



**COMAL COUNTY, TEXAS
COMPREHENSIVE
ANNUAL FINANCIAL REPORT
2015**

BASIC FINANCIAL STATEMENTS

COMAL COUNTY, TEXAS
STATEMENT OF NET POSITION
December 31, 2015

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and cash equivalents	\$ 106,700,367	\$ 9,726,043
Investments	23,275,157	2,087,049
With fiscal agents	-	4,669,800
Receivables (net of allowance for uncollectables):		
Current ad valorem taxes	23,697,888	5,311,364
Delinquent ad valorem taxes	722,795	194,074
Sales and use taxes	2,221,618	73,791
Miscellaneous	562,368	115,304
Due from fiduciary funds	47,427	-
Due from other governments	-	196,797
Prepaid Items	-	13,658
Materials & supplies inventory, at cost	271,030	-
Other non-current assets	16,581,070	-
Capital assets (net of accumulated depreciation):		
Land	11,106,726	1,544,921
Buildings	23,048,058	7,220,254
Improvements other than buildings	1,966,428	32,532
Furniture, fixtures and equipment	6,249,277	3,619,275
Intangibles	1,541,798	-
Infrastructure	109,235,043	-
Construction in process	4,406,144	645,627
Total assets	331,633,194	35,450,489
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	465,099	
Deferred pension charges	4,194,266	333,488
Total deferred outflow of resources	4,659,365	333,488
LIABILITIES		
Accounts payable	1,790,417	337,940
Accrued wages payable	1,078,339	276,263
Accrued interest payable	652,208	-
Due to other agencies	55,807,172	11,664
Unearned revenues	21,916,537	4,248,746
Noncurrent liabilities:		
Due within one year	10,161,223	1,040,960
Due in more than one year	70,803,294	5,872,801
Total liabilities	162,209,190	11,788,374
DEFERRED INFLOWS OF RESOURCES		
Current property taxes levied for subsequent period	23,697,888	7,924,716
Total deferred outflow of resources	23,697,888	7,924,716
NET POSITION		
Net investment in capital assets	126,904,499	7,035,310
Restricted for:		
Debt service	13,699,125	-
Unrestricted	9,781,857	9,035,577
Total net position	\$ 150,385,481	\$ 16,070,887

The accompanying notes are an integral part of this statement.

COMAL COUNTY, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Component Units
Primary government:						
Governmental activities:						
General government	\$ 11,925,744	\$ 4,736,376	\$ -	\$ -	\$ (7,189,368)	\$ -
Justice system	8,856,770	2,105,072	385,677	-	(6,366,021)	-
Public safety	15,342,521	794,571	99,910	-	(14,448,040)	-
Corrections and rehabilitation	11,196,825	430,918	673,963	-	(10,091,944)	-
Health and human services	2,237,489	322,478	241,085	-	(1,673,926)	-
Community and economic development	775,693	78,503	-	-	(697,190)	-
Infrastructure and environment	14,104,664	171,738	74,847	1,996,312	(11,861,767)	-
Debt service	1,547,647	-	-	-	(1,547,647)	-
Total governmental activities	<u>65,987,353</u>	<u>8,639,656</u>	<u>1,475,482</u>	<u>1,996,312</u>	<u>(53,875,903)</u>	<u>-</u>
Total primary government	<u>\$ 65,987,353</u>	<u>\$ 8,639,656</u>	<u>\$ 1,475,482</u>	<u>\$ 1,996,312</u>	<u>(53,875,903)</u>	<u>-</u>
Component units:						
Emergency Services District #1	\$ 2,224,071	\$ -	\$ -	\$ -	-	(2,224,071)
Emergency Services District #2	2,083,727	652,574	38,127	-	-	(1,393,026)
Emergency Services District #3	4,778,349	88,865	38,137	-	-	(4,651,347)
Emergency Services District #4	1,187,308	-	510	-	-	(1,186,798)
Emergency Services District #5	1,207,208	-	-	-	-	(1,207,208)
Emergency Services District #6	1,179,933	-	178,885	-	-	(1,001,048)
Emergency Services District #7	984,290	-	-	-	-	(984,290)
W.O.R.D.	1,017,171	-	-	-	-	(1,017,171)
Total Component Units	<u>\$ 14,662,057</u>	<u>\$ 741,439</u>	<u>\$ 255,659</u>	<u>\$ -</u>	<u>-</u>	<u>(13,664,959)</u>
General revenues:						
Ad valorem taxes					39,059,483	11,184,986
Sales and use tax					11,193,094	3,935,465
Auto registration and title					3,674,576	-
Mixed drink taxes					574,553	-
Bingo taxes					7,255	-
Other Taxes					56,272	-
Intergovernmental / unrestricted					-	1,859,000
Interest on deposits					112,362	20,347
Miscellaneous revenue					167,496	7,747
Gain on sale of capital assets					13,943	31,711
Total general revenues					<u>54,859,034</u>	<u>17,039,256</u>
Change in net position					983,131	3,374,297
Net position - beginning					163,050,785	13,266,807
Restatement of net position					(13,648,435)	(570,217)
Net position - ending					<u>\$ 150,385,481</u>	<u>\$ 16,070,887</u>

The accompanying notes are an integral part of this statement.

**COMAL COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015**

	General Fund	Road and Bridge	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 72,018,952	\$ 5,458,456	\$ 2,175,703	\$ 15,683,562	\$ 8,699,141	\$ 104,035,814
Investments	17,889,179	2,916,324	-	2,218,769	250,885	23,275,157
Receivables (net of allowance for uncollectables)						
Current ad valorem taxes	16,117,257	3,429,411	-	3,695,079	456,141	23,697,888
Delinquent ad valorem taxes	453,194	121,457	-	123,225	24,919	722,795
Sales and use taxes	2,221,618	-	-	-	-	2,221,618
Miscellaneous	258,112	27,968	125,000	-	151,288	562,368
Due from other funds	300,000	-	-	-	-	300,000
Due from fiduciary funds	47,427	-	-	-	-	47,427
Inventory, at cost	19,581	251,449	-	-	-	271,030
Total assets	\$ 109,325,320	\$ 12,205,065	\$ 2,300,703	\$ 21,720,635	\$ 9,582,374	\$ 155,134,097
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable - trade	\$ 943,499	\$ 263,037	\$ 243,328	\$ -	\$ 177,317	\$ 1,627,181
Accrued wages payable	944,553	123,767	-	-	10,019	1,078,339
Deferred revenues - ad valorem taxes	87,658	15,465	-	16,925	3,421	123,469
Deferred revenues	14,881,165	3,130,295	-	3,402,395	439,944	21,853,799
Due to other agencies	55,005,564	-	-	800,811	797	55,807,172
Due to other funds	3,672	-	-	-	300,000	303,672
Estimated liability for compensated absences	177,531	19,775	-	-	-	197,306
Total liabilities	72,043,642	3,552,339	243,328	4,220,131	931,498	80,990,938
Deferred inflows of resources:						
Current property taxes levied for subsequent period	16,117,257	3,429,411	-	3,695,079	456,141	23,697,888
Delinquent ad valorem taxes	365,536	105,992	-	106,300	21,498	599,326
Total deferred inflows of resources	16,482,793	3,535,403	-	3,801,379	477,639	24,297,214
Fund balances:						
Non-spendable	19,581	251,449	-	-	-	271,030
Restricted - debt service	-	-	-	13,699,125	-	13,699,125
Restricted - road and bridge	-	4,865,874	-	-	-	4,865,874
Restricted - general government	-	-	-	-	1,142,759	1,142,759
Restricted - community services and programs	-	-	-	-	460,139	460,139
Restricted - construction projects	-	-	1,257,824	-	-	1,257,824
Restricted - corrections and rehabilitation	-	-	-	-	822,638	822,638
Restricted - elections	-	-	739,029	-	-	739,029
Restricted - environmental preservation	-	-	-	-	473,020	473,020
Restricted - health and human services	-	-	-	-	1,940,393	1,940,393
Restricted - judicial	-	-	-	-	794,396	794,396
Restricted - public safety	-	-	-	-	763,110	763,110
Restricted - technology	-	-	60,522	-	-	60,522
Committed - general government	351,268	-	-	-	1,180,836	1,532,104
Committed - public safety	-	-	-	-	3,000	3,000
Committed - health and human services	-	-	-	-	545,423	545,423
Committed - judicial	-	-	-	-	35,269	35,269
Committed - environmental preservation	-	-	-	-	12,254	12,254
Unassigned	20,428,036	-	-	-	-	20,428,036
Total fund balances	20,798,885	5,117,323	2,057,375	13,699,125	8,173,237	49,845,945
Total liabilities and fund balances	\$ 109,325,320	\$ 12,205,065	\$ 2,300,703	\$ 21,720,635	\$ 9,582,374	\$ 155,134,097

The accompanying notes are an integral part of this statement.

