

# COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

**abip**

CPAs | ADVISORS

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

(This page is intentionally left blank)

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

**TABLE OF CONTENTS**

**December 31, 2019**

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-5E
FINANCIAL STATEMENTS	
Statement of Net Position – Governmental Activities	8
Statement of Activities – Governmental Activities	9
Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position – Governmental Activities	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12
Reconciliation of Change in Net Position – Governmental Activities and Change in Fund Balances – Governmental Funds	13
Notes to the Financial Statements	14-32
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on a GAAP Basis – General Fund	36
Schedule of Changes in the Employer's Net Pension Liability and Related Ratios	37
Schedule of Employer Contributions – Net Pension Liability	38
Schedule of Changes in Other Postemployment Benefits (OPEB) Liability and Related Ratios	39
Notes to Required Supplementary Information	40
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on a GAAP Basis – Debt Service Fund	44
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on a GAAP Basis – Capital Projects Fund	45

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

**TABLE OF CONTENTS**

**December 31, 2019**

PAGE

OTHER INFORMATION

Independent Auditors' 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*

48-49

INDEPENDENT AUDITORS' REPORT

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

**Report on Financial Statements**

We have audited the accompanying financial statements of governmental activities and major funds of the Comal County Emergency Services District No. 3 (the District) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major funds of the Comal County Emergency Services District No. 3 as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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.

The other supplementary 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.

Such 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 other supplementary information 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 20, 2020 on our consideration of the Comal County Emergency Services District No. 3'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 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 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 Comal County Emergency Services District No. 3's internal control over financial reporting and compliance.

ABIP, PC

San Antonio, Texas  
May 20, 2020

(This page is intentionally left blank)



# COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2019

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, 2019. 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 \$10,530,425 (net position) for the fiscal year reported. This is an overall increase of \$2,089,563, after the restatement of net position, from December 31, 2018.
- Expenses for the year ended December 31, 2019 were \$6,398,446. Revenues exceeded expenses (including depreciation) by \$1,815,693. Included in expense is \$593,156 in depreciation.
- The general fund reported a fund balance of \$4,558,789. This is an increase of \$262,346, after the restatement of fund balance, in comparison to the prior year December 31, 2018.

### 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 an eight (8) cent per \$100 property valuation tax and collects a one (1) percent 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 and sales tax revenues 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, debt service fund, and capital project 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 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 \$4,275,127 at December 31, 2019. This is a \$267,874 increase over last's year's unrestricted net position of \$4,007,253. The repayment of existing loans along with an 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	
	2019	2018
ASSETS:		
Current assets	\$ 13,117,016	\$ 12,240,467
Capital assets, net	<u>7,762,786</u>	<u>6,450,505</u>
Total assets	<u>20,879,802</u>	<u>18,690,972</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>686,605</u>	<u>364,611</u>
LIABILITIES:		
Current liabilities	1,295,218	2,753,948
Non-current liabilities	<u>5,779,365</u>	<u>6,050,087</u>
Total liabilities	<u>7,074,583</u>	<u>8,804,035</u>
DEFERRED INFLOWS OF RESOURCES	<u>3,961,399</u>	<u>1,810,686</u>
NET POSITION:		
Net investment in capital assets	6,222,216	4,433,609
Restricted - capital projects	33,082	-
Unrestricted net position	<u>4,275,127</u>	<u>4,007,253</u>
Total net position	<u>\$ 10,530,425</u>	<u>\$ 8,440,862</u>

## Statement of Activities

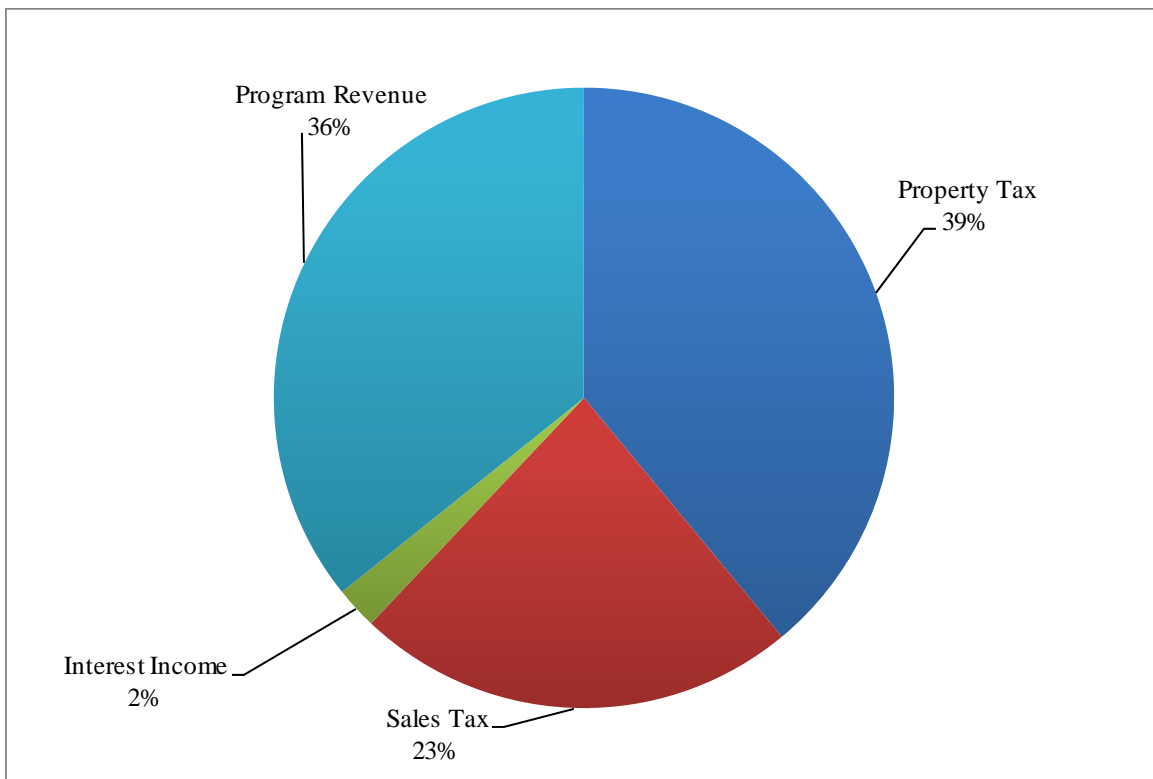
The District's total revenues were \$8,214,139 in 2019. In 2019, 39% of the total revenue came from ad valorem property taxes, 23% of revenue came from sales tax, and 2% of revenue came from interest earnings. In addition, 36% came from payments from program revenues such as the interlocal agreement with Emergency Services District No. 2 to provide Emergency Medical Services (EMS) operations. For more information, see note 5 – Intergovernmental Revenues of the financial statements.

