

# COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

**abip**

CPAs | ADVISORS

CLIENT **FOCUSED.** RELATIONSHIP **DRIVEN.**



**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

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**December 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Comal County Emergency Services District No. 3  
Canyon Lake, Texas

**Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Comal County Emergency Services District No. 3 (the District), as of and for the year ended December 31, 2023, 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 of the District, as of December 31, 2023, 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 standards applicable to financial audits contained in *Government Auditing 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.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 is not absolute assurance and therefore is not a guarantee 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, budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of employer contributions – net pension liability, and schedule of changes in total other postemployment benefit liability and related ratios 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.

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budget comparison for the debt service fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2024 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.

ABIP, PC

San Antonio, Texas  
May 29, 2024





# COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2023

This section of the Comal County Emergency Services District No. 3's (the District) annual financial report presents management's discussion and analysis of the District's financial performance during the year ended December 31, 2023. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities by \$20,098,060 (net position) for the fiscal year reported. This is an overall increase of \$3,290,100 from December 31, 2022.
- Expenses for the year ended December 31, 2023 were \$10,379,593. Revenues exceeded expenses (including depreciation) by \$3,290,100. Included in expenses is \$681,902 in depreciation.
- The general fund reported a fund balance of \$10,233,394. This is an increase of \$2,238,288 in comparison to the prior year December 31, 2022.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The District was formed as a political subdivision of the State of Texas in July 2003 when the existing Rural Fire Prevention District #4 (Health and Safety Code 794) was converted by the State of Texas to an emergency services district under Health and Safety Code 775. The District levies a property valuation tax and collects a sales tax for its jurisdiction. The District's Annual Financial Report consists of a series of financial statements and accompanying notes, with the primary focus being on the District as a whole. The statement of net position and the statement of activities are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The fund financial statements report the District's operations in more detail by providing information as to how services are financed in the short-term, as well as the remaining available resources for future spending. Additionally, the fund financial statements focus on major funds rather than fund types. The District's main operating fund is the general fund. This fund accounts for property tax revenues, sales tax revenues, and intergovernmental payments which are collected monthly on behalf of the District. Comal County collects ad valorem property tax, and the State Comptroller's office collects the sales tax.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

**The Statement of Net Position and the Statement of Activities** – Emergency services operating activities are reported in these statements.

The statement of net position and the statement of activities present a view of the District's financial operations as a whole, reflect all financial transactions, and provide information helpful in determining whether the District's financial health or position has improved or deteriorated as a result of the current year's activities. Both of these statements are prepared using the full accrual basis of accounting similar to that used by most private-sector companies. The statement of net position includes all assets and liabilities, both short and long-term as well as deferred outflows and inflows of resources. The statement of activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The two government-wide statements report the District's net position, which represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Over time, the increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating.

Additionally, the District's financial operating results are determined by the difference between the revenues and expenses. To assess the overall financial health of the District, consideration should be given to additional non-financial factors such as changes in the District's tax base.

### **FUND FINANCIAL STATEMENTS**

The fund financial statements are designed to report information by grouping related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives.

**Governmental Funds** - The accounting for the District's basic services are included in the governmental funds. The measurement focus and basis of accounting used for reporting continues to be the modified accrual basis which measures inflows and outflows of current financial resources and the remaining balances at year-end that are available for spending. Furthermore, under this basis of accounting, changes in net spendable assets are normally recognized only to the extent that they are expected to have a near-term impact, while inflows are recognized only if they are available to liquidate liabilities of the current period. Similarly, future outflows are typically recognized only if they represent a depletion of current financial resources. The District's governmental funds are the general fund and debt service fund. The differences in the amounts reported between the fund statements and the government-wide statements are explained in the reconciliations provided on pages 11 and 13.

### **NOTES TO THE FINANCIAL STATEMENTS**

The notes provide disclosures and additional information that are essential to a full understanding of the financial information presented in the government-wide and fund financial statements. The notes to the financial statements are provided starting on page 14.

### **OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information beginning on page 36.

#### **Financial analysis of the District as a whole**

The District had an unrestricted net position of \$11,800,756 at December 31, 2023. This is a \$2,946,004 increase over last's year's unrestricted net position of \$8,854,752. The increased receipt of property and sales taxes, capital asset changes and associated depreciation of those capital assets accounts for the change in net position.

In accordance with GASB Statement No. 34, comparative analysis of government-wide information from prior year to current year is presented.

## Statement of Net Position

A schedule of the District's net position is summarized as follows:

|                                  | GOVERNMENTAL ACTIVITIES |                      |
|----------------------------------|-------------------------|----------------------|
|                                  | 2023                    | 2022                 |
| ASSETS:                          |                         |                      |
| Current assets                   | \$ 17,049,191           | \$ 13,638,698        |
| Noncurrent assets                | <u>11,852,667</u>       | <u>12,586,254</u>    |
| Total assets                     | <u>28,901,858</u>       | <u>26,224,952</u>    |
| DEFERRED OUTFLOWS OF RESOURCES   | <u>2,386,778</u>        | <u>1,554,869</u>     |
| LIABILITIES:                     |                         |                      |
| Current liabilities              | 679,014                 | 1,321,222            |
| Non-current liabilities          | <u>4,485,959</u>        | <u>3,605,437</u>     |
| Total liabilities                | <u>5,164,973</u>        | <u>4,926,659</u>     |
| DEFERRED INFLOWS OF RESOURCES    | <u>6,025,603</u>        | <u>6,045,202</u>     |
| NET POSITION:                    |                         |                      |
| Net investment in capital assets | 8,297,304               | 7,953,208            |
| Unrestricted net position        | <u>11,800,756</u>       | <u>8,854,752</u>     |
| Total net position               | <u>\$ 20,098,060</u>    | <u>\$ 16,807,960</u> |

## Statement of Activities

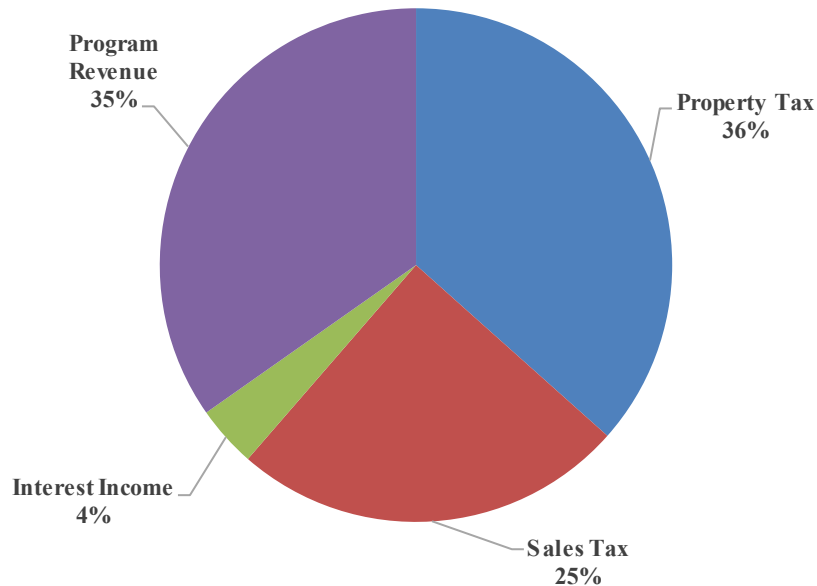
The District's total revenues were \$13,669,693 in 2023. In 2023, 37% of the total revenue came from ad valorem property taxes, 25% of revenue came from sales tax, and 4% of revenue came from interest earnings. In addition, 33% came from payments from program revenues such as the interlocal agreement with ESD 2 to provide EMS operations within the same geographical boundaries as ESD 3 and the interlocal agreement with ESD 6 to provide Fire Protection and EMS operations to a portion of their district adjacent to the ESD 3 service area. For more information, see note 5 – Intergovernmental Revenues of the financial statements.

For the year ended December 31, 2023, the total expenses were \$10,379,593 including \$681,902 of depreciation expense and \$856,194 of general government expenses.

