

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2015

DRAFT

ANNUAL FINANCIAL REPORT OF THE
COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
YEAR ENDED DECEMBER 31, 2015

DISTRICT COMMISSIONERS

PRESIDENT

JOHN SCHEFFLER

VICE PRESIDENT

WILLIAM GONSER

TREASURER

RHONDA ZUNKER

SECRETARY

JUDY WILKEN

ASSISTANT TREASURER

HARRELL HICKS

DRAFT

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Independent Auditor's Report

Board of Commissioners
Comal County Emergency Services
District No. 1
Spring Branch, Texas

Report on Financial Statements

We have audited the accompanying financial statements of governmental activities and the general fund of the Comal County Emergency Services District No. 1 (the District) a component unit of Comal County, Texas as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Comal County Emergency Services District No. 1 as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and budgetary comparison information on pages 3-3C and 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

ABIP, PC

Certified Public Accountants
San Antonio, Texas

May 19, 2016

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

As management of the Comal County Emergency Services District No. 1 (the District), we offer readers the following discussion and analysis (MD&A) of the District's financial activities for the year ended December 31, 2015. The MD&A should be read in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- As of December 31, 2015, the District's total net position was \$2,512,065.
- The District had expenses of \$2,224,071. Of this total, approximately 94% was expended for public safety and the remaining 6% was general government and interest expenses.
- General revenues consisted of \$2,539,192 and exceeded total expenses by \$315,121.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's Annual Financial Report consists of a series of financial statements and accompanying notes, with the primary focus being on the District as a whole. The Statement of Net Position and the Statement of Activities are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The fund financial statements report the District's operations in more detail by providing information as to how services are financed in the short-term, as well as the remaining available resources for future spending. Additionally, the fund financial statements focus on major funds rather than fund types. The District has one fund type which is the General Fund. This fund accounts for property tax revenues which are collected monthly on behalf of the District. Comal County collects ad valorem property tax. The District was formed as a subdivision of the State of Texas in January 1988 under health and safety code 776. It was converted in 2011, by Senate Bill 917, to Health and Safety code 775.

Government-Wide Financial Statements

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

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

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

To assess the overall health of the District, consideration should be given to additional non-financial factors such as changes in the District's tax base.

Fund Financial Statements

Fund financial statements provide a detailed short-term view of the District's operations, focusing on its "major" fund. The District has one fund – a general fund.

Governmental Funds - The accounting for the District's basic services is included in the governmental fund. The measurement focus and basis of accounting used for reporting is the modified accrual basis which measures inflows and outflows of current financial resources and the remaining balances at year-end that are available for spending. Furthermore, under this basis of accounting, changes in net spendable assets are normally recognized only to the extent that they are expected to have a near-term impact, while inflows are recognized only if they are available to liquidate liabilities of the current period. Similarly, future outflows are typically recognized only if they represent a depletion of current financial resources. The District's governmental fund is the General Fund. The differences in the amounts reported between the fund statements and the government-wide statements are explained in the reconciliations provided on pages 7 and 9.

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information beginning on page 18.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net position at December 31, 2015 is \$2,512,065. This is a \$315,121 increase over last year's net position of \$2,196,944.

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

Statement of Net Position

The following table reflects the condensed statement of net position:

	<u>GOVERNMENTAL ACTIVITIES</u>	
	<u>2015</u>	<u>2014</u>
Current and Other Assets	\$ 3,725,166	\$ 3,435,046
Capital Assets, Net	<u>3,869,389</u>	<u>3,423,569</u>
Total Assets	<u>7,594,555</u>	<u>6,858,615</u>
Current Liabilities	1,782,309	1,838,987
Long-Term Liabilities	<u>2,111,541</u>	<u>1,700,133</u>
Total Liabilities	<u>3,893,850</u>	<u>3,539,120</u>
Deferred Inflows of Resources	<u>1,188,640</u>	<u>1,122,551</u>
Net Investment in Capital Assets	1,511,329	1,541,865
Unrestricted	<u>1,000,736</u>	<u>655,079</u>
 TOTAL NET POSITION	 <u>\$ 2,512,065</u>	 <u>\$ 2,196,944</u>

Statement of Activities

The District's total revenues were \$2,539,192 in 2015. Virtually all revenue came from ad valorem property taxes.