**COMAL COUNTY, TEXAS
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO
STATEMENT OF NET POSITION
December 31, 2015**

Total fund balances - governmental funds		\$ 49,845,945
 Amounts reported for <i>governmental activities</i> in the statement of net Position are different because:		
Capital assets used in governmental activities are expensed in the funds		157,553,474
Payables for bond principal and capital leases which are not due in the current period are not reported in the funds		(57,069,992)
Bond premiums are an other resource in the funds		(1,426,350)
Long-term receivables from TXDOT that are not due in the current period are not reported in the funds		16,581,070
Payables for bond interest which are not due in the current period are not reported in the funds		(652,208)
Compensated absences which are not due in the current period are not reported in the funds		(798,325)
Recognition of the County'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	(18,917,214)
	Deferred outflows of resources - TCERS	<u>4,194,266</u>
		(14,722,948)
Net post employment benefit obligation is not reported in the funds		(2,555,330)
Deferred amounts on refunding are deferred outflows of resources and, therefore, are not reported in the funds		465,099
Internal service funds assets and liabilities are included in the governmental activities in the statement of net position		2,504,990
Property tax receivable unavailable to pay current year expenditures is deferred in the funds		<u>660,056</u>
Net position of governmental activities - statement of net position		<u>\$ 150,385,481</u>

COMAL COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	General Fund	Road and Bridge	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Ad valorem	\$ 27,067,462	\$ 5,723,809	\$ -	\$ 5,235,617	\$ 1,049,097	\$ 39,075,985
Sales and use	11,193,094	-	-	-	-	11,193,094
Auto registration and title	-	3,674,576	-	-	-	3,674,576
Mixed drink	574,553	-	-	-	-	574,553
Bingo	7,255	-	-	-	-	7,255
Other	56,272	-	-	-	-	56,272
Fees of office	3,622,940	-	-	-	1,482,268	5,105,208
Reimbursements	-	-	-	-	145	145
Charges for services	2,495,730	330,784	-	-	671,266	3,497,780
Intergovernmental	-	-	-	7,418,930	-	7,418,930
Interest on deposits	77,659	(10,747)	1,070	38,539	5,104	111,624
Operating grants and contributions	379,222	-	-	-	1,096,260	1,475,482
Capital grants and contributions	-	-	-	-	10,237	10,237
Miscellaneous revenue	142,158	21,773	-	-	3,420	167,351
Asset forfeitures	-	-	-	-	36,668	36,668
Total revenues	<u>45,616,345</u>	<u>9,740,195</u>	<u>1,070</u>	<u>12,693,088</u>	<u>4,354,465</u>	<u>72,405,161</u>
EXPENDITURES						
Current:						
General government	8,495,428	-	1,134,213	-	1,391,385	11,021,026
Justice system	7,593,823	-	219,400	-	842,250	8,655,473
Public safety	13,863,158	-	-	-	190,544	14,053,702
Corrections and rehabilitation	9,805,450	-	-	-	1,008,191	10,813,641
Health and human services	1,435,260	-	-	-	744,076	2,179,336
Community and economic development	549,844	-	-	-	60,677	610,521
Infrastructure and environment	705,423	7,197,336	-	-	40,118	7,942,877
Debt service:						
Fiscal charges	-	-	-	2,593	-	2,593
Interest	-	-	-	1,874,194	-	1,874,194
Principal retirement	-	-	-	5,749,720	-	5,749,720
Bond issuance costs	-	-	33,600	88,509	-	122,109
Capital outlay:	<u>2,506,730</u>	<u>377,259</u>	<u>2,442,293</u>	<u>-</u>	<u>96,692</u>	<u>5,422,974</u>
Total expenditures	<u>44,955,116</u>	<u>7,574,595</u>	<u>3,829,506</u>	<u>7,715,016</u>	<u>4,373,933</u>	<u>68,448,166</u>
Excess (deficiency) of revenues over expenditures	<u>661,229</u>	<u>2,165,600</u>	<u>(3,828,436)</u>	<u>4,978,070</u>	<u>(19,468)</u>	<u>3,956,995</u>
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	13,943	-	-	-	-	13,943
Transfers to other funds	(49,660)	-	-	-	(6,076)	(55,736)
Transfers from other funds	6,076	-	35,000	-	14,660	55,736
Issuance of debt, gross	-	-	3,300,000	15,485,000	-	18,785,000
Issuance of debt, premium	-	-	-	184,180	-	184,180
Payment to refunded bond escrow agent	-	-	-	(15,625,773)	-	(15,625,773)
Total other financing sources and uses	<u>(29,641)</u>	<u>-</u>	<u>3,335,000</u>	<u>43,407</u>	<u>8,584</u>	<u>3,357,350</u>
Net change in fund balances	631,588	2,165,600	(493,436)	5,021,477	(10,884)	7,314,345
Fund balances -- beginning	<u>20,167,297</u>	<u>2,951,723</u>	<u>2,550,811</u>	<u>8,677,648</u>	<u>8,184,121</u>	<u>42,531,600</u>
Fund balances -- ending	<u>\$ 20,798,885</u>	<u>\$ 5,117,323</u>	<u>\$ 2,057,375</u>	<u>\$ 13,699,125</u>	<u>\$ 8,173,237</u>	<u>\$ 49,845,945</u>

The accompanying notes are an integral part of this statement.

COMAL COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

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

Net change in fund balances -- total governmental funds	\$ 7,314,345
Capital outlays are not reported as expenses in the statement of activities	5,422,974
Contributed capital assets are not reported as an expense in the statement of activities	1,986,075
Depreciation of capital assets is not recorded in the funds	(8,236,586)
Repayment of bond principal and capital lease is an expenditure in the funds but a reduction of the liability in the statement of net position	20,899,720
Bond issues are recorded as a current resource in the funds, but as a liability in the statement of net position	(18,785,000)
Bond premiums are amortized in the statement of net position - new debt issue	(184,180)
Bond premiums are amortized in the statement of net position	262,252
Refunding bond gains/losses are capitalized and amortized in the statement of net position	465,099
Payments from TXDOT are recorded as an intergovernmental revenue in the funds but reduced the receivable in the government wide statements	(7,418,930)
Increase in non-current portion of compensated absences is not an expenditure in the funds, but is recorded as a liability in the statement of net position	(29,524)
Property taxes unearned in the funds are recognized as revenue in the statement of activities	(16,502)
Interest payable is not recorded in the funds. This is the change in the payable to the end of the period	199,670
Net expenses in the internal service funds are reported in the governmental activities	115,672
The change in net pension liability and deferred outflows related to the County's net pension liability is not expensed in the funds. This is the change in this amount this year.	(691,885)
Net post employment benefit expense is not reported in the funds	<u>(320,069)</u>
Change in net position of governmental activities - statement of activities	<u>\$ 983,131</u>

**COMAL COUNTY, TEXAS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
December 31, 2015**

	<u>Internal Service Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,664,553
Due from other funds	<u>3,672</u>
Total current assets:	<u>2,668,225</u>
Total assets	<u>2,668,225</u>
 LIABILITIES AND FUND BALANCES	
Current liabilities:	
Accounts payable - trade	<u>163,235</u>
Total current liabilities:	<u>163,235</u>
Total liabilities	<u>163,235</u>
 NET POSITION	
Restricted for future claims	<u>2,504,990</u>
Total net position	<u>\$ 2,504,990</u>

The accompanying notes are an integral part of this statement.

COMAL COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2015

	<u>Internal Service Fund</u>
OPERATING REVENUES:	
Charges for services	\$ 5,700,988
Reimbursements	<u>1,238,230</u>
Total operating revenue	<u>6,939,218</u>
OPERATING EXPENSES:	
Medical claims	<u>6,824,284</u>
Total operating expenses	<u>6,824,284</u>
Operating income (loss)	<u>114,934</u>
NONOPERATING REVENUES:	
Interest on deposits	<u>738</u>
Total nonoperating revenue	<u>738</u>
Change in net position	115,672
Total net position -- beginning	<u>2,389,318</u>
Total net position -- ending	<u><u>\$ 2,504,990</u></u>

**COMAL COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2015**

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from interfund services provided and used	\$ 5,729,841
Reimbursements	1,238,230
Payments for claims	(6,887,026)
Net cash (used) by operating activities	81,045
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	738
Net cash provided by investing activities	738
Net increase (decrease) in cash and cash equivalents	81,783
Balances - beginning of year	2,582,770
Balances - end of the year	\$ 2,664,553
Reconciliation of operating income (loss) to	
net cash provided (used) by operating activities:	
Operating income (loss)	\$ 114,934
Changes in assets and liabilities:	
Miscellaneous receivables	32,428
Interfund receivables	(3,575)
Accounts payable - other	(62,742)
Net cash (used) by operating activities	\$ 81,045

The accompanying notes are an integral part of this statement.

**COMAL COUNTY, TEXAS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2015**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 31,682,373
Investments	743,472
Receivables - miscellaneous	2,438
Total assets	\$ 32,428,283
 LIABILITIES	
Accounts payable - trade	736,772
Miscellaneous payables	553,243
Due to participants	68,423
Due to other funds	47,427
Due to other agencies	27,232,565
Cash bond deposits	3,046,381
Trust accounts payable	743,472
Total liabilities	\$ 32,428,283

The accompanying notes are an integral part of this statement.

COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 1. Summary of Significant Accounting Policies:

The financial statements of Comal County, Texas (the County) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) for state and local governments. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County's more significant accounting policies are described below.

The County adopted the provisions of GASB #63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement requires governments to account for deferred outflows of resources, deferred inflows resources and net position as they relate to derivatives and service concession arrangements. Under the provisions of this statement, governments will also present a Statement of Net Position and changes the caption "Net Assets" to "Net Position". The County has no deferred outflows or inflows of resources in accordance with GASB 63, but the statement titles and captions have been changed in conformity with the statement.

The County adopted the provisions of GASB #65 *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. At December 31, 2015, the County has \$23,697,888 deferred inflows of resources on the statement of net position, relating to ad valorem taxes that are received or reported as a receivable before the period for which property taxes are available. The County also has \$4,659,365 deferred outflows of resources on the statement of net position, relating to pension charges and a charge related to the General Obligation Refunding Bond, Series 2015. The County's financial reporting has been changed in conformity with the statement.

During 2015, the County changed accounting policies related to reporting of net pension liability and deferred outflows of resources in the statement of financial position by adopting GASB Statement No. 68 "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27." Accordingly, the effect of the accounting change is reported on the statement of net position and the statement of activities for the current year.