The following table summarizes the changes in the District’s net position from its activities for the years ended December 31:

|  | <u>GOVERNMENTAL ACTIVITIES</u> |                             |
|--|--------------------------------|-----------------------------|
|  | <u>2023</u>                    | <u>2022</u>                 |
| REVENUES:                                      |                                |                             |
| Program revenues                               | \$ 4,749,082                   | \$ 4,186,025                |
| General revenues                               | 8,390,972                      | 7,618,156                   |
| Interest income                                | <u>529,639</u>                 | <u>126,202</u>              |
| Total revenues                                 | <u>13,669,693</u>              | <u>11,930,383</u>           |
| EXPENSES:                                      |                                |                             |
| Public safety                                  | 9,446,184                      | 8,661,341                   |
| General government                             | 856,194                        | 742,288                     |
| Interest on debt                               | <u>77,215</u>                  | <u>87,166</u>               |
| Total expenses                                 | <u>10,379,593</u>              | <u>9,490,795</u>            |
| Change in net position                         | 3,290,100                      | 2,439,588                   |
| NET POSITION - BEGINNING OF YEAR               | <u>16,807,960</u>              | <u>14,413,061</u>           |
| RESTATEMENT OF NET POSITION                    | -                              | (44,689)                    |
| NET POSITION - AS RESTATED - BEGINNING OF YEAR | <u>16,807,960</u>              | <u>14,368,372</u>           |
| NET POSITION - END OF YEAR                     | <u><u>\$ 20,098,060</u></u>    | <u><u>\$ 16,807,960</u></u> |

The following chart is a graphic representation of the District’s revenue for the year ended December 31, 2023.



## **Capital assets and debt administration**

### **Capital Assets**

Net investment in capital assets was \$11,852,667 at December 31, 2023. Capital assets include land, construction in progress, buildings and improvements, vehicles, and firefighting equipment. The significant additions for the year were a new fire truck and first alerting equipment. The following table shows capital assets for 2023 with comparison for 2022.

|                           | GOVERNMENTAL ACTIVITIES |                      |
|---------------------------|-------------------------|----------------------|
|                           | 2023                    | 2022                 |
| Land                      | \$ 367,553              | \$ 367,553           |
| Construction in progress  | -                       | 704,671              |
| Building and improvements | 10,605,860              | 10,605,860           |
| Equipment                 | 1,568,142               | 1,346,920            |
| Vehicles                  | <u>6,464,871</u>        | <u>5,587,388</u>     |
| Total capital assets      | 19,006,426              | 18,612,392           |
| Accumulated depreciation  | <u>(7,153,759)</u>      | <u>(6,471,857)</u>   |
| Capital assets, net       | <u>\$ 11,852,667</u>    | <u>\$ 12,140,535</u> |

### **Long-Term Debt**

At the end of 2023, the District has notes payable with a remaining balance of \$3,555,363. The following table shows the District's long-term debt for 2023 with comparison for 2022.

|               | GOVERNMENTAL ACTIVITIES |                     |
|---------------|-------------------------|---------------------|
|               | 2023                    | 2022                |
| Notes payable | <u>\$ 3,555,363</u>     | <u>\$ 4,187,327</u> |
| Total debt    | <u>\$ 3,555,363</u>     | <u>\$ 4,187,327</u> |

More detailed information is provided on the District's capital asset and debt activity in note 3 and note 4 to the financial statements beginning on page 22.

## **Economic factors and next year's budgets and rates**

The ad valorem tax rate is \$.067203 per \$100 property valuation which was an increase from 2023 tax year of \$.0625. The District expects increased revenues for the 2024 year due to an increase in certified property valuations and taxes related to new construction. The sales tax revenues are expected to slightly increase from the 2023 collections.

## **BUDGETARY HIGHLIGHTS**

Actual revenues for the general fund in 2023 were more than budgeted amounts by \$1,331,598. Sales tax collections were substantially higher as a result of economic activity in the District's jurisdiction. Expenditures were under budget in 2023 by \$401,837 primarily due to less general government and capital outlay expenditures than anticipated.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our taxpayers, patrons and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Angela Hemphill, Chief Financial Officer at 830-907-2922, ext. 304, or at Station 51, 1074 Scissortail, Canyon Lake, Texas 78133.

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statements – Governmental Activities
- Fund Financial Statements – Governmental Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.





**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

**STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES**

**December 31, 2023**

ASSETS:

|   |                   |
|---|-------------------|
| Cash and cash equivalents                       | \$ 80,274         |
| Investments                                     | 10,551,954        |
| Cash with fiscal agent - Tax Assessor-Collector | 2,486,180         |
| Receivables - property taxes                    |                   |
| Current taxes receivable                        | 3,130,443         |
| Delinquent taxes receivable                     | 118,835           |
| Sales tax receivable                            | 617,802           |
| Other receivables                               | 4,065             |
| Prepaid expenses                                | 59,638            |
| Capital assets (net)                            |                   |
| Land  | 367,553           |
| Buildings and improvements                      | 8,313,477         |
| Equipment                                       | 514,120           |
| Vehicles  | <u>2,657,517</u>  |
| Total assets                                    | <u>28,901,858</u> |

DEFERRED OUTFLOWS OF RESOURCES:

|  |                  |
|--|------------------|
| Deferred outflows of resources - pension | 2,361,020        |
| Deferred outflows of resources - OPEB    | <u>25,758</u>    |
| Total deferred outflows of resources     | <u>2,386,778</u> |

LIABILITIES:

|   |                  |
|---|------------------|
| Accounts payable                          | 282,855          |
| Accrued liabilities                       | 330,562          |
| Accrued interest payable                  | 65,597           |
| Non-current liabilities                   |                  |
| Notes payable - due in one year           | 648,851          |
| Notes payable - due in more than one year | 2,906,512        |
| Compensated absences                      | 173,932          |
| Net pension liability                     | 724,754          |
| OPEB liability                            | <u>31,910</u>    |
| Total liabilities                         | <u>5,164,973</u> |

DEFERRED INFLOWS OF RESOURCES:

|  |                  |
|--|------------------|
| Current year property taxes levied for subsequent period | 5,910,756        |
| Deferred inflows of resources - pensions                 | 89,539           |
| Deferred inflows of resources - OPEB                     | <u>25,308</u>    |
| Total deferred inflows of resources                      | <u>6,025,603</u> |

NET POSITION:

|                                  |                      |
|----------------------------------|----------------------|
| Net investment in capital assets | 8,297,304            |
| Unrestricted                     | <u>11,800,756</u>    |
| Total net position               | <u>\$ 20,098,060</u> |

The accompanying notes are an integral part of the financial statements.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

**STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES**

**For the year ended December 31, 2023**

| FUNCTIONS/PROGRAMS                   | EXPENSES             | PROGRAM REVENUES     |                                    | NET (EXPENSE)                      |
|--------------------------------------|----------------------|----------------------|------------------------------------|------------------------------------|
|                                      |                      | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | REVENUE AND CHANGE IN NET POSITION |
|                                      |                      |                      |                                    | GOVERNMENTAL ACTIVITIES            |
| Primary government                   |                      |                      |                                    |                                    |
| Governmental activities:             |                      |                      |                                    |                                    |
| Public safety                        | \$ 9,446,184         | \$ 4,554,868         | \$ 194,214                         | \$ (4,697,102)                     |
| General government                   | 856,194              | -                    | -                                  | (856,194)                          |
| Interest and other fees              | <u>77,215</u>        | <u>-</u>             | <u>-</u>                           | <u>(77,215)</u>                    |
| Total governmental activities        | <u>\$ 10,379,593</u> | <u>\$ 4,554,868</u>  | <u>\$ 194,214</u>                  | <u>(5,630,511)</u>                 |
| General revenues                     |                      |                      |                                    |                                    |
| Taxes:                               |                      |                      |                                    |                                    |
| Property taxes                       |                      |                      |                                    | 4,998,968                          |
| Sales taxes                          |                      |                      |                                    | 3,392,004                          |
| Interest income                      |                      |                      |                                    | <u>529,639</u>                     |
| Total general revenues and transfers |                      |                      |                                    | 8,920,611                          |
| Change in net position               |                      |                      |                                    | 3,290,100                          |
| NET POSITION AT BEGINNING OF YEAR    |                      |                      |                                    | <u>16,807,960</u>                  |
| NET POSITION AT END OF YEAR          |                      |                      |                                    | <u>\$ 20,098,060</u>               |