For the year ended December 31, 2015, the total expenses were \$2,224,071 including \$38,651 of general government expenses. The District contracts their emergency services with Bulverde-Spring Branch Emergency Services (BSB ES) as a service provider. The contract was entered into on March 29, 2014 through December 31, 2020. Funds are distributed to the BSB ES on a monthly basis.

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

	<u>GOVERNMENTAL ACTIVITIES</u>	
	<u>2015</u>	<u>2014</u>
<u>REVENUES</u>		
General Revenues	\$ 2,539,192	\$ 2,338,077
Total Revenues	<u>2,539,192</u>	<u>2,338,077</u>
<u>EXPENSES</u>		
General and Administrative	38,651	12,726
Public Safety	2,084,328	1,985,676
Interest	<u>101,092</u>	<u>35,112</u>
Total Expenses	<u>2,224,071</u>	<u>2,033,514</u>
Change in Net Position	315,121	304,563
<u>NET POSITION - BEGINNING</u>	<u>2,196,944</u>	<u>1,892,381</u>
NET POSITION - ENDING	<u>\$ 2,512,065</u>	<u>\$ 2,196,944</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Net investment in capital assets were \$1,511,329 at December 31, 2015. Capital assets include land, emergency vehicles and equipment valued at \$3,869,389, net of depreciation. The District completed the construction of Station 3 that began in fiscal year 2014, at a total cost of \$2,243,990. The following table shows capital assets for 2015 with comparison for 2014. If more detailed information is desired on the District's capital asset activity please refer to the notes to the financial statements.

	GOVERNMENTAL ACTIVITIES	
	2015	2014
Land	\$ 510,291	\$ 510,291
Construction in Progress	-	1,808,129
Station Building	3,225,446	981,456
Emergency Service Equipment	853,241	685,111
Total Capital Assets	4,588,978	3,984,987
Accumulated Depreciation	(719,589)	(561,418)
 NET CAPITAL ASSETS	 \$ 3,869,389	 \$ 3,423,569

Long-Term Debt

At the end of 2015, the District had total outstanding debt of \$2,358,060 to finance the purchases of facilities. More detailed information can be found in the notes to the financial statements.

	GOVERNMENTAL ACTIVITIES	
	2015	2014
Notes Payable	\$ 2,358,060	\$ 1,881,704

THE BUDGET, ECONOMIC ENVIRONMENT, AND PROJECTED PROJECTS

Actual revenues in 2015 were more than budgeted amounts by \$74,226. Expenditures were over budget by \$369,072 as the District anticipated using note proceeds to cover capital construction costs for Station 3. The budget was not amended during the year.

The ad valorem property tax rate was \$0.085100 per \$100 property valuation in 2015 and the tax rate did not change for 2016.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers, patrons and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commissioners at 830-885-2205, or at Post Office Box 126, Spring Branch, Texas 78070.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 1,156,388
Cash with Fiscal Agent - Tax Assessor Collector	1,319,077
Receivables - Property Taxes	
Current Taxes	1,188,640
Delinquent Taxes	<u>61,061</u>
Total Current Assets	<u>3,725,166</u>

Capital Assets

Land	510,291
Station Buildings	3,225,446
Emergency Service Equipment	<u>853,241</u>
Totals	4,588,978
Less: Accumulated Depreciation	<u>(719,589)</u>
Total Capital Assets	<u>3,869,389</u>

TOTAL ASSETS \$ 7,594,555

LIABILITIES

Accrued Interest	\$ 29,063
Unearned Revenue - Property Taxes	1,506,727
Long-Term Debt:	
Due Within One Year	246,519
Due in More than One Year	<u>2,111,541</u>
TOTAL LIABILITIES	<u>3,893,850</u>