For the year ended December 31, 2019, the total expenses were \$6,398,446 including \$593,156 of depreciation expense and \$365,399 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:

	GOVERNMENTAL ACTIVITIES	
	2019	2018
REVENUES:		
Program revenues	\$ 2,937,178	\$ 2,533,603
General revenues	<u>5,276,961</u>	<u>4,734,398</u>
Total revenues	<u>8,214,139</u>	<u>7,268,001</u>
EXPENSES:		
Public safety	5,818,571	5,032,753
General government	365,399	646,254
Interest on debt	<u>214,476</u>	<u>182,523</u>
Total expenses	<u>6,398,446</u>	<u>5,861,530</u>
Change in net position	1,815,693	1,406,471
NET POSITION - BEGINNING OF YEAR	<u>8,440,862</u>	<u>7,043,306</u>
RESTATEMENT OF NET POSITION	273,870	(8,915)
NET POSITION - AS RESTATED - BEGINNING OF YEAR	<u>8,714,732</u>	<u>7,034,391</u>
NET POSITION - END OF YEAR	<u>\$ 10,530,425</u>	<u>\$ 8,440,862</u>

The following chart is a graphic representation of the District's income for the year ended December 31, 2019.



## **Capital assets and debt administration**

### **Capital Assets**

Net investment in capital assets was \$6,222,216 at December 31, 2019. Capital assets include land, construction in progress, buildings and improvements, vehicles, and firefighting equipment. The significant additions for the year were the purchase of a fire truck, design and construction on new stations, and operational equipment for the firefighters. The District paid for the new fire truck in 2019 that was being constructed and has since been received in 2020. The following table shows capital assets for 2019 with comparison for 2018.

	<u>GOVERNMENTAL ACTIVITIES</u>	
	<u>2019</u>	<u>2018</u>
Land	\$ 289,266	\$ 289,266
Construction in progress	2,100,978	742,176
Building and improvements	4,808,181	4,808,181
Equipment	914,491	815,356
Vehicles	<u>4,141,385</u>	<u>3,693,885</u>
Total capital assets	12,254,301	10,348,864
Accumulated depreciation	<u>(4,491,515)</u>	<u>(3,898,359)</u>
Capital assets, net	<u>\$ 7,762,786</u>	<u>\$ 6,450,505</u>

### **Long-Term Debt**

At the end of 2019, the District has notes payable with a remaining balance of \$5,886,209. The following table shows the District's long-term debt for 2019 with comparison for 2018.

	<u>GOVERNMENTAL ACTIVITIES</u>	
	<u>2019</u>	<u>2018</u>
Notes payable	<u>\$ 5,886,209</u>	<u>\$ 6,477,991</u>
Total debt	<u>\$ 5,886,209</u>	<u>\$ 6,477,991</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 property tax rate is \$0.080 per \$100 property valuation which was an increase from 2018 tax year of \$.0796 due to an increase in budgeted operational expenses expected during the fiscal year. The District expects increased revenues for the 2020 year due to an increase in certified property valuations and taxes related to new construction. The sales tax revenues are also expected to increase from the 2019 collections.

## **BUDGETARY HIGHLIGHTS**

Actual revenues for the general fund in 2019 were more than budgeted amounts by \$902,035. Sales tax collections were substantially higher as a result of economic activity in the District's jurisdiction. However, collections of future sales tax revenue could be impacted negatively due to the COVID19 pandemic that occurred in early 2020. Expenditures were under budget in 2019 by \$134,719 primarily due to less public safety 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 the Treasurer at 830-907-2922, or at Post Office Box 2140, 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.