A. Reporting Entity

The County of Comal is a political subdivision of the State of Texas and is governed by four Commissioners elected by precinct and a County Judge elected countywide that comprise the Commissioners' Court. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable or for which the nature and significance of the relationship with the County is such that exclusion from the reporting entity's financial statements would be misleading in accordance with GASB 61, *The Financial Reporting Entity: Omnibus*.

Discretely Presented Component Units

Comal County Water Oriented Recreation District (W.O.R.D.) was created by the Texas legislature and local option vote in 1987 for the purpose of providing a management plan that would encourage responsible use and protection of our natural resources. The W.O.R.D. is governed by a seven-member board appointed by the county commissioners and is funded by a use tax on water-related recreational rentals.

Emergency Services Districts #1 and #2 were formed by the County under Chapter 776 of the Health and Safety Code and approved by the county citizens by majority vote in local elections. The Emergency Services Districts operate under Article III, section 48-e, of the Texas Constitution for the purpose of supporting volunteer emergency medical services for the public health and welfare of Comal County residents. The Emergency Services Districts are governed by five-member boards appointed by the county commissioners and are funded by ad valorem property taxes not to exceed \$0.10 per \$100 valuation of property in the district.

**COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

Emergency Services Districts #3, #4, #5, #6 and #7 were originally formed by the County, and approved by the County citizens by majority vote in local elections, under Chapter 794 of the Health and Safety Code as Rural Fire Prevention Districts. The districts converted to Emergency Services Districts operating under Subchapter B, Chapter 775 of the Health and Safety Code. The Emergency Services Districts operate under Article III, section 48-e, of the Texas Constitution for the purpose of supporting volunteer fire services and other fire prevention activities for the benefit of Comal County residents. The Emergency Services Districts are governed by five-member boards appointed by the county commissioners and are funded by ad valorem property taxes not to exceed \$0.10 per \$100 valuation of property in the district, and an optional sales tax.

Each of the component units are discretely presented, rather than blended, because they do not have substantively, the same governing body. The component units provide a financial benefit to the county by providing services that the county would otherwise have to provide.

Complete financial statements for each of the individual component units may be obtained at the Comal County Auditor's office.

**Comal County Auditor
150 North Seguin, Suite 201
New Braunfels, Texas 78130**

A statement of net position of the discretely presented component units is presented below.

**COMAL COUNTY, TEXAS
COMPONENT UNITS
STATEMENT OF NET POSITION
December 31, 2015**

	Special Districts							WATER ORIENTED RECREATION DISTRICT	TOTALS
	EMERGENCY SERVICES DISTRICT #1	EMERGENCY SERVICES DISTRICT #2	EMERGENCY SERVICES DISTRICT #3	EMERGENCY SERVICES DISTRICT #4	EMERGENCY SERVICES DISTRICT #5	EMERGENCY SERVICES DISTRICT #6	EMERGENCY SERVICES DISTRICT #7		
ASSETS									
Cash									
Cash and cash equivalents	\$ 1,156,388	\$ 570,333	\$ 2,273,717	\$ 1,147,423	\$ 764,259	\$ 1,141,067	\$ 1,777,926	\$ 894,930	\$ 9,726,043
Investments	-	-	700,000	-	-	1,176,730	210,319	-	2,087,049
With fiscal agent	1,319,077	837,823	940,867	540,610	644,737	-	386,686	-	4,669,800
Receivables (net):									
Ad valorem taxes	1,249,701	930,856	1,254,004	494,639	645,290	-	930,948	-	5,505,438
Sales and use taxes	-	-	-	-	-	73,791	-	-	73,791
Miscellaneous receivables	-	-	-	-	-	-	-	115,304	115,304
Prepaid items	-	-	-	-	-	12,867	791	-	13,658
Due from other governments	-	-	-	196,797	-	-	-	-	196,797
Capital assets (net of accumulated depreciation)									
Land	510,291	11,950	63,194	766,650	-	-	-	192,836	1,544,921
Buildings	3,095,449	85,461	4,024,456	-	14,888	-	-	-	7,220,254
Property improvements	-	-	-	-	-	-	-	32,532	32,532
Furniture, fixtures and equipment	263,649	500,933	1,479,447	398,917	463,710	512,619	-	-	3,619,275
Construction in process	-	-	-	645,627	-	-	-	-	645,627
TOTAL ASSETS	7,594,555	2,937,356	10,735,685	4,190,663	2,532,884	2,917,074	3,306,670	1,235,602	35,450,489
DEFERRED OUTFLOWS OF RESOURCES									
Deferred outflows - TCDRS	-	-	333,488	-	-	-	-	-	333,488
Total deferred outflows of resources	-	-	333,488	-	-	-	-	-	333,488
LIABILITIES									
Miscellaneous payables	-	1,986	50,004	-	2,513	-	283,437	-	337,940
Accrued expenditures	29,063	-	242,552	-	4,326	-	-	322	276,263
Unearned revenue-property taxes	1,506,727	-	1,390,240	619,684	732,095	-	-	-	4,248,746
Due to other agencies	-	-	11,664	-	-	-	-	-	11,664
Noncurrent liabilities									
Due within one year	246,519	-	649,528	44,511	100,402	-	-	-	1,040,960
Due in more than one year	2,111,541	-	3,443,993	95,019	222,248	-	-	-	5,872,801
Total liabilities	3,893,850	1,986	5,787,981	759,214	1,061,584	-	283,437	322	11,788,374
DEFERRED INFLOWS OF RESOURCES									
Current property taxes levied for subsequent period									
Deferred resources inflow	1,188,640	1,879,236	1,184,918	473,474	602,528	1,244,783	1,351,137	-	7,924,716
Deferred resources inflow	1,188,640	1,879,236	1,184,918	473,474	602,528	1,244,783	1,351,137	-	7,924,716
NET POSITION									
Net investment in capital assets	1,511,329	598,344	2,360,038	1,671,664	155,948	512,619	-	225,368	7,035,310
Unrestricted	1,000,736	457,790	1,736,236	1,286,311	712,824	1,159,672	1,672,096	1,009,912	9,035,577
Total net position	\$ 2,512,065	\$ 1,056,134	\$ 4,096,274	\$ 2,957,975	\$ 868,772	\$ 1,672,291	\$ 1,672,096	\$ 1,235,280	\$16,070,887

**COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

A statement of activities of the component units is presented below.

**COMAL COUNTY, TEXAS
COMPONENT UNITS
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended December 31, 2015**

	Special Districts							WATER ORIENTED RECREATION DISTRICT	TOTALS
	EMERGENCY SERVICES DISTRICT #1	EMERGENCY SERVICES DISTRICT #2	EMERGENCY SERVICES DISTRICT #3	EMERGENCY SERVICES DISTRICT #4	EMERGENCY SERVICES DISTRICT #5	EMERGENCY SERVICES DISTRICT #6	EMERGENCY SERVICES DISTRICT #7		
Expenses									
General government	\$ 38,651	\$ 224,727	\$ 469,935	\$ 31,991	\$ 56,423	\$ 23,724	\$ 22,603	\$ 261,870	\$ 1,129,924
Public safety	2,084,328	-	4,142,810	1,150,069	1,130,732	1,150,785	961,687	238,112	10,858,523
Health and human services	-	1,859,000	-	-	-	-	-	270,192	2,129,192
Community and economic development	-	-	-	-	-	-	-	246,997	246,997
Interest and fees	101,092	-	165,604	5,248	20,053	5,424	-	-	297,421
Total component unit	(2,224,071)	(2,083,727)	(4,778,349)	(1,187,308)	(1,207,208)	(1,179,933)	(984,290)	(1,017,171)	(14,662,057)
Program revenues									
Charges for services	-	652,574	88,865	-	-	-	-	-	741,439
Operating grants and contributions	-	38,127	38,137	510	-	178,885	-	-	255,659
Capital grants and contributions	-	-	-	-	-	-	-	-	-
Intergovernmental payments	-	-	1,859,000	-	-	-	-	-	1,859,000
Total program revenues	-	690,701	1,986,002	510	-	178,885	-	-	2,856,098
General revenues									
Ad valorem taxes	2,533,808	1,762,854	2,345,596	1,026,223	1,256,073	952,734	1,307,698	-	11,184,986
Sales and use tax	-	-	1,266,653	840,017	250,338	505,733	-	1,072,724	3,935,465
Interest on deposits	5,384	274	4,140	1,410	3,240	2,856	2,057	986	20,347
Miscellaneous revenues	-	4,548	-	-	3,199	-	-	-	7,747
Gain on sale of capital assets	-	-	76,923	-	(45,212)	-	-	-	31,711
Total general revenues	2,539,192	1,767,676	3,693,312	1,867,650	1,467,638	1,461,323	1,309,755	1,073,710	15,180,256
Change in Net position	315,121	374,650	900,965	680,852	260,430	460,275	325,465	56,539	3,374,297
Net position - beginning	2,196,944	681,484	3,624,442	2,192,123	608,342	1,212,016	1,572,715	1,178,741	13,266,807
Prior period adjustment	-	-	(429,133)	85,000	-	-	(226,084)	-	(570,217)
Net position - ending	\$ 2,512,065	\$ 1,056,134	\$ 4,096,274	\$ 2,957,975	\$ 868,772	\$ 1,672,291	\$ 1,672,096	\$ 1,235,280	\$16,070,887

B. Government-wide and Fund Financial Statements

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities that report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities are supported by taxes and intergovernmental revenues and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to persons using or directly benefiting from the services provided by a given function or segment and from grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included as program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The effect of interfund activity has been eliminated for the government-wide financial statements; however, interfund services provided and used by the County's funds are not eliminated in the process of consolidation.

COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned rather than when received, and their expenses are recognized when they are incurred rather than when actually paid. The measurement focus for proprietary funds is on determination of net income, changes in net position, financial position, and cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The reported fund balance (net current position) is considered a measure of "available spendable resources." Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position. Thus, the operating statements for the governmental funds are considered to present a summary of sources and uses of "available spendable resources" during a period.

All governmental funds use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Debt Service expenditures as well as expenditures related to claims and judgments are recorded only when payment is due. Expenditures for compensated absences are recorded when they are recognized as expenditures to the extent they have matured.

Those items susceptible to accrual and recognized as revenue are property taxes, interest revenue, grant revenues, and reimbursements due to the County. Fines, permits, and other fees are not susceptible to accrual because generally they are not measurable until received in cash.

All proprietary funds, i.e., internal service funds, use accrual basis accounting. Revenues are recognized when earned, and expenses are accounted for using a cost of service measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included in the funds' balance sheets. Goods or services from such activities can be provided either to outside parties or to other departments or agencies primarily within the County.

The County's policy is to spend restricted funds first and use unrestricted resources when the restricted funds are depleted.

Fiduciary funds use the accrual basis of accounting and are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the County. Agency funds generally are used to account for assets that the County holds on behalf of others as their agent. Agency funds are custodial in nature and involve no measurement of results of operations.

The County uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities. County resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. A fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures or expenses. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

The County reports the following major governmental funds:

General Fund - The General Fund is the primary reporting fund used to account for the resources used to finance the fundamental operations of the County. It is the basic fund of the County and covers all activities for which a special revenue fund has not been established.

Road and Bridge Fund – The Road and Bridge fund is a Special Revenue Fund used to account for the proceeds of specific revenue resources that are legally restricted to expenditures for the construction and maintenance of roads and bridges within the County and is primarily funded by ad valorem taxes and vehicle registration fees.

Capital Projects Fund – The Capital Projects fund is used to account for the proceeds of debt issues and their expenditures on the approved projects for which the debt was issued.

Debt Service Fund – The Debt Service fund is used to account for the resources accumulated for and the payment of principal and interest on long-term debt of the County.

Additionally, the County reports the following fund types:

Internal Service Fund - The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County on a cost reimbursement basis. The County currently operates one internal service fund, the Medical Insurance Fund.

Fiduciary Funds – Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the County. The County uses agency funds to account for assets held in an agent capacity for other governments for which the tax office collects taxes, for monies seized by County law enforcement agencies, trust funds held for individuals, and for restitution owed to others.

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

Cash and cash equivalents consists of cash on hand, demand deposits, money market accounts, certificates of deposit, as well as temporary investments with a maturity date of three months from the date acquired by the County.

In accordance with GASB Statement 9, the County has developed a definition of cash equivalents. Cash equivalents are demand deposit account balances, investments in money market accounts, and certificates of deposit, as well as temporary investments with original maturities of three months or less.

State statutes and bond ordinances authorize the County to invest in direct obligations of State and Local Governments (SLGS) and the United States of America. Additionally, there are no differences in the types of investments authorized for different funds, fund types, or component units. Investments may consist of:

- (1) Obligations, including letters of credit, of the United States or its agencies and instrumentalities;
- (2) Direct obligations of the State of Texas or its agencies and instrumentalities;
- (3) Other obligations, the principal and interest which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities; and

COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

- (4) Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than an "A" or its equivalent;
- (5) Certificates of deposit and Share Certificates that are guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") or its successor; or the National Credit Union Share Insurance Fund ("NCUSIF") or its successor; or secured in any other manner and amount provided by law for deposits of the County;
- (6) An investment in certificates of deposit made through a depository institution and the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States;
- (7) Fully collateralized repurchase agreements, as defined in the Public Funds Investment Act, with a defined termination date, pledged with a third party, and secured by obligations of the United States or its agencies and instrumentalities;
- (8) A bankers' acceptance if it has a stated maturity of 270 days or fewer from the date of issuance, will be liquidated in full at maturity, is eligible for collateral for borrowing from a Federal Reserve Bank, and is accepted by a bank;
- (9) Commercial paper if it has a stated maturity of 270 days or fewer from the date of issuance and is rated not less than A-1 or P-1 or an equivalent rating;
- (10) Mutual funds and money market funds with limitations.

Investments for the government, as well as for its component units, are reported at fair value using quoted market prices.

2. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund financial statements and are netted in the government-wide financial statements.

A tax lien attaches to the property on January 1st of each year. The tax lien on the property secures the payment of all ad valorem taxes, penalties, and interest imposed on the property for the year. Commissioners' Court sets the County tax rate in September of each year and property taxes are assessed each October 1st.

The property taxes are payable at their stated amount, without penalty and interest, from October 1st in the year they are levied to January 31st of the subsequent year. Taxes collected from February 1st through June 30th are considered past due and are assessed a late payment penalty and interest. On July 1st, any remaining uncollected taxes become delinquent. Thereafter, the County may file suit for collection of the unpaid delinquent taxes, which then become subject to additional penalties and attorney fees. A schedule of tax rates and other pertinent ad valorem tax information is presented as part of the statistical section of this report.

Property tax revenues for financial reporting purposes are recognized when they become available and measurable, as explained in Note 1-C. According to authoritative pronouncements of the Governmental Accounting Standards Board, "available" means collected within the current period or expected to be collected no later than such time not to exceed sixty (60) days, except for the taxes assessed October 1, 2015 which are not available for 2015 operations.

COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

The portion of uncollected delinquent property tax receivables at December 31, 2015 in each applicable fund is reported in the liability section of each balance sheet as "unearned tax revenue". Allowances for ad valorem taxes that have not been recognized as delinquent property taxes attach to the property when delinquent.

3. Inventories

Inventories are valued at cost, which approximate market, generally using the first-in/first-out (FIFO) method. The County has implemented the consumption method to account for inventories. Under this method, inventory items are reported as expenditures when inventories are consumed, rather than when inventories are purchased.

4. Capital Assets

Capital assets include land, right-of-way land, property improvements, buildings, infrastructure (e.g., roads and bridges), and equipment that are used in operations and benefit more than a single fiscal period. Infrastructure assets are long-lived assets that normally are stationary in nature and typically can be preserved for a significantly greater number of years than most capital assets. The County defines capital assets as items with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements and the proprietary fund statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

Improvements to capital assets that materially extend the life of the asset or add to the value are capitalized. The costs of normal maintenance and repairs that do not add to the value of or materially extend the life of assets are not capitalized.

Capital assets are depreciated over the useful lives of the assets or classes on a straight-line basis as follows:

Buildings and improvements	20 - 40
Machinery and equipment	3 - 10
Infrastructure	
Roadbed	50
Surfacing	20

5. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

All full-time employees are eligible for five days vacation upon the completion of six months of employment and an additional five days upon the completion of their first year of employment. On the date of the six month anniversary the employee shall be credited five days vacation and on the date of the first year anniversary the employee shall be credited with another five days vacation and thereafter, the employee shall accrue earned vacation leave at the rate of 3.076 hours per bi-weekly pay period. All full-time employees who have completed ten years with the County are eligible for fifteen days vacation. On the employee's tenth anniversary, the employee shall be credited with an additional 5 days of vacation

COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

and thereafter, the employee shall accrue vacation leave at the rate of 4.620 hours per bi-weekly pay period. Vacation leave for employees with less than ten years service may be accumulated up to 20 days. Employees with ten or more years of service may accumulate up to 30 days. Employees separated from County employment receive termination pay for unused vacation time.

Sick leave is accrued by full-time employees at the rate of 3.076 hours per bi-weekly pay period after the completion of 30 days of employment. Non-exempt employees may accrue sick leave up to 320 hours. Once 320 hours of accrued sick leave is reached the County will buy back, on a yearly basis, one-half of any leave in excess of 320 hours at the employee's hourly rate. Exempt employees may accrue sick leave up to 640 hours. The County does not buy back any accrued sick leave for exempt employees. A special policy has been established for employees hired prior to January 1, 1997. However, this policy does not materially affect paid leave.

6. Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Balance Classification Policy

The County adopted GASB 54, 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 fund balances, specifically reporting what fund balances, by major governmental fund type, are or are not available for public purposes. Five categories of fund balances were created and defined by GASB 54. These five categories are as follows:

- Non-Spendable Fund Balance - includes amounts not in spendable form, such as inventory, or amounts required to be maintained intact legally or contractually. (e.g.: inventory, prepaid items).
- Restricted Fund Balance - includes amounts constrained for a specific purpose by external parties (e.g. Debt Service Fund, Capital Projects Fund, State and Federal grant funds).
- Committed Fund Balance - includes amounts constrained for a specific purpose by the government using its highest level of decision making authority. The County's policy is to approve all commitments by formal resolution of Commissioners Court prior to fiscal year-end to report such commitments in the balance sheet of the respective period even though the amount may be determined subsequent to fiscal year end. A commitment can only be modified or removed by the same formal action.
- Assigned Fund Balance - includes General Fund amounts constrained for a specific purpose by a governing body or by an official that has been delegated authority to assign amounts. When appropriate for fund balance to be assigned, the Commissioners Court retains the responsibility to assign funds. Assignments may occur subsequent to fiscal year end.
- Unassigned Fund Balance - is the residual classification for the General Fund.

COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

The County's policy is to use restricted, committed, and/or assigned fund balances, in that order, prior to using unassigned resources, but may deviate from this general policy in the event of extraordinary circumstances.