DEFERRED INFLOWS OF RESOURCES

Current Property Taxes Levied for Subsequent Period	<u>1,188,640</u>
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NET POSITION

Net Investment in Capital Assets	1,511,329
Unrestricted	<u>1,000,736</u>
TOTAL NET POSITION	<u>2,512,065</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND NET POSITION \$ 7,594,555

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Expenses

General and Administrative	\$ 38,651
Public Safety	2,084,328
Interest	<u>101,092</u>
Total Expenses	<u>2,224,071</u>

General Revenues

Property Tax	2,533,808
Interest	<u>5,384</u>
Total General Revenues	<u>2,539,192</u>

Change in Net Position 315,121

NET POSITION - BEGINNING 2,196,944

NET POSITION - ENDING \$ 2,512,065

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COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
BALANCE SHEET – GOVERNMENTAL FUND
DECEMBER 31, 2015

ASSETS

Cash and Cash Equivalents	\$ 1,156,388
Cash with Fiscal Agent - Tax Assessor Collector	1,319,077
Receivables - Property Taxes	
Current Taxes	1,188,640
Delinquent Taxes	<u>61,061</u>

TOTAL ASSETS \$ 3,725,166

LIABILITIES

Unearned Revenue - Property Taxes	<u>1,506,727</u>
TOTAL LIABILITIES	<u>1,506,727</u>