The accompanying notes are an integral part of the financial statements.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**December 31, 2023**

|   | General<br>Fund          | Debt Service<br>Fund  | Total<br>Governmental<br>Funds |
|---|--------------------------|-----------------------|--------------------------------|
|   | <u>          </u>        | <u>          </u>     | <u>          </u>              |
| <b>ASSETS:</b>  |                          |                       |                                |
| Cash and cash equivalents   | \$ 80,274                | \$ -                  | \$ 80,274                      |
| Investments   | 10,551,954               | -                     | 10,551,954                     |
| Cash with fiscal agent - Tax Assessor-Collector                           | 2,195,103                | 291,077               | 2,486,180                      |
| Receivables - property taxes  |                          |                       |                                |
| Current taxes receivable  | 2,763,937                | 366,506               | 3,130,443                      |
| Delinquent taxes receivable   | 102,812                  | 16,023                | 118,835                        |
| Sales tax receivable  | 617,802                  | -                     | 617,802                        |
| Other receivables   | 4,065                    | -                     | 4,065                          |
| Prepaid expenses  | 59,638                   | -                     | 59,638                         |
| Due from other funds  | -                        | 211,847               | 211,847                        |
| Total assets  | <u>\$ 16,375,585</u>     | <u>\$ 885,453</u>     | <u>\$ 17,261,038</u>           |
| <b>LIABILITIES:</b>   |                          |                       |                                |
| Accounts payable  | \$ 282,855               | \$ -                  | \$ 282,855                     |
| Accrued expenses  | 330,562                  | -                     | 330,562                        |
| Due to other funds  | 211,847                  | -                     | 211,847                        |
| Total liabilities   | <u>825,264</u>           | <u>-</u>              | <u>825,264</u>                 |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                     |                          |                       |                                |
| Current property taxes collected for subsequent period                    | 2,434,155                | 346,155               | 2,780,310                      |
| Uncollected property taxes  | 2,882,772                | 366,506               | 3,249,278                      |
| Total deferred inflows of resources                                       | <u>5,316,927</u>         | <u>712,661</u>        | <u>6,029,588</u>               |
| <b>FUND BALANCE</b>   |                          |                       |                                |
| Nonspendable  | 59,638                   | -                     | 59,638                         |
| Restricted - debt service   | -                        | 172,792               | 172,792                        |
| Unassigned  | 10,173,756               | -                     | 10,173,756                     |
| Total fund balance  | <u>10,233,394</u>        | <u>172,792</u>        | <u>10,406,186</u>              |
| <br>Total liabilities, deferred inflows of resources,<br>and fund balance | <br><u>\$ 16,375,585</u> | <br><u>\$ 885,453</u> | <br><u>\$ 17,261,038</u>       |

The accompanying notes are an integral part of the financial statements.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES**

**December 31, 2023**

|  |                  |                      |
|--|------------------|----------------------|
| TOTAL FUND BALANCES - GOVERNMENTAL FUNDS   |                  | \$ 10,406,186        |
| Amounts reported for governmental activities in the statement of net position are different because:   |                  |                      |
| Capital assets used in governmental activities are not spendable current financial resources and, therefore, are not reported in the balance sheet of governmental funds.  |                  | 11,852,667           |
| Delinquent property taxes deferred in the funds are recognized as revenue in the governmental activities.  |                  | 118,832              |
| Interest expense accrued on long-term debt is not reported in the funds.   |                  | (65,597)             |
| Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds.  |                  | (173,932)            |
| Recognition of the District's net pension liability required by GASB Statement No. 68 and the changes in deferred outflows of resources related to the TCDRS liability is not reported in the funds:                         |                  |                      |
| Net pension liability  | \$ (724,754)     |                      |
| Deferred inflows of resources - TCDRS - pension  | (89,539)         |                      |
| Deferred outflows of resources - TCDRS - pension   | <u>2,361,020</u> | 1,546,727            |
| Recognition of the District's other postemployment benefit liability (OPEB) required by GASB Statement No. 75 and the changes in deferred outflows of resources related to the TCDRS liability is not reported in the funds: |                  |                      |
| Other postemployment benefit liability   | (31,910)         |                      |
| Deferred outflows of resources - TCDRS - OPEB  | 25,758           |                      |
| Deferred inflows of resources - TCDRS - OPEB   | <u>(25,308)</u>  | (31,460)             |
| Payables for loans which are not due in the current period are not reported in the funds.  |                  | <u>(3,555,363)</u>   |
| TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES   |                  | <u>\$ 20,098,060</u> |

The accompanying notes are an integral part of the financial statements.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**

**For the year ended December 31, 2023**

|                                      | General<br>Fund      | Debt Service<br>Fund | Total<br>Governmental<br>Funds |
|--------------------------------------|----------------------|----------------------|--------------------------------|
|                                      | <u>          </u>    | <u>          </u>    | <u>          </u>              |
| REVENUES:                            |                      |                      |                                |
| Property tax revenue                 | \$ 4,140,886         | \$ 838,961           | \$ 4,979,847                   |
| Sales tax revenue                    | 3,392,004            | -                    | 3,392,004                      |
| Charges for services                 | 263,769              | -                    | 263,769                        |
| Intergovernmental payments           | 4,291,099            | -                    | 4,291,099                      |
| Operating grants                     | 194,214              | -                    | 194,214                        |
| Interest                             | <u>529,639</u>       | <u>-</u>             | <u>529,639</u>                 |
| Total revenues                       | <u>12,811,611</u>    | <u>838,961</u>       | <u>13,650,572</u>              |
| <br>EXPENDITURES:                    |                      |                      |                                |
| Public safety                        | 9,276,851            | -                    | 9,276,851                      |
| General government                   | 902,438              | -                    | 902,438                        |
| Capital outlay                       | 394,034              | -                    | 394,034                        |
| Debt service:                        |                      |                      |                                |
| Principal                            | -                    | 631,964              | 631,964                        |
| Interest and fees                    | <u>-</u>             | <u>91,943</u>        | <u>91,943</u>                  |
| Total expenditures                   | <u>10,573,323</u>    | <u>723,907</u>       | <u>11,297,230</u>              |
| <br>Net change in fund balance       | 2,238,288            | 115,054              | 2,353,342                      |
| <br>FUND BALANCE - BEGINNING OF YEAR | <u>7,995,106</u>     | <u>57,738</u>        | <u>8,052,844</u>               |
| <br>FUND BALANCE - END OF YEAR       | <u>\$ 10,233,394</u> | <u>\$ 172,792</u>    | <u>\$ 10,406,186</u>           |

The accompanying notes are an integral part of the financial statements.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

**RECONCILIATION OF CHANGE IN NET POSITION – GOVERNMENTAL ACTIVITIES  
AND CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS**

**For the year ended December 31, 2023**

NET CHANGE IN FUND BALANCES \$ 2,353,342

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures (\$394,034). However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$681,902). This is the amount by which capital outlays exceeded depreciation expense in the period. (287,868)

Delinquent property tax revenues are deferred in the funds. This is the change in these amounts this year. 19,121

Accrued interest payable is not an expense in the funds. This is the change in these amounts this year. 14,728

Accrued vacation leave payable is not an expense in the funds. This is the change in this amount this year. (10,589)

The change in net pension liability and deferred outflows related to the District's net pension liability is not expensed in the funds. This is the change in this amount this year. 574,520

The change in other postemployment benefit liability (OPEB) and deferred outflows related to the District's OPEB liability is not expensed in the funds. This is the change in this amount this year. (5,118)

Payments and borrowings on long-term debt is not reported as an expenditure on the statement of activities.

Principal payment 631,964

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 3,290,100

The accompanying notes are an integral part of the financial statements.

# COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

### (1) Summary of significant accounting policies

The financial statements of Comal County Emergency Services District No. 3 (the District) have been prepared in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

#### Reporting entity

Comal County Emergency Services District No. 3 is a political subdivision under the State of Texas created by local election under Health and Safety Code Chapter 775. The five-member Board of Emergency Services Commissioners (the Board) has governance responsibilities over all activities related to fire emergency service operations within the jurisdiction of the District. The Board is appointed by the Commissioner's Court of Comal County, Texas and has the exclusive power and duty to govern the District. The District receives funding from local government sources (property and sales taxes) established by the State of Texas and must comply with the state requirements from these sources.

#### Basis of presentation, basis of accounting

##### Basis of presentation

*Government-wide statements:* The statement of net position and the statement of activities include the financial activities of the overall government. Governmental activities generally are financed through taxes and intergovernmental payments.

The statement of activities presents the functions of public safety and general government. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) intergovernmental payments, fees, fines and charges paid for goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including property tax, sales tax, unrestricted contributions, and interest income are presented as general revenues.

*Fund financial statements:* The fund financial statements provide information about the District's major governmental funds:

General fund – This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Debt service fund – The debt service fund is used to account for resources accumulated for the payment of principal and interest on long-term debt of the District. It is primarily funded through pledged ad valorem taxes.

# COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

### (1) Summary of significant accounting policies (continued)

#### Basis of presentation, basis of accounting (continued)

##### Measurement focus, basis of accounting

*Government-wide financial statements:* These financial statements are reported using the economic resources measurement focus. The government-wide statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, grants and contributions. On an accrual basis, revenue from property taxes and sales taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants and contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental fund financial statements:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues from local sources consist primarily of property taxes and sales taxes. Property tax for the current year's levy and sales tax revenues are recognized when received. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's practice to use restricted resources first, then unrestricted resources.

##### Cash and cash equivalents

The District considers cash and cash equivalents to be cash in demand accounts, certificates of deposit, savings accounts, and other investments with an original maturity of three (3) months or less.

##### Investments

Investments for the District are stated at fair value. The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.



# COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

### (1) Summary of significant accounting policies (continued)

Basis of presentation, basis of accounting (continued)

Investments (continued)

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, while the District believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Property taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. Although the District's 2023 ad valorem tax is levied on October 1, 2023, it is the District's policy to recognize revenues from the October 1 tax levy in the calendar year when the proceeds of this levy are budgeted and made available for the District's operations. The collections on the October 1, 2023 levy are considered deferred inflows of resources until the subsequent calendar year. No allowance for doubtful accounts is considered necessary at this time.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2023**

(1) Summary of significant accounting policies (continued)

Basis of presentation, basis of accounting (continued)

Capital assets

Capital assets are shown at original cost. Donated assets are valued at their fair market value on the date donated. Depreciation is calculated using the straight-line method and is based on estimated useful lives of 5 to 40 years.

Receivable and payable balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. There are no significant receivables which are not scheduled for collection within one year of year end.

Compensated absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available resources is reported as an expenditure and fund liability of the governmental fund that will pay for it. Vested or accumulated vacation leave that is not expected to be liquidated with expendable available financial resources are reported in the government-wide statements. Accumulated vacation pay at December 31, 2023 of \$173,932 has been recorded in the statement of net position.

Net pension liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCERS's fiduciary net position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other postemployment benefit liability (OPEB)

The OPEB position has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense.

# COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

### (1) Summary of significant accounting policies (continued)

Basis of presentation, basis of accounting (continued)

Fund balance

The District reports the following categories of fund balance:

- Non-spendable - These funds are not available for expenditures based on legal or contractual requirements. An example might be inventories and prepaid expenditures.
- Restricted - These funds are governed by externally enforceable restrictions.
- Committed - Fund balances in this category are limited by the government's highest level of decision making (in this case the Board). Any changes of this designation must be done in the same manner that it was implemented. For example, if funds are committed by resolution, the commitment could only be released with another resolution.
- Assigned - For funds to be assigned, there must be an intended use which can be established by the Board or an official delegated by the Board, such as an administrator or finance director. For example, during the budget process, the Board may decide to use some existing fund balance to support activities in the upcoming year.
- Unassigned - This classification is the default for all funds that do not fit into the other categories.

Restricted amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year.

Management's use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

New accounting policy

As of October 1, 2022, the District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA's). The objectives of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for SBITAs by governments. The statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were classified as operating agreements. It establishes a single model for SBITA accounting based on the foundational principle that SBITAs are financings of the right to use an underlying asset. A government is required to recognize SBITA liability and an intangible right to use asset.

The District did not have any agreements during the fiscal year that were covered under the new accounting policy.

# COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

### (2) Deposits and investments

#### Cash deposits and cash equivalents

At December 31, 2023, the carrying amount of the District's deposits (cash and interest-bearing savings accounts included in cash and cash equivalents) was \$80,273 and the bank balance was \$119,987.

#### Custodial credit risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law requires settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis. The District's investment policy requires that securities be registered in the name of the District. All safekeeping receipts for investment instruments are held in accounts in the District's name, and all securities are registered in the name of the District.

At year-end and per District policy all funds were in the District's name and collateralized with securities that maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service. The District was not exposed to custodial credit risk.

#### Interest rate risk

The District manages its interest rate risk by using certificates of deposit and TexPool, but by policy, other investments purchased may not have a maturity longer than one year from date of purchase.

#### Concentration of credit risk

The District diversifies its investments in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity or in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. At year end, the District was not exposed to concentration of credit risk.

# COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

### (2) Deposits and investments (continued)

#### Credit risk

The District's policy to manage credit risk is to invest in U.S. Treasury or agency instruments, public funds investment pools, certificates of deposits, and money market accounts. The District is not exposed to foreign currency risk.

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt by rule, order, ordinance, or resolution, as appropriate, a written investment policy regarding the investment of its funds and funds under its control.

That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act (the Act) requires an annual audit of investment practices. Audit procedures in this area, conducted as a part of the audit of the basic financial statements, disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies. The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

#### Fair value measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

Texas Local Government Investment Pool (TexPool) is a public funds investment pool and is rated as AAA by Standard & Poors. Under the TexPool participation agreement, administration and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State of Texas Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool.

TexPool uses amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. Those investments do not place any limitations or restrictions, such as notice periods or maximum transaction amounts, on withdrawals.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2023**

(2) Deposits and investments (continued)

Fair value measurement (continued)

Certificates of deposit assets are recorded at amortized cost as fair value of these instruments are not recognized until maturity. A breakdown of the District’s cash, cash equivalents, and investments at December 31, 2023 is shown below:

|  | <u>CARRYING<br/>AMOUNT</u>  | <u>LEVEL 1</u>          | <u>AMORTIZED<br/>COST</u>   | <u>DAYS TO<br/>MATURITY</u> |
|--|-----------------------------|-------------------------|-----------------------------|-----------------------------|
| Included in cash and cash equivalents: |                             |                         |                             |                             |
| Checking accounts                      | \$ <u>80,274</u>            | \$ <u>80,274</u>        | \$ <u>-</u>                 | n/a                         |
| Included in investments:               |                             |                         |                             |                             |
| TexPool                                | <u>10,551,954</u>           | <u>-</u>                | <u>10,551,954</u>           | 39                          |
| Total cash and investments             | \$ <u><u>10,632,228</u></u> | \$ <u><u>80,274</u></u> | \$ <u><u>10,551,954</u></u> |                             |
| Weighted average maturity              |                             |                         |                             | 39                          |

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**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2023**

**(3) Capital assets**

Capital asset activity for the year ended December 31, 2023, was as follows:

|  | <u>BEGINNING<br/>BALANCE</u> | <u>RECLASS AND<br/>ADDITIONS</u> | <u>RECLASS AND<br/>DISPOSALS</u> | <u>ENDING<br/>BALANCE</u> |
|--|------------------------------|----------------------------------|----------------------------------|---------------------------|
| Capital assets, not being depreciated:           |                              |                                  |                                  |                           |
| Land   | \$ 367,553                   | \$ -                             | \$ -                             | \$ 367,553                |
| Construction in progress                         | <u>704,671</u>               | <u>-</u>                         | <u>(704,671)</u>                 | <u>-</u>                  |
| Total capital assets,<br>not being depreciated   | <u>367,553</u>               | <u>-</u>                         | <u>(704,671)</u>                 | <u>367,553</u>            |
| Capital assets, being depreciated:               |                              |                                  |                                  |                           |
| Buildings and improvements                       | 10,605,860                   | -                                | -                                | 10,605,860                |
| Equipment  | 1,346,920                    | 221,222                          | -                                | 1,568,142                 |
| Vehicles   | <u>5,587,388</u>             | <u>172,812</u>                   | <u>704,671</u>                   | <u>6,464,871</u>          |
| Total capital assets,<br>being depreciated       | <u>17,414,292</u>            | <u>394,034</u>                   | <u>704,671</u>                   | <u>18,638,873</u>         |
| Less accumulated depreciation:                   |                              |                                  |                                  |                           |
| Buildings and improvements                       | (2,018,995)                  | (273,387)                        | -                                | (2,292,382)               |
| Equipment  | (910,936)                    | (143,086)                        | -                                | (1,054,022)               |
| Vehicles   | <u>(3,541,926)</u>           | <u>(265,429)</u>                 | <u>-</u>                         | <u>(3,807,355)</u>        |
| Total accumulated depreciation                   | <u>(5,805,700)</u>           | <u>(681,902)</u>                 | <u>-</u>                         | <u>(7,153,759)</u>        |
| Total capital assets, being<br>depreciated - net | <u>11,608,592</u>            | <u>(287,868)</u>                 | <u>704,671</u>                   | <u>11,485,114</u>         |
| Total capital assets - net                       | <u>\$ 11,976,145</u>         | <u>\$ (287,868)</u>              | <u>\$ -</u>                      | <u>\$ 11,852,667</u>      |

Depreciation was charged to the function of public safety for \$669,400 and \$12,502 was charged to general government.

