

**Caldwell Hays  
Emergency Services District No. 1  
Financial Statements  
September 30, 2016**

**Caldwell Hays Emergency Services District No. 1  
For the Year Ending September 30, 2016**

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# *Medack & Oltmann, LLP*

Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Caldwell Hays Emergency Services District No. 1

We have audited the accompanying financial statements of the governmental activities, and each major fund, of Caldwell Hays Emergency Services District No. 1, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of Caldwell Hays Emergency Services District No. 1, as of September 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

*Accounting* principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Medack & Oltmann LLP*

Medack & Oltmann, LLP  
February 21, 2017  
Giddings, Texas

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, 2016. 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, 2016. 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, of \$519,165 compared to total revenues of \$619,856 resulting in change in net position of \$100,691 for the year ended September 30, 2016.
- The District's expenses under its contract with Chisholm Trail Fire Rescue (TCFR) were \$197,650.
- The District's cash and investments were \$285,232 for the fiscal year.
- Net Investment of Capital Assets increased by \$133,873, 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.

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, 2016, and 2015.

**Table 1  
Net Position**

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Current Assets	\$ 355,518	\$ 407,274
Other Assets	13,350	16,031
Capital Assets, Net	<u>912,155</u>	<u>606,926</u>
Total Assets	\$ <u>1,281,023</u>	\$ <u>1,030,231</u>
Current Liabilities	\$ 94,826	\$ 91,738
Long-term Liabilities	<u>354,554</u>	<u>207,541</u>
Total Liabilities	\$ <u>449,380</u>	\$ <u>299,279</u>
 Net Position:		
Net Investment in Capital Assets	\$ 481,893	\$ 348,020
Unrestricted	<u>349,750</u>	<u>382,932</u>
Total Net Position	\$ <u>831,643</u>	\$ <u>730,952</u>

The following table is a summary of changes in net position for the years ended September 30, 2016, and 2015.

**Table 2  
Changes in Net Position**

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Revenues		
Property Taxes	\$ 420,302	\$ 383,844
Penalties & Interest	7,849	7,617
Sales Tax	187,268	101,947
Interest	3,392	2,966
Miscellaneous	<u>1,045</u>	<u>966</u>
Total Revenues	\$ 619,856	\$ 497,370
Expenses:		
General Government	\$ 519,165	\$ 381,859
Total Expense	\$ <u>519,165</u>	\$ <u>381,859</u>
Loss on Disposal of Assets	\$ <u>-0-</u>	\$ <u>(5,083)</u>
Change In Net Position	\$ 100,691	\$ 110,428
Net Position -- Beginning of Year	<u>730,952</u>	<u>620,524</u>
Net Position -- Ending of Year	\$ <u>831,643</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 22 of this report.

### **General Fund Budgetary Highlights**

The budgeted revenues were \$84,237 less than actual revenues and budgeted expenses were \$65,216 more than actual expenses for the year ended September 30, 2016.

Actual results for expenditures were 6.76% more than budgeted expenditures, while the District's overall actual revenue was 15.78% more than budgeted.



**Capital Assets**

The District's investment in capital assets for its governmental activities as of September 30, 2016, amounts to \$912,155 (net of accumulated depreciation). This investment in capital assets includes vehicles, machinery and equipment, buildings, and land.

**Capital Assets  
Governmental Activities**

		<u>9/30/16</u>		<u>9/30/15</u>
Buildings	\$	251,008	\$	234,529
Vehicles	\$	1,108,337		838,672
Furniture & Equipment		220,003		86,276
Land		<u>53,220</u>		<u>53,220</u>
Total	\$	<u>1,632,568</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, 2016, and September 30, 2015, the District was obligated on the following debt:

**Outstanding Debt at Year End**

		<u>9/30/16</u>		<u>9/30/15</u>
		<u>Total</u>		<u>Total</u>
Capital Lease Obligation	\$	<u>430,263</u>	\$	<u>258,905</u>
Total	\$	430,263	\$	258,905

The District incurred \$15,591 in interest expense as of September 30, 2016.

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

**Economic Factors and Next Year's Budgets and Rates**

The District's elected and appointed officials considered many factors when setting the fiscal year 2016 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, 2016**