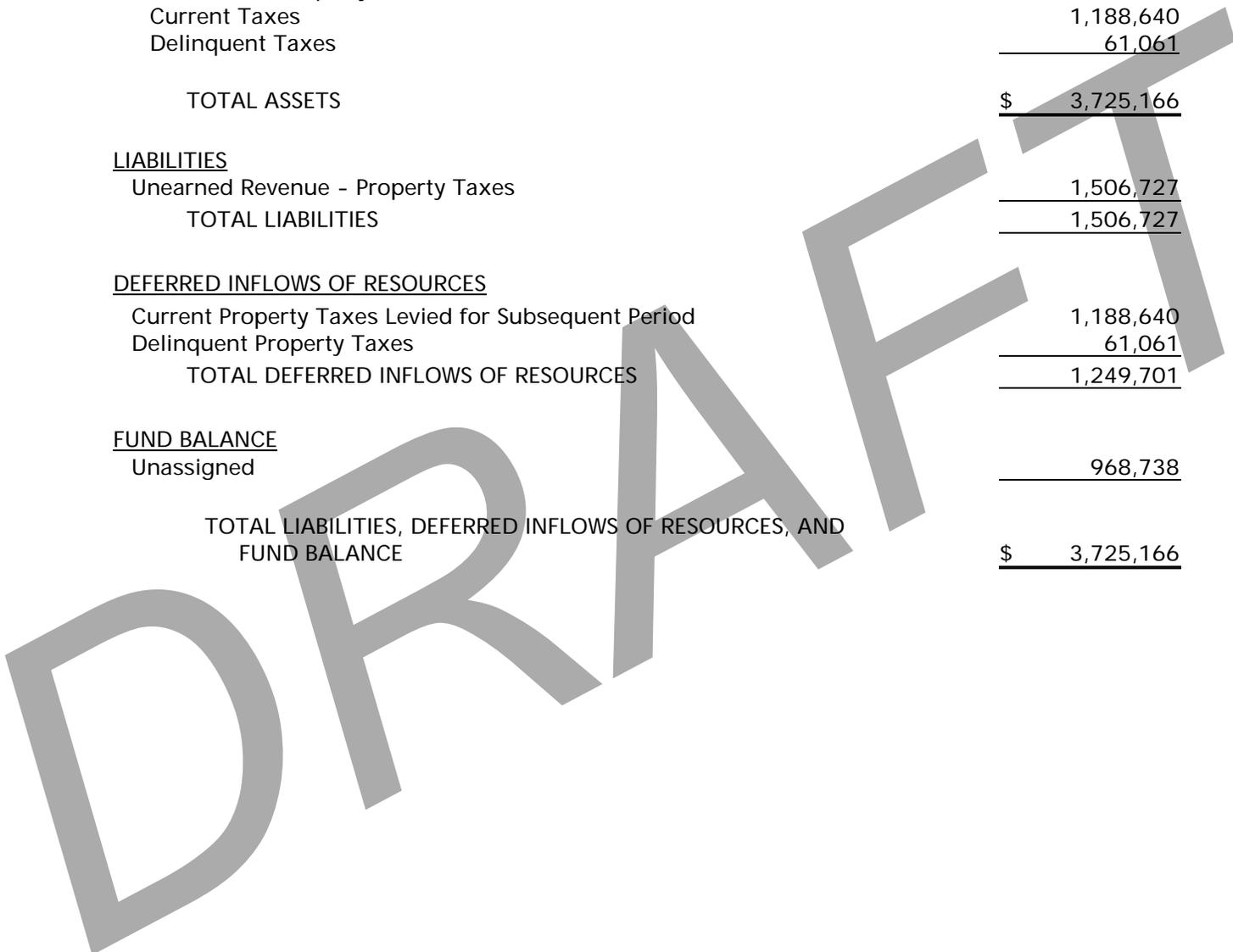
DEFERRED INFLOWS OF RESOURCES

Current Property Taxes Levied for Subsequent Period	1,188,640
Delinquent Property Taxes	<u>61,061</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,249,701</u>

FUND BALANCE

Unassigned	<u>968,738</u>
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TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND
FUND BALANCE \$ 3,725,166



COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUND
TO STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015

TOTAL FUND BALANCE \$ 968,738

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

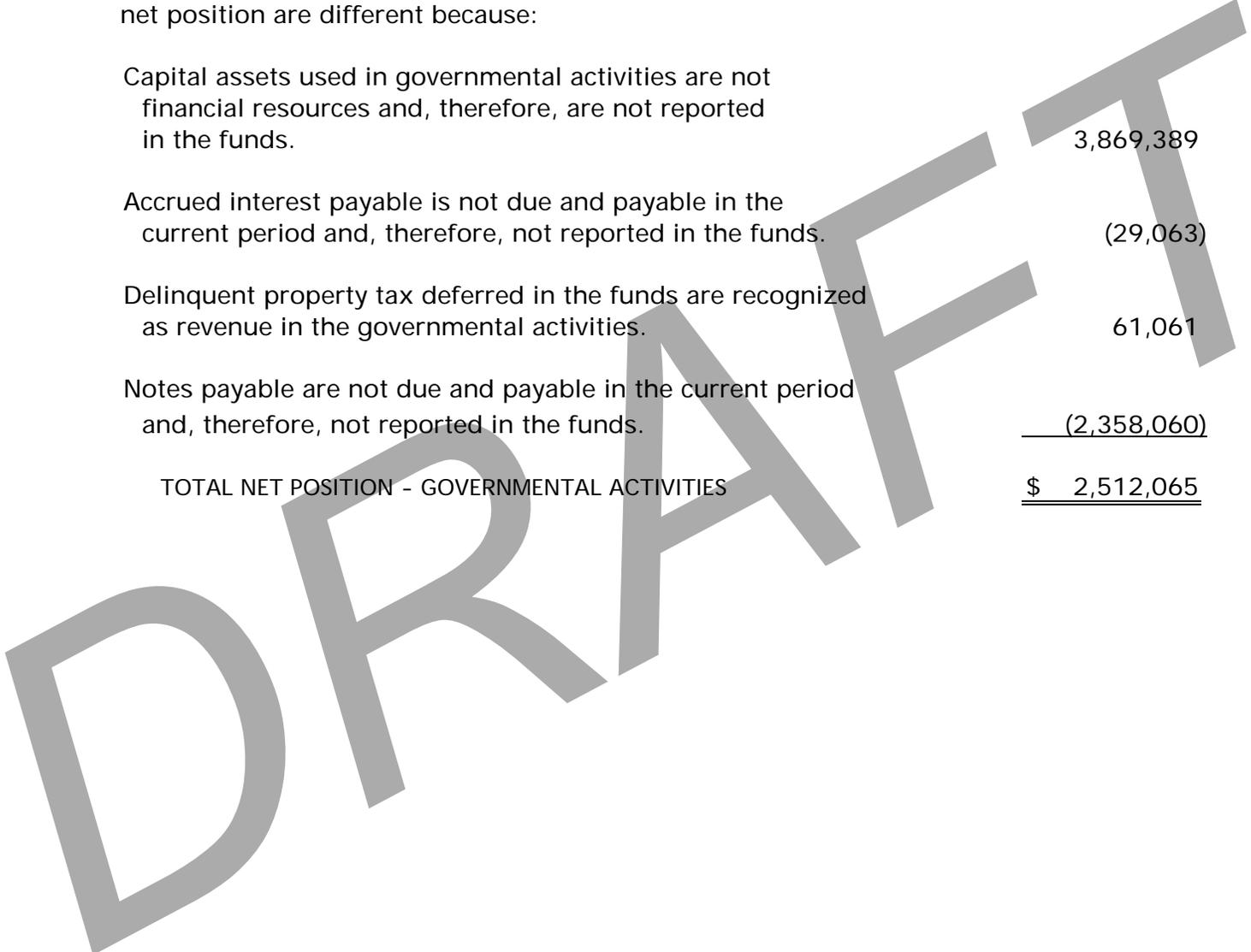
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 3,869,389