**(4) Long-term debt obligations**

In 2014, the District secured a consolidated loan for two (2) existing stations at the lower interest rate of 3.242% compared to the previous two loans being 4.88% and 5.18% and decreased the term to only 10 years remaining. In 2023, the District paid \$345,314 in principal payments and \$22,755 in interest. The note is secured with future tax revenues.

In 2018, the District executed a \$4,500,000 loan for the construction of two (2) fire stations at an interest rate of 3.75% maturing in 2033. In 2021, the District refinanced the loan at an interest rate of 1.985% maturing in 2033. The note is secured with future tax revenues. In 2023, the District paid \$286,650 in principal payments and \$69,187 in interest.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2023**

**(4) Long-term debt obligations (continued)**

Changes in long-term obligations for the year ended December 31, 2023, are as follows:

|                                  | <u>ORIGINAL<br/>AMOUNT</u> | <u>BEGINNING<br/>BALANCE</u> | <u>ADDITIONS</u> | <u>PAYMENTS</u>     | <u>ENDING<br/>BALANCE</u> | <u>AMOUNT<br/>DUE WITHIN<br/>ONE YEAR</u> |
|----------------------------------|----------------------------|------------------------------|------------------|---------------------|---------------------------|---|
| Notes payable (direct borrowing) |                            |                              |                  |                     |                           |   |
| Southside Bank                   | \$ 3,184,014               | \$ 701,825                   | \$ -             | \$ (345,314)        | \$ 356,511                | \$ 356,511                                |
| TIB National Association         | <u>3,820,904</u>           | <u>3,485,502</u>             | <u>-</u>         | <u>(286,650)</u>    | <u>3,198,852</u>          | <u>292,340</u>                            |
| Total debt                       | <u>\$ 7,004,918</u>        | <u>\$ 4,187,327</u>          | <u>\$ -</u>      | <u>\$ (631,964)</u> | <u>\$ 3,555,363</u>       | <u>\$ 648,851</u>                         |

The District's loan commitments, with an interest rate of 1.985% - 3.242% is as follows:

|           | <u>PRINCIPAL</u>    | <u>INTEREST</u>   | <u>TOTAL</u>        |
|-----------|---------------------|-------------------|---------------------|
| 2024      | \$ 648,851          | \$ 75,056         | \$ 723,907          |
| 2025      | 298,143             | 57,694            | 355,837             |
| 2026      | 304,062             | 51,776            | 355,838             |
| 2027      | 310,097             | 45,740            | 355,837             |
| 2028      | 316,253             | 39,585            | 355,838             |
| 2029-2033 | <u>1,677,957</u>    | <u>101,231</u>    | <u>1,779,188</u>    |
|           | <u>\$ 3,555,363</u> | <u>\$ 371,082</u> | <u>\$ 3,926,445</u> |

**(5) Intergovernmental revenues**

The District contracts with Comal County ESD 2 to provide EMS operations within the same geographical boundaries as the District and Comal County ESD 6 to provide Fire Protection and EMS operations to a portion of their district adjacent to the District's service area. The agreement between Comal County ESD 2 and the District will expire December 31, 2024 and the agreement with Comal County ESD 6 will expire December 31, 2026. Payments under these agreements were \$4,015,270 from Comal County ESD 2 and \$275,829 from Comal County ESD 6 for fiscal year 2023.



**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2023**

(6) Pension plan

Plan description

Beginning in June 2009, the District began participation in the statewide Texas County and District Retirement System (TCDRS).

The District’s pension plan is a non-traditional, joint contributory, defined benefit plan. The District, as an employer, provides retirement, disability, and death benefits for all its full-time employees through a nontraditional defined-benefit pension plan in the statewide Texas County and District Retirement System. The plan is a statewide, agent multi-employer, public employee retirement system. The system serves nearly 800 participating counties and districts throughout Texas.

The plan provisions for the District are adopted by the Board within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire with 20 years of service regardless of age; or when the sum of their ages and years of service equals 80 or more. Members are vested after 10 years of service but their accumulated deposits and allocated interest must remain in the plan to receive any employer financed benefit. Members who withdraw their personal account balance in a lump sum prior to retirement are not entitled to any amounts contributed by the District.

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the Board of the employer within the actuarial constraints imposed by the TCDRS Act so that the defined benefits can be expected to be adequately financed by the employer’s commitment to contribute. At retirement, death, or disability the benefit is calculated by converting the sum of the employee’s accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

**Employees covered by benefit terms**

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

|  |            |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 4          |
| Inactive employees entitled to but not yet receiving benefits    | 43         |
| Active employees   | <u>86</u>  |
| Total  | <u>133</u> |

Contributions

The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employees gross earnings, as adopted by the employer’s Board. The contribution rate is determined annually by the actuary, using the entry age normal actuarial cost method. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer’s plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees. The employee deposit rate and the employer contribution rate may be changed by the Board of the employer within the options available to the TCDRS Act.

# COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

### (6) Pension plan (continued)

#### Contributions (continued)

The District has elected the variable rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer, based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The District contributed using the actuarially determined rate of 10% for the year ending December 31, 2023 of annual covered payroll. Plan members are required to contribute 7% of their annual covered salary.

For the employer's accounting year ending December 31, 2023, the annual pension cost for the TCDRS Plan for its employees was \$436,622 and the employer contributions were \$873,745.

#### Net pension liability

The annual required contributions were actuarially determined as a percent of covered payroll of the participating employees, and were in compliance with the GASB Statement No. 68 parameters based on the actuarial valuations as of December 31, 2020 and December 31, 2021, the basis for determining the contribution rates for calendar years 2022 and 2023, respectively.

The District's net pension liability (NPL) was measured as of December 31, 2022, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date. The December 31, 2022 actuarial valuation is the most recent valuation.

#### **Actuarial valuation information:**

The total pension liability in the December 31, 2022 actuarial valuations was determined using the following actuarial assumptions:

|                            |                                     |
|----------------------------|-------------------------------------|
| Actuarial valuation date   | 12/31/2022                          |
| Actuarial cost method      | Entry age normal                    |
| Amortization method        | Level percentage of payroll, closed |
| Amortization period        | 12.1 years                          |
| Asset valuation method     | 5 year smoothed fair value          |
| Actuarial assumptions:     |                                     |
| Investment return*         | 7.50%                               |
| Overall payroll growth     | 4.70%                               |
| Inflation                  | 2.50%                               |
| Cost-of-living adjustments | 0.00%                               |

\*Includes inflation, net investment expenses

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2023**

(6) Pension plan (continued)

Net pension liability (continued)

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.0% (made up of 2.5% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.7% per year for a career employee. Mortality rates for active members were based on gender-distinct Pub-2010 General Employees Amount-Weighted Mortality Table for males at 135% and females at 120%, both projected with 100% of the MP-2021 Ultimate scale after 2010. Mortality rates for retirees, beneficiaries, and non-active members were based on 135% of the Pub-2010 General Retirees Amount-Weighted Mortality Tables for males at 135% and 120% for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

For disabled annuitants, mortality rates were based on 160% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

The long-term expected rate of return on pension plan investments is 7.5%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on TCDRS assets is calculated 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's investment consultants and are based on January 2022 information for a 10 year time horizon.

| Asset Class                        | Target<br>Allocation | Geometric Real<br>Rate of Return<br>(expected minus inflation) |
|------------------------------------|----------------------|--|
| U.S. Equities                      | 11.50%               | 4.95%  |
| Private Equity                     | 25.00%               | 7.95%  |
| Global Equities                    | 2.50%                | 4.95%  |
| International Equities - Developed | 5.00%                | 4.95%  |
| International Equities - Emerging  | 6.00%                | 4.95%  |
| Investment - Grade Bonds           | 3.00%                | 2.40%  |
| Strategic Credit                   | 9.00%                | 3.39%  |
| Direct Lending                     | 16.00%               | 6.95%  |
| Distressed Debt                    | 4.00%                | 7.60%  |
| REIT Equities                      | 2.00%                | 4.15%  |
| Master Limited Partnerships (MLPs) | 2.00%                | 5.30%  |
| Private Real Estate Partnerships   | 6.00%                | 5.70%  |
| Hedge Funds                        | 6.00%                | 2.90%  |
| Cash Equivalents                   | 2.00%                | 0.20%  |
| Total                              | 100.00%              |  |