	General Fund	Adjustments (Note 9)	Statement of Net Position
<b>ASSETS</b>			
Cash	\$ 285,232	\$ -	\$ 285,232
Property Taxes Receivable	50,829	-	50,829
Due from Other Governments	18,218	-	18,218
Other Asset	13,350	-	13,350
Prepaid Expenses	1,239	-	1,239
Capital Assets (net of accumulated depreciation)	-	912,155	912,155
<b>TOTAL ASSETS</b>	<b>\$ 368,868</b>	<b>\$ 912,155</b>	<b>\$ 1,281,023</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 6,724	\$ -	\$ 6,724
Accrued Interest Payable	-	12,394	12,394
Deferred Revenues	50,829	(50,829)	-
Long Term Liabilities - Due within one year	-	75,708	75,708
Long Term Liabilities - Due after one year	-	354,554	354,554
<b>TOTAL LIABILITIES</b>	<b>\$ 57,553</b>	<b>\$ 391,827</b>	<b>\$ 449,380</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		<b>\$ -</b>	<b>\$ -</b>
<b>FUND BALANCES/NET POSITION</b>			
Fund balances:			
Non-Spendable	-	-	-
Spendable	-	-	-
Unassigned	311,315	(311,315)	-
Total fund balances	311,315	(311,315)	-
Total liabilities and fund balances	\$ 368,868	\$ -	
Net Position:			
Net investment in capital assets		481,893	481,893
Unrestricted		349,750	349,750
Restricted		-	-
Total net position		\$ 831,643	\$ 831,643

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, 2016

	General Fund	Adjustments (Note 9)	Statement of Activities
<b>EXPENDITURES/EXPENSES</b>			
VFD Contract	197,650	-	197,650
Special Projects	53,715	-	53,715
Computer Expense	1,131	-	1,131
Repairs/Maintenance	10,852	-	10,852
Conference	3,000	-	3,000
Professional Fees	20,653	-	20,653
Utilities	12,174	-	12,174
Payroll Expense	74,841	-	74,841
Office Supplies	544	-	544
Appraisal District & Tax Collector Fees	10,540	-	10,540
Miscellaneous	533	-	533
Capital Outlay	419,871	(419,871)	-
Depreciation	-	114,642	114,642
Debt Service:			-
Principal	78,643	(78,643)	-
Interest	15,591	3,299	18,890
Total expenditures/expenses	\$ 899,738	\$ (380,573)	\$ 519,165
<b>PROGRAM REVENUES</b>			
Grants/Contributions	-	-	-
Net program expense			519,165
<b>GENERAL REVENUES</b>			
Ad valorem taxes	418,403	1,899	420,302
Penalties and Interest	7,849	-	7,849
Sales Tax	187,268	-	187,268
Interest income	3,392	-	3,392
Miscellaneous	1,045	-	1,045
Total general revenues	\$ 617,957	\$ 1,899	\$ 619,856
Excess (Deficiency) of revenues over expenditures	\$ (281,781)	\$ -	\$ -
<b>OTHER FINANCING SOURCES/(USES):</b>			
Financing Proceeds	250,000	(250,000)	-
Total Other Financing Sources/(Uses):	250,000	(250,000)	-
Net Change in Fund Balance	(31,781)	31,781	-
Change in Net Position	-	\$ 100,691	\$ 100,691
Fund Balance/Net Position			
Beginning of the year	343,096	387,856	730,952
End of the year	\$ 311,315	\$ 520,328	\$ 831,643

See Accompanying Notes to the Financial Statements

**CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**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.

CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**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

CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**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.

CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**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.



CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**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.

**CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The District purchases its insurance from regular commercial companies. As of September 30, 2016, 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, 2015, upon which the 2015 levy was based, was \$284,076,299 and \$130,087,220 as certified by the Caldwell and Hays County Central Appraisal Districts respectively.

Taxes are due by January 31 following the October 1 levy date. The total 2015 levy was \$284,784 and \$130,087 (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, 2016, 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 \$285,232 and the bank balance was \$304,950.

At September 30, 2016, all of the District's balances were insured by FDIC insurance coverage.

CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2016, was as follows:

	Balance 09/30/2015	Additions/ Completions	Retirements/ Adjustments	Balance 09/30/2016
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	53,220	-	-	53,220
<b>Total capital assets not being depreciated</b>	<b>53,220</b>	<b>-</b>	<b>-</b>	<b>53,220</b>
<b>Capital assets, being depreciated</b>				
Vehicles	838,672	269,665	-	1,108,337
Equipment	86,276	133,727	-	220,003
Buildings and Structures	234,529	16,479	-	251,008
Construction-in-Progress	-	-	-	-
<b>Total capital assets being depreciated</b>	<b>1,159,477</b>	<b>419,871</b>	<b>-</b>	<b>1,579,348</b>
<b>Less accumulated depreciation for:</b>				
Vehicles	511,048	85,505	-	596,553
Equipment	47,398	22,156	-	69,554
Buildings and Structures	47,325	6,981	-	54,306
<b>Total accumulated depreciation</b>	<b>605,771</b>	<b>114,642</b>	<b>-</b>	<b>720,413</b>
<b>Total capital assets, being depreciated, net</b>	<b>553,706</b>	<b>305,229</b>	<b>-</b>	<b>858,935</b>
<b>Governmental activities capital assets, net</b>	<b>606,926</b>	<b>305,229</b>	<b>-</b>	<b>912,155</b>

Current year depreciation expense was \$114,642.

**CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 5: LIABILITIES**

Transactions for the year ended September 30, 2016, are summarized as follows:

Lender	Description	Original	Maturity	Interest	Balance	Additions	Retirements	Balance	Current
		Issue	Date	Rate	09/30/2015			09/30/2016	Due
Government Capital Vehicles		343,500	02/15/2009	5.598%	156,948	-	36,302	120,647	38,333
Government Capital Pumper		159,180	03/01/2021	4.806%	101,957	-	15,063	86,894	15,787
Government Capital Fire Apparatus		250,000	03/30/2025	3.38%	-	250,000	27,278	222,722	21,588
<b>Totals</b>					<b>258,905</b>	<b>250,000</b>	<b>78,643</b>	<b>430,263</b>	<b>75,708</b>

Annual Payments required to amortize all long-term debt outstanding as of September 30, 2016, including interest payments, are as follows:

<u>Year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	75,708	18,510	92,218
2018	79,342	14,875	94,217
2019	82,246	11,060	93,306
2020	42,025	7,053	49,078
2021	43,705	5,374	49,079
Thereafter	107,237	9,213	116,450
	<u>\$ 430,263</u>	<u>\$66,085</u>	<u>\$ 496,348</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 \$197,650.

CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**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.

CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2016

**NOTE 8: FUND BALANCE CLASSIFICATION (continued)**

As of September 30, 2016, 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	\$ 1,632,568
Accumulated Depreciation	( 720,413)
	<u>\$ 912,155</u>

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

Accrued interest payable	\$ 12,394
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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	\$ (50,829)
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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	\$ 75,708
Due after one year	354,554

CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2016

**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	\$ (419,871)
Depreciation Expense	114,642

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	\$ (78,643)
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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	3,299
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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	\$ 1,899
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The issuance of long-term debt provides current financial resources to governmental funds, however this has no effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Financing Proceeds	\$ (250,000)
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**CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**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 \$2,681 was collected in the current year, leaving a balance of \$13,350.

**NOTE 11: EMPLOYEE BENEFIT PLAN**

The District contributes to a SIMPLE IRA plan for its employees, administered by Edward Jones Investments. All full-time employees are eligible for the plan. The District matches up to 3% of the employees contribution. For the year ending September 30, 2016, contributions totaled \$939 for the employer and \$1,700 for the employees.

**NOTE 12: RELATED PARTY TRANSACTIONS**

The District's board treasurer was paid \$3,000 during the fiscal year for bookkeeping services performed for the District.



CALDWELL HAYS EMERGENCY SERVICES DISTRICT NO. 1  
 GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND  
 BUDGET TO ACTUAL COMPARISON - GENERAL FUND  
 FOR THE YEAR ENDING SEPTEMBER 30, 2016

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance Favorable/ (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<b>GENERAL REVENUES</b>				
Ad Valorem Taxes	\$ 410,720	\$ 410,720	\$ 418,403	7,683
Penalty & Interest	-	-	7,849	7,849
Sales Tax	117,000	117,000	187,268	70,268
Interest Income	3,600	3,600	3,392	(208)
Miscellaneous	2,400	2,400	1,045	(1,355)
<b>Total General Revenues</b>	<b>\$ 533,720</b>	<b>\$ 533,720</b>	<b>\$ 617,957</b>	<b>84,237</b>
<b>EXPENDITURES/EXPENSES</b>				
VFD Contract	\$ 172,650	\$ 172,650	\$ 197,650	(25,000)
Special Projects	154,100	288,970	53,715	235,255
Computer Expense	-	-	1,131	(1,131)
Professional Fees	14,000	19,000	20,653	(1,653)
Utilities	12,000	12,000	12,174	(174)
Conference	-	3,000	3,000	-
Office Supplies	625	600	544	56
Election Expense	30,000	-	-	-
Appraisal District & Tax Collector Fees	10,600	10,600	10,540	60
Miscellaneous	10,449	13,874	533	13,341
Repairs/Maintenance	44,300	9,783	10,852	(1,069)
Payroll Expense	60,000	84,375	74,841	9,534
Capital Outlay	-	250,000	419,871	(169,871)
Debt Service:				
Principal	65,102	100,102	78,643	21,459
Interest	-	-	15,591	(15,591)
<b>Total expenditures/expenses</b>	<b>\$ 573,826</b>	<b>\$ 964,954</b>	<b>\$ 899,738</b>	<b>65,216</b>
<b>Excess (Deficiency) of revenues over expenditure</b>	<b>(40,106)</b>	<b>(431,234)</b>	<b>(281,781)</b>	<b>149,453</b>
<b>OTHER FINANCING SOURCES/(USES):</b>				
Financing Proceeds	-	250,000	250,000	-
<b>Total Other Financing Sources/(Uses):</b>	<b>-</b>	<b>250,000</b>	<b>250,000</b>	<b>-</b>
<b>Fund Balance Beginning of the year</b>			<b>343,096</b>	
<b>End of the year</b>			<b>\$ 311,315</b>	

See Accompanying Notes to the Financial Statements