Accrued interest payable is not due and payable in the current period and, therefore, not reported in the funds. (29,063)

Delinquent property tax deferred in the funds are recognized as revenue in the governmental activities. 61,061

Notes payable are not due and payable in the current period and, therefore, not reported in the funds. (2,358,060)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 2,512,065



COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

REVENUES

Property Taxes	\$ 2,528,842
Interest	<u>5,384</u>
Total Revenues	<u>2,534,226</u>

EXPENDITURES

General and Administrative	38,651
Public Safety	1,926,157
Capital Outlay	603,991
Debt Service	
Principal	180,889
Interest	<u>79,384</u>
Total Expenditures	<u>2,829,072</u>

Excess (Deficiency) of Revenues Over (Under) Expenditures	(294,846)
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OTHER FINANCING SOURCES (USES)

Note Proceeds	<u>657,245</u>
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Net Change in Fund Balance	362,399
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<u>FUND BALANCE - BEGINNING</u>	<u>606,339</u>
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FUND BALANCE - ENDING	<u><u>\$ 968,738</u></u>
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COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
RECONCILIATION OF CHANGE IN FUND BALANCE - GOVERNMENTAL FUND TO
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015

NET CHANGE IN FUND BALANCE \$ 362,399

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

Governmental funds report capital outlays (\$603,991) as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$158,171).

445,820

Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.

4,966

The issuance of long-term debt (Notes Payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position.

Note Payments
 Note Issuance

180,889
(657,245)

(476,356)

Interest is not accrued in the governmental funds and is expensed in the governmental activities. This is the change in these amounts this year.

(21,708)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 315,121

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Comal County Emergency Service District No. 1 (the District) have been prepared in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The Board of Commissioners (the Board), a five-member group has governance responsibilities over all activities related to emergency medical service operations within the jurisdiction of the District. The Board is appointed by the County of Comal, Texas and has the exclusive power and duty to govern. The District receives funding from local government sources and must comply with the requirements of those funding entities. However, the District is included in the County of Comal, Texas' financial statements as a component unit and there are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. Governmental activities are supported mainly by taxes.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges of customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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 among program revenues are reported instead as general revenues.

The general fund meets the criteria of a major governmental fund. The District has no other governmental funds.

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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Amounts reported as program revenues include 1) charges to customers or applications for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes.