(This page is intentionally left blank)



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

**STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES**

**December 31, 2019**

ASSETS:	
Cash and cash equivalents	\$ 66,388
Investments	9,060,103
Cash with fiscal agent - Tax Assessor-Collector	1,726,431
Receivables - property taxes	
Current taxes receivable	1,693,746
Delinquent taxes receivable	96,150
Sales tax receivable	366,916
Other receivables	49,603
Prepaid expenses	57,679
Capital assets (net)	
Land	289,266
Construction in progress	2,100,978
Buildings and improvements	3,471,245
Equipment	392,379
Vehicles	1,508,918
Total assets	<u>20,879,802</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows of resources - pension	683,516
Deferred outflows of resources - OPEB	3,089
Total deferred outflows of resources	<u>686,605</u>
LIABILITIES:	
Accounts payable	270,537
Accrued liabilities	158,681
Accrued interest payable	184,831
Compensated absences	69,387
Note payable - due in one year	546,931
Non-current liabilities	
Note payable - due in more than one year	5,319,278
Net pension liability	512,174
OPEB liability	12,764
Total liabilities	<u>7,074,583</u>
DEFERRED INFLOWS OF RESOURCES:	
Current year property taxes levied for subsequent period	3,707,221
Deferred inflows of resources - pensions	251,391
Deferred inflows of resources - OPEB	2,787
Total deferred inflows of resources	<u>3,961,399</u>
NET POSITION:	
Net investment in capital assets	6,222,216
Restricted - capital projects	33,082
Unrestricted	4,275,127
Total net position	<u>\$ 10,530,425</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, 2019**

EXPENSES:	
Public safety	\$ 5,818,571
General government	365,399
Interest on debt	<u>214,476</u>
Total expenses	<u>6,398,446</u>
PROGRAM REVENUES:	
Intergovernmental payments	2,632,354
Charges for services	270,422
Operating contributions	<u>34,402</u>
Total program revenues	<u>2,937,178</u>
Net expense	<u>(3,461,268)</u>
GENERAL REVENUES:	
Property tax	3,201,999
Sales tax	1,894,461
Interest income	<u>180,501</u>
Total general revenues	<u>5,276,961</u>
Change in net position	1,815,693
NET POSITION - BEGINNING OF YEAR	<u>8,440,862</u>
RESTATEMENT OF NET POSITION	273,870
NET POSITION - AS RESTATED - BEGINNING OF YEAR	<u>8,714,732</u>
NET POSITION - END OF YEAR	<u>\$ 10,530,425</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, 2019**

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 66,388	\$ -	\$ -	\$ 66,388
Investments	4,637,469	-	4,422,634	9,060,103
Cash with fiscal agent - Tax Assessor-Collector	1,348,774	377,657	-	1,726,431
Receivables - property taxes				
Current taxes receivable	1,323,239	370,507	-	1,693,746
Delinquent taxes receivable	88,530	7,620	-	96,150
Sales tax receivable	366,916	-	-	366,916
Other receivables	49,603	-	-	49,603
Prepaid expenses	57,679	-	-	57,679
Due from other funds	-	62,790	-	62,790
Total assets	<u>\$ 7,938,598</u>	<u>\$ 818,574</u>	<u>\$ 4,422,634</u>	<u>\$ 13,179,806</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 173,542	\$ -	\$ 96,995	\$ 270,537
Accrued expenses	158,681	-	-	158,681
Due to other funds	62,790	-	-	62,790
Total liabilities	<u>395,013</u>	<u>-</u>	<u>96,995</u>	<u>492,008</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Current property collected for subsequent period	1,573,027	440,447	-	2,013,474
Uncollected property taxes	1,411,769	378,127	-	1,789,896
Total deferred inflows of resources	<u>2,984,796</u>	<u>818,574</u>	<u>-</u>	<u>3,803,370</u>
<b>FUND BALANCE</b>				
Nonspendable	57,679			57,679
Restricted - capital projects	33,082	-	4,325,639	4,358,721
Unassigned	4,468,028	-	-	4,468,028
Total fund balance	<u>4,558,789</u>	<u>-</u>	<u>4,325,639</u>	<u>8,884,428</u>
 Total liabilities, deferred inflows of resources, and fund balance	 <u>\$ 7,938,598</u>	 <u>\$ 818,574</u>	 <u>\$ 4,422,634</u>	 <u>\$ 13,179,806</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, 2019**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		\$ 8,884,428
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.		7,762,786
Delinquent property taxes deferred in the funds are recognized as revenue in the governmental activities.		96,149
Interest expense accrued on long-term debt is not reported in the funds.		(184,831)
Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds.		(69,387)
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	\$ (512,174)	
Deferred inflows of resources - TCDRS - pension	(251,391)	
Deferred outflows of resources - TCDRS - pension	<u>683,516</u>	(80,049)
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	(12,764)	
Deferred outflows of resources - TCDRS - OPEB	3,089	
Deferred inflows of resources - TCDRS - OPEB	<u>(2,787)</u>	(12,462)
Payables for loans which are not due in the current period are not reported in the funds.		<u>(5,866,209)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ 10,530,425</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, 2019**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES:				
Property tax revenue	\$ 2,778,678	\$ 411,398	\$ -	\$ 3,190,076
Sales tax revenue	1,894,461	-	-	1,894,461
Charges for services	270,422	-	-	270,422
Intergovernmental payments	2,632,354	-	-	2,632,354
Operating contributions	34,402	-	-	34,402
Interest	<u>80,162</u>	-	<u>100,339</u>	<u>180,501</u>
Total revenues	<u>7,690,479</u>	<u>411,398</u>	<u>100,339</u>	<u>8,202,216</u>
EXPENDITURES:				
Public safety	5,303,065	-	-	5,303,065
General government	382,280	-	-	382,280
Capital outlay	1,669,642	-	235,795	1,905,437
Debt service:				
Principal	-	611,782	-	611,782
Interest and fees	<u>-</u>	<u>146,632</u>	<u>-</u>	<u>146,632</u>
Total expenditures	<u>7,354,987</u>	<u>758,414</u>	<u>235,795</u>	<u>8,349,196</u>
Excess of revenues over expenditures	335,492	(347,016)	(135,456)	(146,980)
OTHER FINANCING SOURCES (USES)				
Transfer in	-	347,016	-	347,016
Transfer out	<u>(347,016)</u>	<u>-</u>	<u>-</u>	<u>(347,016)</u>
Total other financing sources (uses)	<u>(347,016)</u>	<u>347,016</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(11,524)	-	(135,456)	(146,980)
FUND BALANCE - BEGINNING OF YEAR	<u>4,296,443</u>	<u>-</u>	<u>4,461,095</u>	<u>8,757,538</u>
RESTATEMENT OF FUND BALANCE	<u>273,870</u>	<u>-</u>	<u>-</u>	<u>273,870</u>
FUND BALANCE - AS RESTATED	<u>4,570,313</u>	<u>-</u>	<u>4,461,095</u>	<u>9,031,408</u>
FUND BALANCE - END OF YEAR	<u>\$ 4,558,789</u>	<u>\$ -</u>	<u>\$ 4,325,639</u>	<u>\$ 8,884,428</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, 2019**