Note 2. Stewardship, Compliance, and Accountability

A. Budgets

Budgeting is an essential element of the financial planning, control, and evaluation processes of the County. Budgets for the County are prepared in conformity with generally accepted accounting principles (GAAP). The County legally adopts budgets for the General Fund, Special Revenue Funds (except Grant Funds and discretionary funds) and Debt Service Funds. Budgets for Grant Funds are established pursuant to grant awards and budgets for Capital Projects are established on a project basis. All annual appropriations, except Grant and Capital Project Funds, lapse at fiscal year end.

The County Judge is the budget officer of Comal County and is assisted in the preparation of the budget documents by the County Auditor. The following procedures are followed in establishing the budgetary data reflected in the financial report:

- 1) The Budget Officer submits to the County Commissioners a proposed operating budget for the following fiscal year commencing the following January. The operational budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain taxpayer comments.
- 3) The budget is legally adopted by the Commissioners Court by September 30 each year.

The final approved budget as adopted by the Commissioners' Court is filed with the County Clerk as a matter of public record. The Commissioners Court may amend the budget at any time after it's adopted. All changes in the budget must be by an affirmative vote of a majority of the Commissioners' Court.

The budgets adopted by the County's Commissioners Court set into law the maximum expenditure authorizations that cannot be exceeded legally. Under State statute, the formally adopted budget should not exceed budgeted appropriations in any expenditure category. The legal level of budgetary control is defined as the level at which the Commissioners Court must approve any over-expenditures of appropriations or transfers of appropriated amounts. The County's legal level of budgetary control is the expenditure object level. Any transfers or supplemental appropriations that amend expenditure line items require the approval of a majority of the Commissioners' Court.

Budgets for the General Fund, certain Special Revenue Funds, and Debt Service Funds are adopted on a modified accrual basis in accordance with generally accepted accounting principles. Under state law, the formally adopted budget should not exceed budgeted appropriations in any expenditure category. The legal level of budgetary control is defined as the level at which the Commissioners' Court must approve any over-expenditures of appropriations or transfers of appropriated amounts. The County's legal level of budgetary control is the object level. Any transfers or supplemental appropriations that amend object level items require the approval of a majority of the Commissioners' Court. Any amendments to the budget must be within the revenues and reserves estimated as available or the revenues estimates must be changed by an affirmative vote of a majority of the members of Commissioners' Court. During the year, several supplemental appropriations were necessary.

A number of Special Revenue Funds do not have annually adopted budgets. State statutes establishing who has control of and the purposes for which the funds can be used generally govern these funds. The revenues in these funds cannot be sufficiently anticipated in order to establish a viable budget.

**COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

The following Special Revenue Funds did not have formally adopted budgets:

Special Drug Court Program	County Drug Court Program
County Accountability Court Program	Fire Code Enforcement Fund
Health Department Services	Criminal District Attorney Hot Check Fund
Sheriff's Federal Asset Sharing Fund	Jail Commissary Fund
Election Services Contract Fund	Elections Chapter 19 Fund
Comal County Juvenile Board Fund	District Clerk's A. G. Child Support Fund
Justice Court Technology Fund	Justice of the Peace Court Security Fund
Probate Education Fund	Habitat Conservation Projects Fund
Court Records Preservation Fund	County and District Technology Fund
Constables' Forfeiture Fund	Constable Pct #4 Federal Asset Sharing Fund
Disaster Recovery Fund	County Court at Law Records Management Fund
District Court Archive Fund	Criminal District Attorney Bond Commission Fund
Alternative Dispute Resolution	

B. Deficit Fund Equity

As of December 31, 2015 the Jury Fund had a deficit fund balance of \$219,354 and the DSHS Emergency Preparedness Grant had a deficit fund balance of \$494 due to accrual of accounts payable invoices through December 31, 2015. These deficits will be liquidated in 2016.

C. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is used as an extension of formal budgetary control. Significant encumbrances outstanding at year-end are represented in aggregate within the respective fund balance category (restricted or committed) on the face of the balance sheet.

	General Fund	Road and Bridge	Capital Projects	Nonmajor Government al Funds	Total
Outstanding encumbrances:					
General government	\$ 128,720	\$ -	\$ -	\$ 197,343	\$ 326,063
Justice system	1,118	-	-	28,239	29,357
Public safety	55,585	-	-	140,441	196,026
Corrections and rehabilitation	67,563	-	-	-	67,563
Health and human services	893	-	-	67	960
Community and economic developmen	6,869	-	-	672	7,541
Infrastructure and environment	2,903	295,737	137,405	-	436,045
Capital equipment	112,034	382,796	1,077,633	-	1,572,463
	\$ 375,685	\$ 678,533	\$ 1,215,038	\$ 366,762	\$ 2,636,018
Total encumbrances	\$ 375,685	\$ 678,533	\$ 1,215,038	\$ 366,762	\$ 2,636,018

**COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

Note 3. Detailed Notes on All Funds

A. Deposits and Investments

County

Investments:

As of December 31, 2015, Comal County had the following investments:

	Moody's/S&P	Fair Market Value			Weighted Average Maturity (In Years)
		Cash Equivalents	Short- Term	Long- Term	
Money Market Accounts		\$ 91,296,767	\$ -	\$ -	N/A
Certificates of Deposit		-	743,472	1,991,354	2.03
FHLMC	Aaa / AAae	-	-	350,519	2.03
Local Governments		-	-	20,933,284	2.46
Total investments		91,296,767	\$ 743,472	\$ 23,275,157	
Cash in banks and on hand, book		47,085,973			
		<u>\$ 138,382,740</u>			

GASB Statement No. 40 requires a determination as to whether the County was exposed to the following specific investment risks at year end, and if so, the reporting of certain related disclosures:

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. State law dictates that in order to maintain eligibility to receive funds and invest funds on behalf of the County, an investment pool must be continuously rated no lower than AAA or AAA-m or of an equivalent rating by at least one nationally recognized statistical rating organization (NRSRO). State law authorizes investments in obligations guaranteed by the United States government and does not require that these investments be rated. The County's policy complies with state law and at year end all of the County's investments met the State's requirements.

Custodial Credit Risk

Deposits – This is the risk that in the event of a bank failure, the County's deposits may not be returned to it. 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 County's name. The County's policy requires that the depository provide sufficient collateral to cover the County's deposits and that the collateral be held by the Federal Reserve Bank in Comal County's name. As of December 31, 2015, Frost Bank had \$169,732,095 in U. S. Bonds and Agencies which were held by the Federal Reserve in Comal County's name.

Investments – This is the risk that in the event of the failure of the counterparty, the County 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 County's investment policy requires that all purchased securities shall be held in safekeeping by the County, or a County account in a third party financial institution, or with the Federal Reserve Bank, all certificates of deposit, insured by the FDIC, or share certificates, insured by the NCUSIF, purchased outside the Depository Bank shall be held in safekeeping

**COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

by the County, or a County account in a third party financial institution, and all pledged securities by the depository bank shall be held in safekeeping by the County or with a Federal Reserve Bank.

Concentration of Credit Risk

The County's investment policy requires the diversification of its portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of investments.

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The County manages its investment time horizons by averaging investment maturities and chooses to present its exposure of interest rate changes using the weighted average maturity method. In accordance with its investment policy and state law, the County manages its interest rate risk by limiting the weighted average maturity of any investment owned by the County to a maximum of two years. Eligible investment pools must have a weighted average maturity of no greater than 90 days. The County's exposure to interest rate risk at December 31, 2015 is summarized in the above table as the days to maturity.

Component Units' Cash and Investments

Deposits: At December 31, 2015, the carrying amount of the Component Units' demand deposits was \$9,726,043. All amounts were covered by federal depository insurance or collateralized with securities held by the Component Units' agents in the Component Units' name.

The Component Units' investments as of December 31, 2015 consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>
U. S. Government Securities	\$ 2,087,049
	<u>\$ 2,087,049</u>

B. Receivables/Unearned Revenue/Deferred Inflows

Receivables at December 31, 2015 for the County's individual major funds and non-major, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Road and Bridge</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Ad valorem taxes	\$ 16,755,451	\$ 3,550,868	\$ -	\$ 3,818,304	\$ 481,060	\$ 24,605,683
Allowance for doubtful accounts	(185,000)	-	-	-	-	(185,000)
Sales taxes	2,221,618	-	-	-	-	2,221,618
Miscellaneous	258,112	27,968	125,000	-	151,288	562,368
Total receivables	<u>\$ 19,050,181</u>	<u>\$ 3,578,836</u>	<u>\$ 125,000</u>	<u>\$ 3,818,304</u>	<u>\$ 632,348</u>	<u>\$ 27,204,669</u>

**COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

Governmental funds unearned revenue at year-end consisted of the following:

	Fund	Unearned Amount
Net tax revenue	General	\$ 87,658
Other	"	14,881,165
"	Road and Bridge	3,130,295
Net tax revenue	"	15,465
"	Special Revenue	3,421
Other	"	439,944
Net tax revenue	Debt Service	16,925
Other	"	3,402,395
Total unearned revenue		\$ 21,977,268

Governmental funds deferred inflows – property taxes at year-end were as follows:

	Fund	Deferred Inflow Amount
Net tax revenue	General	\$ 16,482,793
Net tax revenue	Road and Bridge	3,535,403
Net tax revenue	Special Revenue	477,639
Net tax revenue	Debt Service	3,801,379
Total deferred inflows - property tax		\$ 24,297,214