The District reports the following major governmental fund:

The General Fund is the operating fund of the District and is always classified as a major fund. The general fund is used to account for all financial resources. Primary expenditures are for general and administrative and public safety.

D. Cash and Cash Equivalents

The District's cash and cash equivalents include demand accounts, certificates of deposits, savings accounts, and other investments with an original maturity of 3 months or less.

E. Accounts Receivable – Property Taxes

Property taxes are levied each October 1 on the taxable value as of the preceding January 1, the date a lien attaches, for all taxable real and personal property located in the District. Taxes are due by January 31 following the October 1 assessment date and become delinquent on February 1, at which time they begin accruing penalty and interest. Although the District's 2015 ad valorem taxes is levied on October 1, 2015, it is the District's policy to recognize revenues from the October 1 tax levy in the calendar year when the proceeds of this levy are budgeted and made available for the District's operations. The collections on the October 1, 2015 levy are considered unearned until the subsequent calendar year. The remaining receivable on unpaid levies are reported as deferred inflows of resources at year-end. No allowance for doubtful accounts is considered necessary at this time.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Equity

In the fund financial statements, governmental funds report unassigned fund balance for amounts that are available for appropriation.

G. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restriction imposed by creditors, grantors, or laws or regulations of other governments.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Capital Assets

Capital assets, which include vehicles, buildings and equipment, are reported in the District's financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. When capital assets are purchased, they are capitalized and depreciated in the financial statements.

Capital assets are valued at cost where historical records are available and at an estimated cost where no records exist. Donated capital assets are valued at their estimated fair market value at the date of donation. Improvements to capital assets that materially extend the life of the asset or add to the value are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Capital assets are depreciated over their useful lives on a straight-line basis as follows:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	40
Emergency Service Equipment	7 - 10
Office Equipment	10

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 2: DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. The District has not experienced any loss in such accounts.

At December 31, 2015, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in cash and cash equivalents) was \$1,156,388 and the bank balance was \$1,162,948. The deposits held at December 31, 2015 were fully collateralized

The GASB issued Statement No. 40, "Deposits and Investment Risk Disclosures". The GASB 40 disclosures below address common areas of investment risk.

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act (the Act) requires an annual audit of investment practices. Audit procedures in this area, conducted as a part of the audit of the basic financial statements, disclosed that in the areas of investment practices, management reports an establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

NOTE 3: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2015, the District obtained general liability coverage through a commercial insurer, VFIS of Texas. The District continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 4: CAPITAL ASSETS

A summary of capital assets at December 31, 2015 is as follows:

	BEGINNING BALANCE	INCREASE	DECREASE	ENDING BALANCE
<u>Capital Assets not being Depreciated</u>				
Land	\$ 510,291	\$ -	\$ -	\$ 510,291
Construction in Progress	1,808,129	435,861	(2,243,990)	-
Total Capital Assets not being Depreciated	<u>2,318,420</u>	<u>435,861</u>	<u>(2,243,990)</u>	<u>510,291</u>
<u>Capital Assets being Depreciated</u>				
Station Building	981,456	2,243,990	-	3,225,446
Emergency Service Equipment	685,111	168,130	-	853,241
Total Capital Assets being Depreciated	<u>1,666,567</u>	<u>2,412,120</u>	<u>-</u>	<u>4,078,687</u>
<u>Less: Accumulated Depreciation</u>				
Station Building	(63,386)	(66,611)	-	(129,997)
Emergency Service Equipment	(498,032)	(91,560)	-	(589,592)
Total Accumulated Depreciation	<u>(561,418)</u>	<u>(158,171)</u>	<u>-</u>	<u>(719,589)</u>
Total Capital Assets being Depreciated, Net	<u>1,105,149</u>	<u>2,253,949</u>	<u>-</u>	<u>3,359,098</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 3,423,569</u>	<u>\$ 2,689,810</u>	<u>\$ (2,243,990)</u>	<u>\$ 3,869,389</u>

Depreciation expense was charged to the public safety function for December 31, 2015 in the amount of \$158,171.