NET CHANGE IN FUND BALANCES \$ (146,980)

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

Governmental funds report capital outlays as expenditures (\$1,905,436). However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$593,155). This is the amount by which capital outlays exceeded depreciation expense in the period. 1,312,281

Delinquent property tax revenues are deferred in the funds. This is the change in these amounts this year. 11,923

Accrued interest payable is not an expense in the funds. This is the change in these amounts this year. (67,844)

Accrued vacation leave payable is not an expense in the funds. This is the change in this amount this year. 41,198

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. 57,528

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. (4,195)

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

Principal payment 611,782

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,815,693

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, 2019

### (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 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 a single function, emergency services. 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.

Capital project fund - These funds are used to account for proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions. Upon completion of the project, any unused proceeds are transferred to the debt service fund and are used to retire related debt principal.

# COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

### (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:



# COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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

Basis of presentation, basis of accounting (continued)

Investments (continued)

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.

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 2019 ad valorem tax is levied on October 1, 2019, 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, 2019 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, 2019

### (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, 2019 of \$69,387 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, 2019

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

Basis of presentation, basis of accounting (continued)

Fund balance

The District follows Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement provides guidance for fund balance categories and classifications and governmental fund type definitions. GASB 54 changed the way we look at cash balances, specifically reporting what cash balances, by major governmental fund type, are or are not available for public purposes. Five categories of cash balances were created and defined by GASB 54.

These five categories are as follows:

- 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.

### (2) Deposits and investments

The District's funds are required to be deposited under the terms of a depository contract. The depository bank deposits approved pledged securities for safekeeping and trust with the District's agent bank. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

# COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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

#### Cash deposits and cash equivalents

At December 31, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in cash and cash equivalents) was \$266,388 and the bank balance was \$367,100.

#### 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, 2019

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

#### Credit risk

The Certificates of Deposit are not rated. 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, 2019**

(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 Districts cash, cash equivalents, and investments at December 31, 2019 is shown below:

	<u>CARRYING AMOUNT</u>	<u>LEVEL 1</u>	<u>AMORTIZED COST</u>	<u>DAYS TO MATURITY</u>
Included in cash and cash equivalents:				
Checking accounts	\$ 66,388	\$ 66,388	\$ -	n/a
Included in investments:				
TexPool	7,960,103	-	7,960,103	33
CD Security State Bank	100,000	-	100,000	47
CD Security State Bank	100,000	-	100,000	25
CD Security State Bank	100,000	-	100,000	355
CD Security State Bank	100,000	-	100,000	321
CD Security State Bank	100,000	-	100,000	114
CD Security State Bank	100,000	-	100,000	145
CD Security State Bank	100,000	-	100,000	172
CD Security State Bank	100,000	-	100,000	184
CD Security State Bank	100,000	-	100,000	233
CD Security State Bank	100,000	-	100,000	286
CD Security State Bank	100,000	-	100,000	273
Total investments	<u>9,060,103</u>	<u>-</u>	<u>9,060,103</u>	
Total cash and investments	\$ <u>9,126,491</u>	\$ <u>66,388</u>	\$ <u>9,060,103</u>	
Weighted average maturity				53