C. Capital Assets

Capital asset activity for the year ended December 31, 2015 was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 10,898,838	\$ 207,888	\$ -	\$ 11,106,726
Construction in process	4,026,609	379,535	-	4,406,144
Total capital assets, not being depreciated	14,925,447	587,423	-	15,512,870
Capital assets, being depreciated:				
Buildings	33,325,065	1,498,446	-	34,823,511
Improvements other than buildings	2,724,815	335,152	-	3,059,967
Furniture, fixtures, and equipment	22,553,268	3,001,953	-	25,555,221
Intangibles	1,893,683	-	-	1,893,683
Infrastructure	225,294,904	1,986,075	-	227,280,979
Total capital assets, being depreciated	285,791,735	6,821,626	-	292,613,361
Less accumulated depreciation for:				
Buildings	(10,889,372)	(886,081)	-	(11,775,453)
Improvements other than buildings	(949,645)	(143,894)	-	(1,093,539)
Furniture, fixtures, and equipment	(17,461,974)	(1,843,970)	-	(19,305,944)
Intangibles	(232,422)	(119,463)	-	(351,885)
Infrastructure	(112,802,758)	(5,243,178)	-	(118,045,936)
Total accumulated depreciation	(142,336,171)	(8,236,586)	-	(150,572,757)
Total capital assets, being depreciated, net	143,455,564	(1,414,960)	-	142,040,604
Governmental activities capital assets, net	\$ 158,381,011	\$ (827,537)	\$ -	\$ 157,553,474

**COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

Depreciation expense was charged to functions / programs of the primary government as follows:

Governmental activities:	
General government	\$ 775,791
Justice system	35,803
Public safety	1,035,269
Corrections and rehabilitation	194,579
Health and human services	12,385
Community and economic development	156,933
Infrastructure and environmental services	<u>6,025,826</u>
Total depreciation expense - governmental activities	<u>\$ 8,236,586</u>

D. Interfund Receivables, Payables, and Transfers

Due to / from other funds:

In the fund financial statements, interfund balances are the result of normal transactions between funds and will be liquidated in the subsequent year. The following is a summary of amounts due from and due to other funds at December 31, 2015:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds- Jury Fund	<u>300,000</u>	Advancement of funds to cover expenditures
		300,000	
Agency-Escrow Fund	General Fund	47,427	Charges for services not transferred at year-end
Internal Service Fund	General Fund	<u>3,672</u>	Payroll deductions not transferred at year-end
Total		<u>\$ 351,099</u>	

Interfund transfers:

The following is a summary of the County's transfers for the year ended December 31, 2015:

Transfer From	Transfer To	Amount	Purpose
General Fund	Other governmental Special Revenue CDA Bond Commission	\$ 8,600	Fund additional non-capital equipment costs.
	Special Revenue DSHS Emergency Preparedness	6,060	Fund additional liability for program.
	Capital Projects	35,000	Fund cost of building remediation
		<u>49,660</u>	
Other governmental Special Revenue-Child Safety Fund	General Fund	6,076	Fund new personnel
		<u>6,076</u>	
Total		<u>\$ 55,736</u>	

**COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

E. Long-term Debt

General Obligation Bonds, Certificates of Obligation and Tax Notes Payable are direct obligations and pledge the full faith and credit of the County. These bonds generally are issued as 25-year serial bonds, except for refunding issues, with equal amounts of principal maturing each year.

Certificates of Obligation. Certificates of Obligation are issued by the vote of Commissioners Court as allowed under the Certificates of Obligation Act. The County currently has two (2) series of notes payable outstanding.

Series 2007. On August 2, 2007, the Commissioners' Court of Comal County approved passage of orders authorizing the issuance of certificates of obligation in an aggregate amount not to exceed \$20,200,000. The purpose being the purchase of right of way for the State Highway 46 TXDOT pass through project, Schwab Road realignment, expansion of the JP #3 offices to provide office space for Adult Probation officers, land acquisition for conservation purposes and parks, courthouse restoration, Dry Comal Creek flood retarding structures, and the purchase of land and construction of a new justice center. The order awarding the sale of \$20,190,000 Certificates of Obligation, Series 2007 was approved on August 9, 2007. Closing and delivery of the certificates occurred on September 6, 2007.

The 2007 Certificates of obligation currently outstanding are as follows:

Purpose	Interest Rate	Amount
General government	4.25% - 5.75%	\$ 1,175,000
		\$ 1,175,000

Annual debt service requirements to maturity for Series 2007 certificates of obligation are as follows:

Year Ending December 31	Principal	Interest
2016	\$ 950,000	\$ 29,750
2017	225,000	4,781
Total	\$ 1,175,000	\$ 34,531

General Obligation Refunding Bonds.

In September 2015, General Obligation Refunding Bonds, Series 2015 in the amount of \$15,485,000 were issued. Comal County, Texas Combination Tax and Revenue Certificates of Obligation, Series 2007 dated August 1, 2007 in the original principal amount of \$15,500,000 and stated to mature on February 1 in each of the years 2017 through 2023 and February 1, 2028 in the principal amount of \$15,150,000 will be redeemed on February 1, 2016. This refunding produced a gross savings of \$2,321,255, including the County's cash contribution of \$46,406 and a Net Present Value benefit of \$1,952,745.

The 2015 General obligation refunding bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
General government	1.00% - 3.00%	\$ 15,485,000
		\$ 15,485,000

**COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

Annual debt service requirements to maturity for Series 2015 general obligation refunding bonds are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 160,000	\$ 370,450
2017	920,000	360,450
2018	1,170,000	339,550
2019	1,200,000	315,850
2020	1,220,000	291,650
2021 - 2025	6,490,000	1,049,125
2026 - 2028	4,325,000	197,175
Total	<u>\$ 15,485,000</u>	<u>\$ 2,924,250</u>

Combination Limited Tax and Revenue Bonds. The County issued combination limited tax and revenue bonds pursuant to a Pass-Through Toll Agreement between the County and the Texas Department of Transportation (TxDot), an agency of the State of Texas, with retirement of the bond principal to be from ad valorem taxes and payments from TxDot and the interest to be from County taxes and revenues. The combination limited tax and revenue bonds are an obligation of the County and the County is liable for the repayment of the bonds whether or not TxDot makes the agreed payments to the County.

On February 26, 2009 the Commissioners' Court passed an order authorizing the issuance of 'Comal County, Texas, Combination Limited Tax and Revenue Bonds, Series 2009' in the amount of \$16,070,000. These bonds, dated February 1, 2009 were issued March 17, 2009. The proceeds were transferred to the Texas Department of Transportation for the purpose of widening State Highway 46 in Comal County, Texas.

The 2009 bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
General government	3.00% - 5.25%	\$ 10,720,000
		<u>\$ 10,720,000</u>

Annual debt service requirements to maturity for Series 2009 combination limited tax and revenue bonds are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 2,680,000	\$ 377,880
2017	2,680,000	294,800
2018	2,680,000	201,000
2019	2,680,000	107,200
Total	<u>\$ 10,720,000</u>	<u>\$ 980,880</u>

On July 23, 2012 the Commissioners' Court passed an order authorizing the issuance of 'Comal County, Texas, Combination Limited Tax and Revenue Bonds, Series 2012' in the amount of \$14,855,000. These bonds, dated August 1, 2012 were issued August 21, 2012. The proceeds were transferred to the Texas Department of Transportation for the purpose of widening State Highway 281 in Comal County, Texas.

**COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

The 2012 bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
General government	2.50% - 4.00%	\$ 14,855,000
		\$ 14,855,000

Annual debt service requirements to maturity for Series 2012 combination limited tax and revenue bonds are as follows:

Year Ending December 31	Principal	Interest
2016	\$ 2,480,000	\$ 487,650
2017	2,475,000	413,250
2018	2,475,000	339,000
2019	2,475,000	264,750
2020	2,475,000	190,500
2021	2,475,000	91,500
Total	\$ 14,855,000	\$ 1,786,650

Tax Notes. The County issued tax notes pursuant to authority granted to the County by Chapter 1431, as amended, Texas Government Code, and an order adopted by the County's Commissioners Court.

On June 23, 2011 the Commissioners' Court passed an order authorizing the issuance of 'Comal County, Texas, Tax Notes, Series 2011 in the amount of \$13,435,000. These notes, dated June 1, 2011 were issued July 26, 2011. The proceeds of the notes will be used for the purpose of purchasing technology improvements, rights-of way for road improvements, and costs related to the County's flood control system.

The 2011 tax notes currently outstanding are as follows:

Purpose	Interest Rate	Amount
General government	2.00% - 4.00%	\$ 6,645,000
		\$ 6,645,000

Annual debt service requirements to maturity for Series 2011 tax notes are as follows:

Year Ending December 31	Principal	Interest
2016	\$ 2,090,000	\$ 170,025
2017	2,205,000	121,563
2018	2,350,000	47,000
Total	\$ 6,645,000	\$ 338,588

On October 23, 2014 the Commissioners' Court passed an order authorizing the issuance of 'Comal County, Texas, Tax Notes, Series 2014 in the amount of \$4,550,000. These notes, dated October 15, 2014 were issued November 13, 2014. The proceeds of the notes will be used for the purpose of purchasing financial software, land, new building construction, repairs and remodeling of an existing building and payment of professional services related to the aforementioned projects and the issuance of the debt.

**COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

The 2014 tax notes currently outstanding are as follows:

Purpose	Interest Rate	Amount
General government	0.35% - 1.65%	\$ 4,550,000
		\$ 4,550,000

Annual debt service requirements to maturity for Series 2014 tax notes are as follows:

Year Ending December 31	Principal	Interest
2016	\$ 700,000	\$ 44,690
2017	735,000	41,444
2018	750,000	36,235
2019	770,000	28,774
2020	790,000	18,892
2021	805,000	6,641
Total	\$ 4,550,000	\$ 176,676

On June 18, 2015 the Commissioners' Court passed an order authorizing the issuance of 'Comal County, Texas, Tax Notes, Series 2015 in the amount of \$3,300,000. These notes, dated June 1, 2015 were issued July 16, 2015. The proceeds of the notes will be used for the purpose of purchasing voting equipment, land, buildings, renovations of County-owned facilities and professional services related to the aforementioned projects.