NOTE 5: LONG-TERM DEBT

The District entered into a promissory note with Southside Bank for construction of a substation in Indian Hills Estate. The note calls for annual payments of \$98,078, with an interest rate of 5.378%. The note is collateralized by the land and building.

The District entered into a promissory note with Broadway National Bank for construction of the South Station 3. The note calls for annual payments of \$230,700, with an interest rate of 3.125%. The note is collateralized by the building.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 5: LONG-TERM DEBT (CONTINUED)

A summary of notes payable at December 31, 2015, is as follows:

	ORIGINAL AMOUNT	BEGINNING BALANCE	ADDITIONS	PAYMENTS	ENDING BALANCE	AMOUNT DUE WITHIN ONE YEAR
<u>Southside Bank</u>						
Promissory Note -						
Substation Purchase	\$ 750,000	\$ 559,823	\$ -	\$ (67,970)	\$ 491,853	\$ 71,626
<u>Broadway National Bank</u>						
Promissory Note -						
Construction Loan	1,979,126	1,321,881	657,245	(112,919)	1,866,207	174,893
TOTAL NOTES PAYABLE	\$ 2,729,126	\$ 1,881,704	\$ 657,245	\$ (180,889)	\$ 2,358,060	\$ 246,519

Future payments on the promissory notes are as follows:

YEAR ENDED DECEMBER 31,	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2016	\$ 246,519	\$ 82,259	\$ 328,778
2017	255,916	72,862	328,778
2018	265,695	63,083	328,778
2019	275,874	52,904	328,778
2020	286,470	107,678	394,148
2021-2025	1,027,586	70,874	1,098,460
TOTALS	\$ 2,358,060	\$ 449,660	\$ 2,807,720

NOTE 6: FUND BALANCE

The District 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 cash balances, specifically reporting what cash balances, by major governmental fund type, are or are not available for public purposes.

Five categories of cash balances were created and defined by GASB 54. These five categories are as follows:

- Non-spendable - These funds are not available for expenditures based on legal or contractual requirements. An example might be inventories and prepaid expenditures.
- Restricted - These funds are governed by externally enforceable restrictions.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 6: FUND BALANCE (CONTINUED)

- Committed - Fund balances in this category are limited by the government's highest level of decision making (in this case the board). Any changes of this designation must be done in the same manner that it was implemented. For example, if funds are committed by resolution, the commitment could only be released with another resolution.
- Assigned - For funds to be assigned, there must be an intended use which can be established by the board or an official delegated by the council, such as an administrator or finance director. For example, during the budget process, the board decided to use some existing fund balance to support activities in the upcoming year.
- Unassigned - This classification is the default for all funds that do not fit into the other categories.

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

NOTE 7: RELATED PARTY TRANSACTIONS

The District entered into a joint agreement with Bulverde-Spring Branch Emergency Services (a non-profit organization) to provide emergency medical services for the response area of the District. Two (2) members of the Board of Commissioners also serve as voting members of the board of the Bulverde-Spring Branch Emergency Services. The District paid \$1,920,000 to the Bulverde-Spring Branch Emergency Services in accordance with the joint agreement for the fiscal year ended December 31, 2015.

NOTE 8: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

For the year ended December 31, 2015, expenditures exceed appropriations in the general fund by \$369,072. These over expenditures were funded by the reserves in the Districts fund balance.

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REQUIRED SUPPLEMENTARY INFORMATION