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

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2019**

**(3) Capital assets**

Capital asset activity for the year ended December 31, 2019, was as follows:

	<u>BEGINNING BALANCE</u>	<u>RECLASS AND ADDITIONS</u>	<u>RECLASS AND DISPOSALS</u>	<u>ENDING BALANCE</u>
Capital assets, not being depreciated:				
Land	\$ 289,266	\$ -	\$ -	\$ 289,266
Construction in progress	742,176	1,772,670	(413,868)	2,100,978
Total capital assets, not being depreciated	<u>1,031,442</u>	<u>1,772,670</u>	<u>(413,868)</u>	<u>2,390,244</u>
Capital assets, being depreciated:				
Buildings and improvements	4,808,181	-	-	4,808,181
Equipment	815,356	99,135	-	914,491
Vehicles	3,693,885	33,632	413,868	4,141,385
Total capital assets, being depreciated	<u>9,317,422</u>	<u>132,767</u>	<u>413,868</u>	<u>9,864,057</u>
Less accumulated depreciation:				
Buildings and improvements	(1,196,231)	(140,705)	-	(1,336,936)
Equipment	(398,664)	(123,449)	-	(522,113)
Vehicles	(2,303,464)	(329,002)	-	(2,632,466)
Total accumulated depreciation	<u>(3,898,359)</u>	<u>(593,156)</u>	<u>-</u>	<u>(4,491,515)</u>
Total capital assets, being depreciated - net	<u>5,419,063</u>	<u>(460,389)</u>	<u>413,868</u>	<u>5,372,542</u>
Total capital assets - net	<u>\$ 6,450,505</u>	<u>\$ 1,312,281</u>	<u>\$ -</u>	<u>\$ 7,762,786</u>

Depreciation was charged to the function of public safety for \$583,799 and \$9,357 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 2019, the District paid \$303,938 in principal payments and \$64,132 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 2019, the District paid \$307,845 in principal payments and \$82,500 in interest. The note is secured with future tax revenues.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2019**

(4) Long-term debt obligations (continued)

Changes in long-term obligations for the year ended December 31, 2019, are as follows:

	<u>ORIGINAL AMOUNT</u>	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	<u>ENDING BALANCE</u>	<u>AMOUNT DUE WITHIN ONE YEAR</u>
Notes payable (direct borrowing)						
Capital One Public Funding	\$ 4,500,000	\$ 4,500,000	\$ -	\$ (307,844)	\$ 4,192,156	\$ 233,139
Southside Bank	<u>3,184,014</u>	<u>1,977,991</u>	<u>-</u>	<u>(303,938)</u>	<u>1,674,053</u>	<u>313,792</u>
Total debt	<u>\$ 7,684,014</u>	<u>\$ 6,477,991</u>	<u>\$ -</u>	<u>\$ (611,782)</u>	<u>\$ 5,866,209</u>	<u>\$ 546,931</u>

The District's loan commitments, with an interest rate of 3.242% – 3.75%, is as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2020	\$ 546,931	\$ 211,484	\$ 758,415
2021	565,848	192,567	758,415
2022	585,422	172,992	758,414
2023	605,678	152,737	758,415
2024	626,637	131,777	758,414
2025-2029	1,510,394	441,331	1,951,725
2030-2033	<u>1,425,299</u>	<u>136,080</u>	<u>1,561,379</u>
	<u>\$ 5,866,209</u>	<u>\$ 1,438,968</u>	<u>\$ 7,305,177</u>

(5) Intergovernmental revenues

The District contracts with Comal County Emergency Services District No. 2 through an Interlocal Agreement to provide Emergency Medical Services Operations to a jurisdiction identical to Comal County Emergency Services District No. 3. This agreement went into effect January 1, 2015 and was set to expire on December 31, 2019 unless modified and renewed by both Districts. The Districts executed a five year renewed Interlocal Agreement in October 2019 that commenced on January 1, 2020 and will expire on December 31 2024. Payments under this agreement were \$2,632,354 for fiscal year 2019.

(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 781 participating counties and districts throughout Texas.



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

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2019**

(6) Pension plan (continued)

Plan description (continued)

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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	25
Active employees	<u>50</u>
Total	<u>77</u>

Contributions

The contributions 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.

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 8.55% for the year ending December 31, 2019 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, 2019, the annual pension cost for the TCDRS Plan for its employees was \$296,934 and the actual contributions were \$296,934.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2019**

(6) Pension plan (continued)

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, 2016 and December 31, 2017, the basis for determining the contribution rates for calendar years 2018 and 2019, respectively.

The District's net pension liability (NPL) was measured as of December 31, 2018, 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, 2018 actuarial valuation is the most recent valuation.

**Actuarial valuation information:**

The total pension liability in the December 31, 2018 actuarial valuations was determined using the following actuarial assumptions:

Actuarial valuation date	12/31/2018
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period	10.1 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment return*	8.00%
Projected salary increase*	4.90
Inflation	2.75
Cost-of-living adjustments	0.00

\*Includes inflation, net investment expenses.