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2023**

**(6) Pension plan (continued)**

Net pension liability (continued)

**Discount rate**

The discount rate used to measure the total pension liability was 7.6%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the net pension liability**

|  | Total Pension<br>Liability<br>(a) | Increase (Decrease)<br>Plan Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability<br>(a) - (b) |
|--|-----------------------------------|--|---------------------------------------|
|  | <u>(a)</u>                        | <u>(b)</u>   | <u>(a) - (b)</u>                      |
| Balance at December 31, 2021                   | \$ 8,232,222                      | \$ 8,677,941   | \$ (445,719)                          |
| Changes for the year:                          |                                   |  |                                       |
| Service cost                                   | 651,113                           | -  | 651,113                               |
| Interest on total pension liability            | 673,187                           | -  | 673,187                               |
| Effect of plan changes                         | -                                 | -  | -                                     |
| Effect of economic/demographic gains or losses | 356,851                           | -  | 356,851                               |
| Effect of assumptions changes or inputs        | -                                 | -  | -                                     |
| Refund of contributions                        | (11,265)                          | (11,265)   | -                                     |
| Benefit payments                               | (40,902)                          | (40,902)   | -                                     |
| Administrative expense                         | -                                 | (5,354)  | 5,354                                 |
| Member contributions                           | -                                 | 398,063  | (398,063)                             |
| Net investment income                          | -                                 | (586,706)  | 586,706                               |
| Employer contributions                         | -                                 | 568,662  | (568,662)                             |
| Other  | -                                 | 136,013  | (136,013)                             |
| Net changes                                    | <u>1,628,984</u>                  | <u>458,511</u>   | <u>1,170,473</u>                      |
| Balance at December 31, 2022                   | <u>\$ 9,861,206</u>               | <u>\$ 9,136,452</u>  | <u>\$ 724,754</u>                     |

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2023**

**(6) Pension plan (continued)**

Net pension liability (continued)

**Sensitivity of the net pension liability to changes in the discount rate**

The following presents the net pension liability of the District, calculated using the discount rate of 7.6%, 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 (6.6%) or 1-percentage-point higher (8.6%) than the current rate:

|  | <u>1% Decrease in<br/>Discount Rate (6.6%)</u> | <u>Discount Rate (7.6%)</u> | <u>1% Increase in<br/>Discount Rate (8.6%)</u> |
|--|--|-----------------------------|--|
| Total pension liability                  | \$ 12,241,082                                  | \$ 9,861,206                | \$ 8,017,561                                   |
| Fiduciary net position                   | <u>9,136,452</u>                               | <u>9,136,452</u>            | <u>9,136,452</u>                               |
| District's net pension liability (asset) | <u>\$ 3,104,630</u>                            | <u>\$ 724,754</u>           | <u>\$ (1,118,891)</u>                          |

**Pension plan fiduciary net position**

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TCDRS financial report. That report may be obtained on the Internet at [www.tcdrs.org](http://www.tcdrs.org).

Pension expense and deferred outflows and inflows of resources related to pensions

For the year ended December 31, 2023, the District recognized pension expense of \$299,225.

At December 31, 2023, the District reported deferred outflows of resources related to pensions from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Difference between expected and actual economic experience  | \$ 613,279                                | \$ 75,365                                |
| Changes in actuarial assumptions                            | 519,143                                   | 14,174                                   |
| Difference between projected and actual investment earnings | 354,853                                   | -  |
| Contributions subsequent to the measurement date            | <u>873,745</u>                            | <u>-</u>                                 |
| Total   | <u>\$ 2,361,020</u>                       | <u>\$ 89,539</u>                         |

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2023**

(6) Pension plan (continued)

Pension expense and deferred outflows and inflows of resources related to pensions (continued)

The District reported \$873,745 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability for the year ending December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended<br><u>December 31,</u> |                     |
|-----------------------------------|---------------------|
| 2024                              | \$ 131,614          |
| 2025                              | 183,480             |
| 2026                              | 231,668             |
| 2027                              | 433,527             |
| 2028                              | 176,481             |
| Thereafter                        | <u>240,966</u>      |
| Total                             | <u>\$ 1,397,736</u> |

(7) Other postemployment benefit liability (OPEB)

Plan description

The District participates in the Group Term Life Fund administered by Texas County and District Retirement System (TCDRS). The Group Term Life program is voluntary and employers can cease participation at any time. Therefore, the funding policy of the program is to ensure that adequate resources are available to meet all insurance benefit payments for the upcoming year. It is not the intent of the funding policy to pre-fund retiree term life insurance during employees' entire careers.

Current employees of participating employers are insured for an amount equivalent to the employee's current annual compensation and may also choose to cover retirees. Retirees are insured for \$5,000. The District has elected to cover eligible retirees as part of the plan. Life insurance proceeds are payable as a lump sum. The coverage provided to retirees is a postemployment benefit other than pension benefits (OPEB).

**Employees covered by benefit terms**

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

|  |            |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 1          |
| Inactive employees entitled to but not yet receiving benefits    | 14         |
| Active employees   | <u>86</u>  |
| Total  | <u>101</u> |

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2023**

(7) Other postemployment benefit liability (OPEB) (continued)

Contributions

Each participating employer contributes to the Group Term Life program at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is equal to the cost of providing one-year term life insurance. The premium rate is expressed as a percentage of the covered payroll of members employed by the participating employer. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect.

Other postemployment benefit liability

The annual required contributions were actuarially determined as a percent of covered payroll of the participating employees, and were in compliance with the GASB Statement No. 75 parameters based on the actuarial valuations as of December 31, 2020 and December 31, 2021, the basis for determining the contribution rates for calendar years 2022 and 2023, respectively.

The District's other postemployment benefit liability (OPEB) was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date. The December 31, 2022 actuarial valuation is the most recent valuation.

**Actuarial valuation information:**

The OPEB liability in the December 31, 2022 actuarial valuations was determined using the following actuarial assumptions:

|                          |  |
|--------------------------|--|
| Actuarial valuation date | 12/31/2022                               |
| Actuarial cost method    | Entry age normal                         |
| Amortization method      | Straight-line over expected working life |
| Actuarial assumptions:   |  |
| Investment return        | 3.72%                                    |

**Discount rate**

The discount rate used to measure the OPEB liability was 3.72%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2023**

(7) Other postemployment benefit liability (OPEB) (continued)

Other postemployment benefit liability (continued)

**Changes in the OPEB liability**

|  | <u>OPEB Liability</u> |
|--|-----------------------|
| Balance at December 31, 2021                   | \$ 50,075             |
| Changes for the year:                          |                       |
| Service cost                                   | 3,662                 |
| Interest on OPEB liability                     | 1,107                 |
| Effect of plan changes                         | -                     |
| Effect of assumptions changes or inputs        | 2,860                 |
| Effect of economic/demographic gains or losses | <u>(25,794)</u>       |
| Net changes                                    | <u>(18,165)</u>       |
| <br>Balance at December 31, 2022               | <br><u>\$ 31,910</u>  |

**Sensitivity of the other postemployment benefit liability to changes in the discount rate**

The following presents the OPEB liability of the District, calculated using the discount rate of 3.72%, as well as what the District’s OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.72%) or 1-percentage-point higher (4.72%) than the current rate:

|                | <u>1% Decrease in<br/>Discount Rate (2.72%)</u> | <u>Discount Rate (3.72%)</u> | <u>1% Increase in<br/>Discount Rate (4.72%)</u> |
|----------------|---|------------------------------|---|
| OPEB liability | \$ <u>45,365</u>                                | \$ <u>31,910</u>             | \$ <u>22,787</u>                                |



**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2023**

(7) Other postemployment benefit liability (OPEB) (continued)

OPEB expense and deferred outflows of resources related to OPEB

For the year ended December 31, 2023, the District recognized OPEB expense of \$5,118.