The 2015 tax notes currently outstanding are as follows:

Purpose	Interest Rate	Amount
General government	1.89%	\$ 3,300,000
		\$ 3,300,000

Annual debt service requirements to maturity for Series 2015 tax notes are as follows:

Year Ending December 31	Principal	Interest
2016	\$ 430,000	\$ 60,905
2017	450,000	49,991
2018	465,000	41,344
2019	470,000	32,508
2020	485,000	23,483
2021 - 2022	1,000,000	18,995
Total	\$ 3,300,000	\$ 227,225

Capital Leases. In 2012 the County entered into a five year agreement with the Comal Independent School District for the lease/purchase of an unused school building to provide additional office space for the County.

COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Commitments under capitalized lease agreements for facilities provide for minimum future lease payments as of December 31, 2015, as follows:

Year Ending December 31	Principal
2016	\$ 210,333
2017	140,222
Total lease payments	350,555
Less amount representing interest	(10,563)
Net present value	\$ 339,992

The effective interest rate on capital leases was 3.5%.

The total assets acquired under capital leases cost \$963,500 and have accumulated depreciation of \$170,064 at December 31, 2015.

Changes in Bonded Debt and Other Long-Term Obligations.

Long-term liability activity for the year ended December 31, 2015, was as follows:

Type of Debt	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Certificates of obligation					
Series 2007	\$ 17,225,000	\$ -	\$ 16,050,000	\$ 1,175,000	\$ 950,000
General obligation refunding bonds, Series 2015	-	15,485,000	-	15,485,000	\$ 160,000
Combined limited tax and revenue bonds, Series 2009	13,395,000	-	2,675,000	10,720,000	2,680,000
Combined limited tax and revenue bonds, Series 2012	14,855,000	-	-	14,855,000	2,480,000
Tax Notes					
Series 2011	8,625,000	-	1,980,000	6,645,000	2,090,000
Series 2014	4,550,000	-	-	4,550,000	700,000
Series 2015	-	3,300,000	-	3,300,000	430,000
Bond premiums	1,504,423	184,180	262,253	1,426,350	272,288
Total bonds payable	60,154,423	18,969,180	20,967,253	58,156,350	9,762,288
Capital leases	534,712		194,720	339,992	201,629
Compensated absences payable	966,107	204,589	175,065	995,631	197,306
Net pension liability	18,225,329	691,885	-	18,917,214	-
Net post employment benefit obligation	2,235,261	320,069	-	2,555,330	-
Governmental activity long-term liabilities	\$ 82,115,832	\$ 20,185,723	\$ 21,337,038	\$ 80,964,517	\$ 10,161,223

Debt payments are made from the debt service fund. Other long-term liabilities are primarily liquidated from the General fund and Road and Bridge fund.

COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Conduit Debt

Comal County issued certificates of obligation on behalf of Bulverde Area Rural Library District and the Canyon Lake Community Library District to construct libraries in the County. The bonds are to be repaid solely from sales taxes and other revenue of the Districts. The County considers the certificates to be a debt of the Districts rather than debt of the County. Therefore these certificates of obligation have been excluded from the County's financial statements in order to avoid misrepresenting the nature of the certificates and distorting the County's financial statements. The certificates outstanding at December 31, 2015 were \$2,560,000 and mature September 1, 2022 for the Bulverde Area Rural Library District and \$2,825,000 and mature September 1, 2039 for the Canyon Lake Community Library District.

Note 4. Other Information

A. Risk Management

The Governmental Accounting Standards Board (GASB) issued Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which establishes standard accounting and financial reporting practices for public entity risk pools and governmental entities. In accordance with GASB Statement No. 10, we make the following disclosures regarding the County's risk management program.

1. Types of Risk

The County is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the County carries commercial insurance. The County participates as a member of the Texas Association of Counties' County Government Risk Management Pool. As a member of the Risk Management Pool, the County maintains coverage for General Liability, Public Officials Liability, Law Enforcement Liability, Auto Liability, and Workers Compensation pursuant to the provisions of Chapter 119 of the Texas Local Government Code.

The County established a self-funded health insurance plan in 1995, which is recorded as an internal service fund, but this does not constitute a transfer of risk from the County. In accordance with state statute, the County was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Blue Cross and Blue Shield of Texas, Inc., a commercial carrier licensed or eligible to do business in Texas in accordance with the Texas Insurance Code.

2. Insurance Coverage

Insurance is purchased from the Texas Association of Counties' County Government Risk Management Pool and the commercial market for exposures which are difficult to self-insure, or where analysis suggests the cost/benefit is appropriate.

There were no significant changes in commercial coverages; however, there were significant changes in retentions and limits during the fiscal year. Settled claims have not exceeded the commercial coverages above in any of the three previous years.

B. Contingent Liabilities and Litigation

The County is the recipient of several federal and state grant programs, which have guidelines that require compliance with numerous statutes and regulations. Amounts received or receivable from grantor agencies and the amounts expended by the County are subject to audit and adjustment by grantor agencies, principally the state and federal governments. Noncompliance with the regulations could have an effect on the allowability of program expenditures. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

**COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

In addition, the County is a defendant in various outstanding lawsuits that have not been resolved as of December 31, 2015. However, in the opinion of the management and outside council, the resolution of these matters, if decided adversely, will not have a material adverse effect on the financial condition of the County.

C. Health Care Coverage

Effective October 1, 1995, the County established a self-funded health insurance plan, which is recorded as an Internal Service Fund. This fund accounts for the health insurance risk financing activities of the County but does not constitute a transfer of risk from the County. The County pays the employee premium, currently \$716.50 per employee per month to the fund, and employees, at their option, authorize payroll withholdings to pay premiums for dependents. A third party administers the plan and the contract is renewable annually in October.

The County allows employees who retire under the rule of 75 to stay on the County's insurance until they reach the age of 65. Retirees who opt to stay on the County's insurance pay \$616.55 per month in premiums. At the age of 65 retirees must leave the County's insurance. Upon presentation of proof of premium payment for supplemental insurance from a County specified company, the County will reimburse the retiree \$100 per month. Currently there are four retirees on the County's insurance and twenty-one retirees over 65 receiving the \$100 monthly premium supplement.

In accordance with state statute, the County was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Blue Cross and Blue Shield of Texas, Inc., a commercial carrier licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$100,000 and \$6,081,964 for aggregate loss. In addition, the contract with Blue Cross and Blue Shield of Texas provides for a termination clause. This clause provides that the County, at termination of the plan, pays a fee to the carrier and is not liable for future unreported health claims. The fee is calculated based upon the number of employees and dependents covered. Had the plan been terminated at December 31, 2015, the fee would have been \$1,095,855.

Following is a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior year:

	2015	2014
Claims payable, January 1	\$ 225,977	\$ 107,603
Claims incurred	6,598,307	5,695,793
Claims paid	6,661,049	5,577,419
Claims payable, December 31	\$ 163,235	\$ 225,977

Claims payable are estimated based upon one-month's subsequent claims paid. Any potential unfunded claim benefit obligations will be funded through rate adjustments and future contributions generated.

There were no significant changes in coverages, retentions, or limits during the fiscal year.

D. Employee Pension Plan

Plan Description

Comal County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit plan in the statewide Texas County and District Retirement System

**COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

(TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 677 additional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Benefits Provided

The plan provisions are adopted by the Commissioners' Court of Comal County, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by the County.

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and County-financed monetary credits. The level of these monetary credits is adopted by the Commissioners' Court of Comal County within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the County's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the County-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, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	247
Inactive employees entitled to but not yet receiving benefits	263
Active employees	593
Total	1,103

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 governing body. 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 governing body of the employer within the options available to the TCDRS Act.

Comal County has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually and it was 10.81% for the calendar year 2015. The deposit rate payable by the employee members is the rate of 7% as adopted by the Commissioners' Court of Comal County. The Commissioners' Court, within the options available in the TCDRS Act, may change the employee deposit rate and the County contribution rate.

For the County's accounting year ending December 31, 2015, the annual pension cost for the TCDRS Plan for its employees was \$2,936,980 and the actual contributions were \$2,936,980.

**COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

Net Pension Liability

Comal County's Net Pension Liability (NPL) was measured as of December 31, 2014, 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, 2014 actuarial valuation is the most recent valuation.

Actuarial Valuation Information

The Total Pension Liability in the December 31, 2014 actuarial valuations was determined using the following actuarial methods and assumptions:

Actuarial Valuation Information

Actuarial valuation date	12/31/2014
Actuarial method	entry age normal
Amortization method	level percentage of payroll, closed
Amortization period	13.9
Asset valuation method	SAF: 5-yr smoothed value ESF: Fund value
Actuarial Assumptions:	
Investment return ¹	8.00%
Projected salary increases ¹	4.9%
Inflation	3.0%
Cost-of-livings adjustments	0.0%

¹ Includes inflation at the stated rate

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 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee. Mortality rates for active members were based on gender-distinct RP2000 Active Employee Mortality Table, with a projection scale AA, a two year set-forward for males, and a four-year set-back for females. Mortality rates for retirees, beneficiaries, and non-active members were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with the projection scale AA, with a one year set-forward for males and no age adjustment for females. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with the projection scale AA, no age adjustment for males, and a two year set-forward for females.

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 determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCRS's investment consultants and are based on January 2015 information for a 7-10 year time horizon.

COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected Inflation)
US Equities	16.50%	5.35%
Private Equity	12.00%	8.35%
Global Equities	1.50%	5.65%
International Equities - Developed	11.00%	5.35%
International Equities - Emerging	9.00%	6.35%
Investment-Grade Bonds	3.00%	0.55%
High-Yield Bonds	3.00%	3.75%
Opportunistic Credit	5.00%	5.54%
Direct Lending	2.00%	5.80%
Distressed Debt	3.00%	6.75%
REIT Equities	2.00%	4.00%
Commodities	2.00%	-0.20%
Master Limited Partnerships (MLPs)	2.00%	5.30%
Private Real Estate Partnerships	3.00%	7.20%
Hedge Funds	25.00%	5.15%
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.

Changes in Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of December 31, 2013	\$ 96,174,464	\$ 79,301,171	\$ 16,873,293
Changes for the year:			
Service cost	3,822,981	-	3,822,981
Interest on total pension liability ¹	7,813,082	-	7,813,082
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	413,946	-	413,946
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(299,259)	(299,259)	-
Benefit payments	(2,945,792)	(2,945,792)	-
Administrative expenses	-	(63,733)	63,733
Member contributions	-	1,808,691	(1,808,691)
Net investment income	-	5,400,735	(5,400,735)
Employer contributions	-	2,842,229	(2,842,229)
Other ²	-	18,166	(18,166)
Balances as of December 31, 2014	\$ 104,979,422	\$ 86,062,208	\$ 18,917,214

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

² Relates to allocation of system-wide items.

COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the County, calculated using the discount rate of 8.10%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percent point lower (7.10%) or 1 percent point higher (9.10%) than the current rate:

	1% <u>Decrease</u> 7.10%	Current <u>Discount Rate</u> 8.10%	1% <u>Increase</u> 9.10%
Total pension liability	\$ 119,436,297	\$ 104,979,422	\$ 93,103,962
Fiduciary net position	86,062,208	86,062,208	86,062,208
Net pension liability / (asset)	<u>\$ 33,374,089</u>	<u>\$ 18,917,214</u>	<u>\$ 7,041,754</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the separately-issued TCDRS financial report. That report may be obtained on the Internet at www.tcdrs.org.

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended December 31, 2015, Comal County recognized pension expense of \$3,628,865.

At December 31, 2014, Comal County reported deferred outflows of resources related to pensions from the following resources:

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual economic experience	\$ 344,956
Changes of assumptions	-
Net difference between projected and actual earnings	912,330
Contributions made subsequent to measurement date	2,936,980
Total	<u>\$ 4,194,266</u>

Comal County reported \$2,936,980 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending December 31, 2015. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2015	\$ 297,074
2016	297,074
2017	297,074
2018	297,074
2019	68,990
Thereafter	-
Total	<u>\$ 1,257,286</u>

COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Supplemental Death Benefits Fund

Plan Description

Comal County participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County District Retirement System (TCDRS). This plan is referred to as the Optional Group Term Life Fund (OGTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The coverage provided to retired employees is a postemployment benefit other than pension benefits (OPEB). Retired employees are insured for \$5,000.

The OGTLF is a separate trust administered by the TCDRS board of trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the OGTLF. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, Texas 78768-2034, or by calling 800-823-7782.

Funding Policy

Each participating employer contributes to the OGTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing on-year term life insurance. Comal County's contributions to the OGTLF for the years ended December 31, 2015, 2014, and 2013, were \$86,941, \$80,099 and \$76,515 respectively, which equaled the contractually required contributions each year.

E. Other Post Employment Benefits

Plan Description

Comal County Commissioners' Court established a medical insurance benefit plan for retirees in 2001. Employees of the County who retire after December 31, 2002 under TCDRS retirement rules (at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more) are eligible. Continuation of insurance election must be made within thirty (30) days of the employee's separation. The County will pay a maximum of \$100 per month towards the cost of the medical/prescription drug plan for the retiree. The right to the supplement from the County is forfeited in the event the coverage is ever dropped and cannot be reinstated. Furthermore, the Commissioners' Court reserves the right to terminate this plan at any time.

Retirees under the age of sixty-five (65) may remain on the County's Blue Cross/Blue Shield medical/prescription drug plan until they reach age 65 as long as the retiree pays the required annually determined premium each month. Spouses of retired employees and children under age 25 may also remain on the plan provided they pay their monthly premium. The County will pay a maximum of \$100 per month towards the cost of the medical/prescription drug plan for the retiree. The County does not pay any amount towards the spouse or dependent premiums. There are currently four (4) retirees under age 65.

Retirees over the age of sixty-five (65) may participate in the County's Silver Choice plan (a separate Medicare Supplement medical/prescription drug plan through Aetna and administered through the Texas Association of Counties) provided the retiree pays the required annually determined premium each month. The County will pay a maximum of \$100 per month towards the cost of the medical/prescription drug plan for the retiree. The County does not pay any amount towards the spouse or dependent premiums. There are currently twenty-one (21) retirees over age 65.

COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Funding Policy

Comal County is under no legal obligation to pay these supplements, and the decision to rescind these benefits may be made by a resolution of the Commissioners Court at any time. The County's authority to establish and amend benefit provisions comes from Local Government Code Section 157.1010.

There are a total of four (4) retirees and two (2) surviving spouses on the County's insurance. Expenses for post-employment benefits were recognized on a pay-as-you-go basis in the past. Premiums paid by retirees during the year ended December 31, 2015 were \$21,804 and the County paid \$23,100 in supplements to retirees.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years.

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's OPEB obligation.

	2013	2014	2015
Annual required contributions (ARC)	\$ 311,835	\$ 266,665	\$ 289,765
Interest on net OPEB obligation	70,490	101,275	93,933
Adjustment to ARC	(35,301)	(356,158)	(40,529)
Annual pension cost	347,024	11,782	343,169
Contributions made	(18,700)	(27,069)	(23,100)
Increase (decrease) in NPO	328,324	(15,287)	320,069
Net OPEB obligation beginning of year	1,922,224	2,250,548	2,235,261
Net OPEB obligation end of year	<u>\$ 2,250,548</u>	<u>\$ 2,235,261</u>	<u>\$ 2,555,330</u>

The County's annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending December 31, 2015 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Beginning	Change to Net OPEB Obligation	Net OPEB Obligation Ending
12/31/2013	\$ 330,535	5.4%	\$ 1,922,224	\$ 328,324	\$2,250,548
12/31/2014	11,782	229.7%	2,250,548	(15,287)	2,235,261
12/31/2015	343,169	6.7%	2,235,261	320,069	2,555,330

COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Funded Status and Funding Progress

The funding status of the County's retiree health care plan, under GASB Statement No. 45, is as follows:

Schedule of Funding Progress for Comal County						
Retired Employee Healthcare Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2010	\$ -	\$ 2,918,585	\$ 2,918,585	0.00%	\$ 23,221,811	12.57%
12/31/2012	-	2,416,692	2,416,692	0.00%	23,534,115	10.27%
12/31/2014	-	2,235,261	2,235,261	0.00%	24,664,562	9.06%

Under the reporting parameters, the County's retiree health care plan is 0.0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$2,235,261 at December 31, 2014. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 9.06%.

Actuarial Methods and Assumptions

The Projected Unit Credit Cost Method is used to calculate the GASB ARC for the County's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The actuarial cost method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the County and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and the County's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Valuation Information			
	12/31/2010	12/31/2012	12/31/2014
Actuarial valuation date	12/31/2010	12/31/2012	12/31/2014
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, open
Amortization period in years	30	30	30
Asset valuation method	Unfunded	Unfunded	Unfunded
Actuarial Assumptions:			
Discount rate	4.50%	4.50%	4.75%
payroll	3.00%	3.00%	3.00%
Medical trend	Initial rate of 7.00%, declining to an ultimate rate of 4.75% after 15 years	Initial rate of 7.00%, declining to an ultimate rate of 4.75% after 15 years	Initial rate of 7.00%, declining to an ultimate rate of 4.75% after 15 years

COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Additional Disclosures

Texas Local Government code, Chapter 175 requires counties to make available continued health benefits coverage under certain circumstances to retirees and their dependents beyond the end of an individual's employment with the county by permitting covered employees to purchase continued health benefits coverage in retirement. Texas Law does not require counties to fund all or any portion of such coverage.

Because the County is given the authority to pay OPEB for its retired employees, it may incur a debt obligation to pay for OPEB so long as the County follows the constitutional requirement that it have sufficient taxing authority available at the time such debt is incurred to provide for the payment of the debt and has in fact levied a tax for such purpose concurrently with the incurrence of the debt. Any debt incurred in contravention of this constitutional requirement is considered void and payment will not be due. Comal County has not incurred a legal debt obligation for OPEB and has not levied a tax for the same. The County funds the costs associated with OPEB on a current "pay-as-you-go" basis for a single fiscal year through an annual appropriation authorized by Commissioners Court during the County's annual budget adoption process.

GASB Statement No. 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB) requires governmental organizations to recognize an actuarially calculated accrued liability for OPEB, even though it may not have a legally enforceable obligation to pay OPEB benefits.

The County implemented GASB 45 during fiscal year 2008. Accordingly, information and amounts presented in the County's Comprehensive Annual Financial Report relative to OPEB expense/expenditures, related liabilities (assets), note disclosures, and supplementary information are only intended to achieve compliance with the requirements of generally accepted accounting principles and does not constitute or imply that the County has made a commitment or is legally obligated to provide OPEB benefits.

F. Restatement of Net Position

During the year ended December 31, 2015, the County adopted GASB Statement No. 68 "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27." With the adoption of this standard, the County is required to recognize their specific pension amounts, which include net pension liability (NPL), deferred outflows of resources, and pension expense. Adoption of GASB Statement No. 68 required a prior period adjustment of (\$13,648,435). The restated net position for the County is \$149,402,350 for the year ended December 31, 2014. This adoption also resulted in a decrease of the County's pension expense by \$691,885 during the fiscal year.