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 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee. Mortality rates for active members were based on gender-distinct RP-2014 Active Employee Mortality Table at 90% for males and females projected with 110% of the MP-2014 Ultimate scale after 2014. Mortality rates for retirees, beneficiaries, and non-active members were based on 130% of the RP-2014 Healthy Annuitant Mortality Tables for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2019**

(6) Pension plan (continued)

Net pension liability (continued)

For disabled annuitants, mortality rates were based on 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

The long-term expected rate of return on pension plan investments is 8.1%. 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 2019 information for a 10 year time horizon.

Asset Class	Target Allocation	Geometric Real Rate of Return (expected minus inflation)
U.S. Equities	10.50%	5.40%
Private Equity	18.00%	8.40%
Global Equities	2.50%	5.70%
International Equities - Developed	10.00%	5.40%
International Equities - Emerging	7.00%	5.90%
Investment - Grade Bonds	3.00%	1.60%
Strategic Credit	12.00%	4.39%
Direct Lending	11.00%	7.95%
Distressed Debt	2.00%	7.20%
REIT Equities	2.00%	4.15%
Master Limited Partnerships (MLPs)	3.00%	5.35%
Private Real Estate Partnerships	6.00%	6.30%
Hedge Funds	13.00%	3.90%
Total	100.00%	

**Discount rate**

The discount rate used to measure the total pension liability was 8.1%. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2019**

(6) Pension plan (continued)

Net pension liability (continued)

**Changes in the net pension liability**

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balance at December 31, 2017	\$ 3,568,730	\$ 3,397,415	\$ 171,315
Changes for the year:			
Service cost	389,909	-	389,909
Interest on total pension liability	318,525	-	318,525
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	122,950	-	122,950
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(46,013)	(46,013)	-
Benefit payments	(7,480)	(7,480)	-
Administrative expense	-	(3,080)	3,080
Member contributions	-	227,167	(227,167)
Net investment income	-	(57,896)	57,896
Employer contributions	-	309,596	(309,596)
Other	-	14,738	(14,738)
Net changes	<u>777,891</u>	<u>437,032</u>	<u>340,859</u>
Balance at December 31, 2018	<u>\$ 4,346,621</u>	<u>\$ 3,834,447</u>	<u>\$ 512,174</u>

**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 8.1%, 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 (7.1%) or 1-percentage-point higher (9.1%) than the current rate:

	1% Decrease in Discount Rate (7.1%)	Discount Rate (8.1%)	1% Increase in Discount Rate (9.1%)
	<u>(a)</u>	<u>(b)</u>	<u>(c)</u>
Total pension liability	\$ 5,312,625	\$ 4,346,621	\$ 3,585,268
Fiduciary net position	<u>3,834,447</u>	<u>3,834,447</u>	<u>3,834,447</u>
District's net pension liability (asset)	<u>\$ 1,478,178</u>	<u>\$ 512,174</u>	<u>\$ (249,179)</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).

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

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2019**

(6) Pension plan (continued)

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

For the year ended December 31, 2019, the District recognized pension expense of \$239,384.

At December 31, 2019, the District reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 148,717	\$ 218,317
Changes in actuarial assumptions	4,305	33,074
Difference between projected and actual investment earnings	233,560	-
Contributions subsequent to the measurement date	<u>296,934</u>	<u>-</u>
Total	<u>\$ 683,516</u>	<u>\$ 251,391</u>

The District reported \$296,934 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2020	\$ 58,975
2021	25,109
2022	19,413
2023	50,711
2024	(19,836)
Thereafter	<u>819</u>
Total	<u>\$ 135,191</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).

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

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2019**

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

Plan description (continued)

**Employees covered by benefit terms**

At the December 31, 2018 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	3
Active employees	<u>50</u>
Total	<u>54</u>

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, 2016 and December 31, 2017, the basis for determining the contribution rates for calendar years 2018 and 2019, respectively.

The District's total other postemployment benefit liability (OPEB) was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date. The December 31, 2018 actuarial valuation is the most recent valuation.

**Actuarial valuation information:**

The OPEB liability in the December 31, 2018 actuarial valuations was determined using the following actuarial assumptions:

Actuarial valuation date	12/31/2018
Actuarial cost method	Entry age normal
Amortization method	Straight-line over expected working life
Actuarial assumptions:	
Investment return	4.10%

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

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2019**

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

Other postemployment benefit liability (continued)

**Discount rate**

The discount rate used to measure the total OPEB liability was 4.10%. 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.

