHER ASSET

The District had reported, in prior years, an asset for a fraud-related crime with respect to District's funds. The District was awarded restitution for \$20,000, a total of \$2,701 was collected in the current year, leaving a balance of \$16,031.

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Required Supplemental Information

CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
BUDGET TO ACTUAL COMPARISON - GENERAL FUND
FOR THE YEAR ENDING SEPTEMBER 30, 2015

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	Budget		Actual Amounts	Variance
	Original	Final		
GENERAL REVENUES				
Ad Valorem Taxes	\$ 366,766	\$ 366,766	\$ 381,810	15,044
Penalty & Interest	-	-	7,617	7,617
Sales Tax	42,000	42,000	101,947	59,947
Interest Income	660	660	2,966	2,306
Miscellaneous	2,000	2,000	996	(1,004)
Total General Revenues	\$ 411,426	\$ 411,426	\$ 495,336	83,910
EXPENDITURES/EXPENSES				
VFD Contract	\$ 172,600	\$ 177,600	\$ 172,600	5,000
Special Projects	-	-	17,420	(17,420)
Computer Expense	1,440	1,440	1,303	137
Professional Fees	27,963	27,963	27,199	764
Utilities	12,000	12,000	12,280	(280)
Conference	2,500	2,500	2,305	195
Office Supplies	600	600	88	512
Operating Expense	1,018	1,018	-	1,018
Appraisal District & Tax Collector Fees	8,850	8,850	8,752	98
Miscellaneous	2,132	2,132	1,751	381
Repair	44,000	49,000	23,309	25,691
Election Expense	27,000	27,000	11,957	15,043
Capital Outlay	31,500	53,500	43,980	9,520
Debt Service:				-
Principal	65,102	65,102	48,883	16,219
Interest	-	-	16,219	(16,219)
Total expenditures/expenses	\$ 396,705	\$ 428,705	\$ 388,046	40,659
Excess (Deficiency) of revenues over expenditure	14,721	(17,279)	107,290	124,569
OTHER FINANCING SOURCES/(USES):				
Financing Proceeds	-	-	-	-
Total Other Financing Sources/(Uses):	-	-	-	-
Fund Balance Beginning of the year			235,806	
End of the year			\$ 343,096	

See Accompanying Notes to the Financial Statements