At December 31, 2023, the District reported deferred outflows of resources related to the OPEB liability from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Difference between expected and actual economic experience  | \$ 11,864                                 | \$ -                                     |
| Changes in actuarial assumptions                            | 13,894                                    | 25,308                                   |
| Difference between projected and actual investment earnings | -   | -  |
| Contributions subsequent to the measurement date            | -   | -  |
| Total   | <u>\$ 25,758</u>                          | <u>\$ 25,308</u>                         |

Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

| <u>Year Ended<br/>December 31,</u> |                |
|------------------------------------|----------------|
| 2024                               | \$ 349         |
| 2025                               | 349            |
| 2026                               | 349            |
| 2027                               | 349            |
| 2028                               | 349            |
| Thereafter                         | <u>(1,295)</u> |
| Total                              | <u>\$ 450</u>  |

(8) Risk management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2023, the District obtained general liability coverage through a commercial insurer, VFIS of Texas. The District continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

(9) Evaluation of subsequent events

The District has evaluated subsequent events through May 29, 2024, the date which the financial statements were available to be issued. In January 2024 the District paid off the Southside Bank note payable of \$356,511.



**REQUIRED SUPPLEMENTARY INFORMATION**



**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL ON A GAAP BASIS – GENERAL FUND**

**For the year ended December 31, 2023**

|                                   | BUDGETED<br>AMOUNTS<br>ORIGINAL | BUDGETED<br>AMOUNTS<br>FINAL | GAAP<br>BASIS<br>ACTUAL<br>AMOUNTS | VARIANCE<br>WITH FINAL<br>BUDGET |
|-----------------------------------|---------------------------------|------------------------------|------------------------------------|----------------------------------|
| REVENUES:                         |                                 |                              |                                    |                                  |
| Property tax revenue              | \$ 3,777,876                    | \$ 3,777,876                 | \$ 4,140,886                       | \$ 363,010                       |
| Sales tax revenue                 | 2,808,000                       | 2,808,000                    | 3,392,004                          | 584,004                          |
| Charges for services              | 147,300                         | 147,300                      | 263,769                            | 116,469                          |
| Operating grants                  | 134,000                         | 134,000                      | 194,214                            | 60,214                           |
| Intergovernmental                 | 4,291,099                       | 4,291,099                    | 4,291,099                          | -                                |
| Other income                      | 291,738                         | 291,738                      | -                                  | (291,738)                        |
| Interest earnings                 | 30,000                          | 30,000                       | 529,639                            | 499,639                          |
| Total revenues                    | <u>11,480,013</u>               | <u>11,480,013</u>            | <u>12,811,611</u>                  | <u>1,331,598</u>                 |
| EXPENDITURES:                     |                                 |                              |                                    |                                  |
| Public safety                     | 8,937,264                       | 9,282,434                    | 9,276,851                          | 5,583                            |
| General government                | 1,179,779                       | 1,223,959                    | 902,438                            | 321,521                          |
| Capital outlay                    | 1,318,333                       | 468,767                      | 394,034                            | 74,733                           |
| Total expenditures                | <u>11,435,376</u>               | <u>10,975,160</u>            | <u>10,573,323</u>                  | <u>401,837</u>                   |
| Net change in fund balance        | 44,637                          | 504,853                      | 2,238,288                          | 1,733,435                        |
| FUND BALANCES - BEGINNING OF YEAR | <u>7,995,106</u>                | <u>7,995,106</u>             | <u>7,995,106</u>                   | <u>-</u>                         |
| FUND BALANCES - END OF YEAR       | <u>\$ 8,039,743</u>             | <u>\$ 8,499,959</u>          | <u>\$ 10,233,394</u>               | <u>\$ 1,733,435</u>              |

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY  
AND RELATED RATIOS**

**Measurement year ended December 31,**

|   | <u>2022</u>         | <u>2021</u>         | <u>2020</u>         | <u>2019</u>         |
|---|---------------------|---------------------|---------------------|---------------------|
| <b>Total Pension Liability</b>  |                     |                     |                     |                     |
| Service cost  | \$ 651,113          | \$ 622,502          | \$ 446,962          | \$ 422,540          |
| Interest on the total pension liability                                   | 673,187             | 567,140             | 452,926             | 385,435             |
| Effect of plan changes  | -                   | -                   | -                   | -                   |
| Effect of assumption changes  | -                   | 110,163             | 652,632             | -                   |
| Effect of economic/demographic (gains) or losses                          | 356,851             | 123,060             | 183,167             | 22,652              |
| Refund of contributions   | (11,265)            | (38,103)            | -                   | -                   |
| Benefit payments/refunds of contributions                                 | <u>(40,902)</u>     | <u>(21,825)</u>     | <u>(21,825)</u>     | <u>(21,825)</u>     |
| Net change in total pension liability                                     | 1,628,984           | 1,362,937           | 1,713,862           | 808,802             |
| Total pension liability - beginning                                       | <u>8,232,222</u>    | <u>6,869,285</u>    | <u>5,155,423</u>    | <u>4,346,621</u>    |
| Total pension liability - ending (a)                                      | <u>\$ 9,861,206</u> | <u>\$ 8,232,222</u> | <u>\$ 6,869,285</u> | <u>\$ 5,155,423</u> |
| <b>Fiduciary Net Position</b>   |                     |                     |                     |                     |
| Employer contributions  | \$ 568,662          | \$ 682,877          | \$ 391,463          | \$ 296,934          |
| Member contributions  | 398,063             | 347,095             | 308,585             | 243,104             |
| Investment income, net of investment expenses                             | (586,706)           | 1,475,145           | 517,553             | 629,166             |
| Benefit payments/refunds of contributions                                 | (40,902)            | (21,825)            | (21,825)            | (21,825)            |
| Administrative expense  | (5,354)             | (4,695)             | (4,542)             | (3,807)             |
| Refund of contributions   | (11,265)            | (38,103)            | -                   | -                   |
| Other   | <u>136,013</u>      | <u>29,192</u>       | <u>20,564</u>       | <u>18,438</u>       |
| Net change in plan fiduciary net position                                 | <u>\$ 458,511</u>   | <u>\$ 2,469,686</u> | <u>\$ 1,211,798</u> | <u>\$ 1,162,010</u> |
| Plan fiduciary net position - beginning                                   | <u>8,677,941</u>    | <u>6,208,255</u>    | <u>4,996,457</u>    | <u>3,834,447</u>    |
| Plan fiduciary net position - ending (b)                                  | <u>9,136,452</u>    | <u>8,677,941</u>    | <u>6,208,255</u>    | <u>4,996,457</u>    |
| Net pension liability (a) - (b)   | <u>\$ 724,754</u>   | <u>\$ (445,719)</u> | <u>\$ 661,030</u>   | <u>\$ 158,966</u>   |
| Plan fiduciary net position<br>as a percentage of total pension liability | 92.65%              | 105.41%             | 90.38%              | 96.92%              |
| Covered payroll   | <u>\$ 5,761,517</u> | <u>\$ 4,958,502</u> | <u>\$ 4,408,361</u> | <u>\$ 3,472,912</u> |
| Net pension liability as a percentage<br>of total covered payroll         | 12.58%              | -8.99%              | 14.99%              | 4.58%               |

GASB Statement No. 68 requires 10 years of data to be provided in this schedule. This is the ninth year of implementation of GASB Statement No. 68. The District will develop and present the schedule prospectively.

| 2018                | 2017                | 2016                | 2015                | 2014                |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 389,909          | \$ 337,327          | \$ 337,391          | \$ 320,138          | \$ 290,129          |
| 318,525             | 274,419             | 225,246             | 205,693             | 161,604             |
| -                   | -                   | -                   | (104,237)           | 110,351             |
| -                   | (42,524)            | -                   | 7,175               | -                   |
| 122,950             | (34,978)            | (91,675)            | (216,659)           | 76,123              |
| -                   | -                   | -                   | -                   | -                   |
| <u>(53,493)</u>     | <u>(31,544)</u>     | <u>(39,896)</u>     | <u>(14,132)</u>     | <u>-</u>            |
| 777,891             | 502,700             | 431,066             | 197,978             | 638,207             |
| <u>3,568,730</u>    | <u>3,066,030</u>    | <u>2,634,964</u>    | <u>2,436,986</u>    | <u>1,798,779</u>    |
| <u>\$ 4,346,621</u> | <u>\$ 3,568,730</u> | <u>\$ 3,066,030</u> | <u>\$ 2,634,964</u> | <u>\$ 2,436,986</u> |
| \$ 309,596          | \$ 272,372          | \$ 247,904          | \$ 242,403          | \$ 197,676          |
| 227,167             | 199,436             | 181,143             | 172,968             | 165,320             |
| (57,896)            | 382,380             | 150,009             | (21,239)            | 82,165              |
| (53,493)            | (31,544)            | (39,895)            | (14,132)            | -                   |
| (3,080)             | (2,259)             | (1,631)             | (1,320)             | (1,085)             |
| -                   | -                   | -                   | -                   | -                   |
| <u>14,738</u>       | <u>5,878</u>        | <u>39,106</u>       | <u>(133)</u>        | <u>(78)</u>         |
| <u>\$ 437,032</u>   | <u>\$ 826,263</u>   | <u>\$ 576,636</u>   | <u>\$ 378,547</u>   | <u>\$ 443,998</u>   |
| <u>3,397,415</u>    | <u>2,571,152</u>    | <u>1,994,516</u>    | <u>1,615,969</u>    | <u>1,171,971</u>    |
| <u>3,834,447</u>    | <u>3,397,415</u>    | <u>2,571,152</u>    | <u>1,994,516</u>    | <u>1,615,969</u>    |
| <u>\$ 512,174</u>   | <u>\$ 171,315</u>   | <u>\$ 494,878</u>   | <u>\$ 640,448</u>   | <u>\$ 821,017</u>   |
| 88.22%              | 95.20%              | 83.86%              | 75.69%              | 66.31%              |
| <u>\$ 3,245,236</u> | <u>\$ 2,849,079</u> | <u>\$ 2,587,750</u> | <u>\$ 2,470,971</u> | <u>\$ 2,361,717</u> |
| 15.78%              | 6.01%               | 19.12%              | 25.92%              | 34.76%              |