**Changes in the total OPEB liability**

	Total OPEB Liability
Balance at December 31, 2017	\$ 12,563
Changes for the year:	
Service cost	1,416
Interest on total OPEB liability	481
Effect of plan changes	-
Effect of assumptions changes or inputs	1,323
Effect of economic/demographic gains or losses	<u>(3,019)</u>
Net changes	<u>201</u>
Balance at December 31, 2018	<u>\$ 12,764</u>

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

The following presents the OPEB liability of the District, calculated using the discount rate of 4.10%, 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 (3.10%) or 1-percentage-point higher (5.10%) than the current rate:

	1% Decrease in Discount Rate (3.10%)	Discount Rate (4.10%)	1% Increase in Discount Rate (5.10%)
Total OPEB liability	\$ <u>17,652</u>	\$ <u>12,764</u>	\$ <u>9,366</u>

**OPEB expense and deferred outflows of resources related to OPEB**

For the year ended December 31, 2019, the District recognized OPEB expense of \$1,923.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2019**

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

OPEB expense and deferred outflows of resources related to OPEB (continued)

At December 31, 2019, the District reported deferred outflows of resources related to the OPEB liability from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 1,757	\$ -
Changes in actuarial assumptions	1,332	2,787
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 3,089</u>	<u>\$ 2,787</u>

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

Year Ended	
December 31:	
2020	\$ 26
2021	26
2022	26
2023	26
2024	26
Thereafter	<u>172</u>
Total	<u>\$ 302</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 2019, 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) Restatement of net position

During fiscal year 2019, the District recognized they were recording sales tax receipts on a cash basis and not on an accrual basis of accounting. The change in accounting resulted in an increase of beginning net position of \$273,870. The effect on current period revenues was an increase of \$93,046 and recognition of a \$366,916 receivable at December 31, 2019.



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

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2019**

(10) Evaluation of subsequent events

The District has evaluated subsequent events through May 20, 2020, the date which the financial statements were available to be issued.

On March 19, 2020 Texas Governor Greg Abbott issued an executive order to close non-essential businesses and schools due to the public health concerns related to the COVID-19 crisis. The result of this order will impact unemployment rates of the local economy, the District's ongoing sales tax revenues, and possibly increase future TCDRS contribution rates. The duration and intensity of these impacts on the District's revenues from sales and property taxes, TCDRS contribution rates, as well as the District's operations, will depend on future developments which cannot be forecasted or estimated at this time.

(This page is intentionally left blank)

**REQUIRED SUPPLEMENTARY INFORMATION**

(This page is intentionally left blank)

**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, 2019**

	BUDGETED AMOUNTS ORIGINAL	BUDGETED AMOUNTS FINAL	GAAP BASIS ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
<b>REVENUES:</b>				
Property tax revenue	\$ 2,719,590	\$ 2,719,590	\$ 2,778,678	\$ 59,088
Sales tax revenue	1,350,000	1,350,000	1,894,461	544,461
Charges for services	50,000	50,000	270,422	220,422
Intergovernmental	2,632,354	2,632,354	2,632,354	-
Operating contributions	2,500	2,500	34,402	31,902
Other income	14,000	14,000	-	(14,000)
Interest earnings	20,000	20,000	80,162	60,162
Total revenues	<u>6,788,444</u>	<u>6,788,444</u>	<u>7,690,479</u>	<u>902,035</u>
<b>EXPENDITURES:</b>				
Public safety	5,494,590	5,494,589	5,303,065	191,524
General government	313,267	313,267	382,280	(69,013)
Capital outlay	285,900	1,681,850	1,669,642	12,208
Total expenditures	<u>6,093,757</u>	<u>7,489,706</u>	<u>7,354,987</u>	<u>134,719</u>
Excess of revenue over expenditures	(694,687)	701,262	335,492	(365,770)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer out	<u>-</u>	<u>-</u>	<u>(347,016)</u>	<u>(347,016)</u>
Net change in fund balance	694,687	(701,262)	(11,524)	689,738
FUND BALANCES - BEGINNING OF YEAR	<u>4,296,443</u>	<u>4,296,443</u>	<u>4,296,443</u>	<u>-</u>
RESTATEMENT OF FUND BALANCE	<u>-</u>	<u>-</u>	<u>273,870</u>	<u>273,870</u>
FUND BALANCES - BEGINNING OF YEAR - AS RESTATED	<u>4,296,443</u>	<u>4,296,443</u>	<u>4,570,313</u>	<u>273,870</u>
FUND BALANCES - END OF YEAR	<u>\$ 4,991,130</u>	<u>\$ 3,595,181</u>	<u>\$ 4,558,789</u>	<u>\$ 689,738</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,**

	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service cost	\$ 389,909	\$ 337,327	\$ 337,391	\$ 320,138	\$ 290,129
Interest on the total pension liability	318,525	274,419	225,246	205,693	161,604
Effect of plan changes	-	-	-	(104,237)	110,351
Effect of assumption changes	-	(42,524)	-	7,175	-
Effect of economic/demographic (gains) or losses	122,950	(34,978)	(91,675)	(216,659)	76,123
Benefit payments/refunds of contributions	<u>(53,493)</u>	<u>(31,544)</u>	<u>(39,896)</u>	<u>(14,132)</u>	<u>-</u>
Net change in total pension liability	777,891	502,700	431,066	197,978	638,207
Total pension liability - beginning	<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>
Total pension liability - ending (a)	<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>
<b>Fiduciary Net Position</b>					
Employer contributions	\$ 309,596	\$ 272,372	\$ 247,904	\$ 242,403	\$ 197,676
Member contributions	227,167	199,436	181,143	172,968	165,320
Investment income, net of investment expenses	(57,896)	382,380	150,009	(21,239)	82,165
Benefit payments/refunds of contributions	(53,493)	(31,544)	(39,895)	(14,132)	-
Administrative expense	(3,080)	(2,259)	(1,631)	(1,320)	(1,085)
Other	<u>14,738</u>	<u>5,878</u>	<u>39,106</u>	<u>(133)</u>	<u>(78)</u>
Net change in plan fiduciary net position	<u>\$ 437,032</u>	<u>\$ 826,263</u>	<u>\$ 576,636</u>	<u>\$ 378,547</u>	<u>\$ 443,998</u>
Plan fiduciary net position - beginning	<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>
Plan fiduciary net position - ending (b)	<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>
Net pension liability (a) - (b)	<u>\$ 512,174</u>	<u>\$ 171,315</u>	<u>\$ 494,878</u>	<u>\$ 640,448</u>	<u>\$ 821,017</u>
Plan fiduciary net position as a percentage of total pension liability	88.22%	95.20%	83.86%	75.69%	66.31%
Covered payroll	<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>
Net pension liability as a percentage of total covered payroll	15.78%	6.01%	19.12%	25.92%	34.76%

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

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

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

**Last 10 fiscal years**

<u>Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2010	\$ 76,316	\$ 76,316	\$ -	\$ 2,149,740	3.55%
2011	73,502	73,502	-	2,296,935	3.20%
2012	102,286	114,927	(12,641)	2,298,559	5.00%
2013	174,931	174,931	-	2,313,901	7.56%
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%

**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,**

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ 1,416	\$ 1,090
Interest on the total OPEB liability	481	378
Effect of plan changes	-	-
Effect of assumption changes or inputs	(3,019)	1,554
Effect of economic/demographic (gains) or losses	1,323	626
Benefit payments	<u>-</u>	<u>-</u>
 Net change in total OPEB liability	 201	 3,648
 Total OPEB liability - beginning	 <u>12,563</u>	 <u>8,915</u>
 Total OPEB liability - ending	 <u>\$ 12,764</u>	 <u>\$ 12,563</u>
 Covered payroll	 \$ 3,245,236	 \$ 2,849,079
 Total OPEB liability as a percentage of covered employee payroll	 0.39%	 0.44%

GASB Statement No. 75 requires 10 years of data to be provided in this schedule. This is the second 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, 2019

### (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 normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	10.1 years
Asset valuation method	5 year smoothed market
Inflation	2.75%
Salary increases	Varies by age and service. 4.9% average over career including inflation
Investment rate of return	8.00%
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	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in assumptions and methods reflected in the schedule of employer contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
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%. 2016: No changes in plan provisions were reflected. 2017: New annuity purchase rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected.

\*Only changes effective 2015 and later are shown in the notes to schedule.

(This page is intentionally left blank)

**OTHER SUPPLEMENTARY INFORMATION**

(This page is intentionally left blank)

**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, 2019**

	<u>BUDGETED AMOUNTS ORIGINAL</u>	<u>BUDGETED AMOUNTS FINAL</u>	<u>GAAP BASIS ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUES:				
Property tax revenue	\$ 372,972	\$ 372,972	\$ 411,398	\$ 38,426
Total revenues	<u>372,972</u>	<u>372,972</u>	<u>411,398</u>	<u>38,426</u>
EXPENDITURES:				
Debt service				
Principal	611,782	611,782	611,782	-
Interest	<u>152,403</u>	<u>152,403</u>	<u>146,632</u>	<u>5,771</u>
Total expenditures	<u>764,185</u>	<u>764,185</u>	<u>758,414</u>	<u>5,771</u>
Excess of revenue over expenditures	(391,213)	(391,213)	(347,016)	32,655
OTHER FINANCING SOURCES (USES)				
Transfer in	<u>-</u>	<u>-</u>	<u>347,016</u>	<u>347,016</u>
Net change in fund balance	(391,213)	(391,213)	-	379,671
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ (391,213)</u>	<u>\$ (391,213)</u>	<u>\$ -</u>	<u>\$ 379,671</u>

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

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

**For the year ended December 31, 2019**

	BUDGETED AMOUNTS ORIGINAL	BUDGETED AMOUNTS FINAL	GAAP BASIS ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES:				
Interest	\$ -	\$ -	\$ 100,339	\$ 100,339
Total revenues	<u>-</u>	<u>-</u>	<u>100,339</u>	<u>100,339</u>
EXPENDITURES:				
Capital outlay	<u>115,000</u>	<u>115,000</u>	<u>235,795</u>	<u>(120,795)</u>
Excess of revenue over expenditures	(115,000)	(115,000)	(135,456)	221,134
Net change in fund balance	(115,000)	(115,000)	(135,456)	221,134
FUND BALANCES - BEGINNING OF YEAR	<u>4,461,095</u>	<u>4,461,095</u>	<u>4,461,095</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 4,346,095</u>	<u>\$ 4,346,095</u>	<u>\$ 4,325,639</u>	<u>\$ 221,134</u>

## **OTHER INFORMATION**

(This page is intentionally left blank)



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners  
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, 2019, 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 20, 2020.

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 may exist that have not been identified.

### 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 20, 2020