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS – NET PENSION LIABILITY**

**Last 10 fiscal years**

| <u>Year Ended<br/>December 31,</u> | <u>Actuarially<br/>Determined<br/>Contribution</u> | <u>Actual<br/>Employer<br/>Contribution</u> | <u>Contribution<br/>Deficiency<br/>(Excess)</u> | <u>Pensionable<br/>Covered<br/>Payroll</u> | <u>Actual<br/>Contribution as a %<br/>of Covered Payroll</u> |
|------------------------------------|--|---|---|--|--|
| 2014                               | \$ 197,676   | \$ 197,676                                  | \$ -  | \$ 2,361,717                               | 8.37%  |
| 2015                               | 242,403  | 242,403                                     | -   | 2,470,971                                  | 9.81%  |
| 2016                               | 247,904  | 247,904                                     | -   | 2,527,750                                  | 9.81%  |
| 2017                               | 272,372  | 272,372                                     | -   | 2,849,079                                  | 9.56%  |
| 2018                               | 309,618  | 309,618                                     | -   | 3,245,239                                  | 9.54%  |
| 2019                               | 296,934  | 296,934                                     | -   | 3,472,912                                  | 8.55%  |
| 2020                               | 391,463  | 391,463                                     | -   | 4,408,361                                  | 8.88%  |
| 2021                               | 432,877  | 682,877                                     | (250,000)                                       | 4,958,502                                  | 13.77%   |
| 2022                               | 568,662  | 568,662                                     | -   | 5,761,517                                  | 9.87%  |
| 2023                               | 623,745  | 873,745                                     | (250,000)                                       | 6,237,453                                  | 14.01%   |



**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
LIABILITY AND RELATED RATIOS**

**Measurement year ended December 31,**

|  | Measurement year ended December 31, |                     |                     |                     |                     |                     |
|--|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|  | 2022                                | 2021                | 2020                | 2019                | 2018                | 2017                |
| OPEB liability   |                                     |                     |                     |                     |                     |                     |
| Service cost   | \$ 3,662                            | \$ 3,306            | \$ 2,155            | \$ 1,197            | \$ 1,416            | \$ 1,090            |
| Interest on the OPEB liability                             | 1,107                               | 922                 | 705                 | 572                 | 481                 | 378                 |
| Effect of plan changes                                     | -                                   | -                   | -                   | -                   | -                   | -                   |
| Effect of assumption changes or inputs                     | 2,860                               | 4,197               | 8,005               | 8,412               | (3,019)             | 1,554               |
| Effect of economic/demographic (gains) or losses           | (25,794)                            | 1,472               | 5,735               | 633                 | 1,323               | 626                 |
| Benefit payments   | -                                   | -                   | -                   | -                   | -                   | -                   |
| Net change in OPEB liability                               | (18,165)                            | 9,897               | 16,600              | 10,814              | 201                 | 3,648               |
| OPEB liability - beginning                                 | 50,075                              | 40,178              | 23,578              | 12,764              | 12,563              | 8,915               |
| OPEB liability - ending                                    | <u>\$ 31,910</u>                    | <u>\$ 50,075</u>    | <u>\$ 40,178</u>    | <u>\$ 23,578</u>    | <u>\$ 12,764</u>    | <u>\$ 12,563</u>    |
| Covered payroll  | <u>\$ 5,761,517</u>                 | <u>\$ 4,958,502</u> | <u>\$ 4,408,361</u> | <u>\$ 3,472,912</u> | <u>\$ 3,245,236</u> | <u>\$ 2,849,079</u> |
| OPEB liability as a percentage of covered employee payroll | 0.55%                               | 1.01%               | 0.91%               | 0.68%               | 0.39%               | 0.44%               |

GASB Statement No. 75 requires 10 years of data to be provided in this schedule. This is the sixth year of implementation of GASB Statement No. 75. The District will develop and present the schedule prospectively.

# COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2023

### (1) Budgetary information

Budgets for the District are prepared in conformity with general accepted accounting principles (GAAP). The District legally adopts budgets for the general fund. All annual appropriations lapse at fiscal year end. All amendments to the District's budget requires Board approval prior to incurring such expenditure. At a minimum, the District is required to present the original and final budgets for the revenue and expenditures compared to actual revenues and expenditures for the general fund.

### (2) Schedule of employer contributions - pensions

#### **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:**

|   |   |
|---|---|
| Actuarial cost method   | Entry age   |
| Amortization method   | Level percentage of payroll, closed   |
| Remaining amortization period   | 12.1 years  |
| 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.<br>2017: New mortality assumptions were reflected.<br>2019: New inflation, mortality and other assumptions were reflected.<br>2022: New investment return and inflation assumption were reflected. |
| Changes in plan provisions reflected in the schedule of employer contributions*         | 2015: Employer contributions reflect that the current service matching rate was increased to 200%.<br>2016: No changes in plan provisions were reflected.<br>2017: New annuity purchase rates were reflected for benefits earned after 2017.                            |

\* Only changes effective 2015 and after are shown in the notes to schedule of contributions - pensions.

**OTHER SUPPLEMENTARY INFORMATION**



**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL ON A GAAP BASIS – DEBT SERVICE FUND**

**For the year ended December 31, 2023**

|                                   | <u>BUDGETED<br/>AMOUNTS<br/>ORIGINAL</u> | <u>BUDGETED<br/>AMOUNTS<br/>FINAL</u> | <u>GAAP<br/>BASIS<br/>ACTUAL<br/>AMOUNTS</u> | <u>VARIANCE<br/>WITH FINAL<br/>BUDGET</u> |
|-----------------------------------|--|---------------------------------------|--|---|
| REVENUES:                         |  |                                       |  |   |
| Property tax revenue              | \$ 727,403                               | \$ 735,210                            | \$ 838,961                                   | \$ 103,751                                |
| Total revenues                    | <u>727,403</u>                           | <u>735,210</u>                        | <u>838,961</u>                               | <u>103,751</u>                            |
| EXPENDITURES:                     |  |                                       |  |   |
| Debt service                      |  |                                       |  |   |
| Principal                         | 631,964                                  | 631,964                               | 631,964                                      | -   |
| Interest                          | <u>91,943</u>                            | <u>91,943</u>                         | <u>91,943</u>                                | <u>-</u>                                  |
| Total expenditures                | <u>723,907</u>                           | <u>723,907</u>                        | <u>723,907</u>                               | <u>-</u>                                  |
| Net change in fund balance        | 3,496                                    | 11,303                                | 115,054                                      | 103,751                                   |
| FUND BALANCES - BEGINNING OF YEAR | <u>57,738</u>                            | <u>57,738</u>                         | <u>57,738</u>                                | <u>-</u>                                  |
| FUND BALANCES - END OF YEAR       | <u>\$ 61,234</u>                         | <u>\$ 69,041</u>                      | <u>\$ 172,792</u>                            | <u>\$ 103,751</u>                         |



## **OTHER INFORMATION**





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*

To the Board of Commissioners  
Comal County Emergency Services District No. 3  
Canyon Lake, 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 governmental activities and the major funds of the Comal County Emergency Services District No. 3 (the District), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 29, 2024.

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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

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

ABIP, PC

San Antonio, Texas  
May 29, 2024