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL ON A BUDGETARY BASIS – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>BUDGETARY BASIS (1) ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>			
Property Taxes	\$ 2,456,000	\$ 2,528,842	\$ 72,842
Interest	<u>4,000</u>	<u>5,384</u>	<u>1,384</u>
Total Revenues	<u>2,460,000</u>	<u>2,534,226</u>	<u>74,226</u>
<u>EXPENDITURES</u>			
General and Administrative	41,000	38,651	2,349
Public Safety	1,920,000	1,926,157	(6,157)
Capital Outlay			
Station Building	-	435,861	(435,861)
Emergency Service Equipment	170,000	168,130	1,870
Debt Service:			
Principal	180,889	180,889	-
Interest	<u>148,111</u>	<u>79,384</u>	<u>68,727</u>
Total Expenditures	<u>2,460,000</u>	<u>2,829,072</u>	<u>(369,072)</u>
Excess Revenues over Expenditures		(294,846)	
<u>FUND BALANCE - JANUARY 1, 2015</u>		<u>606,339</u>	
		<u>ADJUSTMENTS TO RECONCILE BUDGET BASIS TO GAAP BASIS:</u>	
		<u>Note Proceeds not Budgeted</u>	<u>657,245</u>
FUND BALANCE - DECEMBER 31, 2015 - GAAP BASIS		<u>\$ 968,738</u>	

(1) The actual amounts have been adjusted to reflect the budgetary basis. For budgeting purposes, the district does not budget expenditures for capital assets or note proceeds. The difference is scheduled above to reconcile to the fund balance using the GAAP basis of accounting.



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

Board of Commissioners
Comal County Emergency Services
District No. 1
Spring Branch, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the governmental activities and the major fund of Comal County Emergency Service District No. 1 (the District) a component unit of Comal County, Texas as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 19, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

ABIP, PC

Certified Public Accountants
San Antonio, Texas

May 19, 2016

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COMAL COUNTY
EMERGENCY SERVICES DISTRICT #2

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2015

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COMAL COUNTY EMERGENCY SERVICES DISTRICT #2
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DECEMBER 31, 2015

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Rick C. Reed
& COMPANY, PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board Members
Comal County Emergency Services District #2
Canyon Lake, TX

We have audited the accompanying financial statements of the governmental activities and the major fund of Comal County Emergency Services District #2 (the District) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year comparative information shown on pages 9 and 11 has been derived from the Districts' 2014 financial statements and, in our report dated May 22, 2015, we expressed a qualified opinion on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion on General Fund

We were unable to obtain the District's documents supporting the District's investment in building and improvements, stated at a net book value of \$85,461 at December 31, 2015 on the statement of net position, nor were we able to satisfy ourselves as to this value of the building and improvements by other auditing procedures.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the net book value of the building and improvements, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities of the District as of December 31, 2015, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information:

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and page 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Rick C. Reed + Company, PLLC

Rick C. Reed & Company, PLLC

May 26, 2016

COMAL COUNTY EMERGENCY SERVICES DISTRICT #2 MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Comal County Emergency Services District #2 ("ESD #2" "the District") annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ESD #2's total net position was \$1,056,134 at December 31, 2015.
- Expenses for the year ended December 31, 2015 were \$2,083,727. Revenue exceeded expenses by \$374,650.

OVERVIEW OF THE FINANCIAL STATEMENTS

ESD #2's Annual Financial Report consists of a series of financial statements and accompanying notes, with the primary focus being on the District as a whole. The Statement of Net Position and the Statement of Activities are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The fund financial statements report ESD #2's operations in more detail by providing information as to how services are financed in the short-term, as well as the remaining available resources for future spending. Additionally, the fund financial statements focus on major funds rather than fund types. The District has one fund type which is the general fund. This fund accounts for property tax revenues which are collected monthly by Comal County on behalf of the District. ESD #2 was formed as a subdivision of the State of Texas as an emergency services district under Health and Safety Code 776. Effective June 17, 2011, Senate Bill repealed Chapter 776 of the Texas Health & Safety Code and converted all of the emergency services districts operating under Chapter 776 to districts operating under Chapter 775.

Government-Wide Financial Statements

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

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

The two government-wide statements report ESD #2's net position, which represent the difference between assets and (liabilities plus deferred inflows of resources). Over time, the increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating. Additionally, the District's financial operating results are determined by the difference between the revenues and expenses. To assess the overall health of the District, consideration should be given to additional non-financial factors such as changes in the District's tax base.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Fund Financial Statements

Fund financial statements provide a detailed short-term view of ESD #2's operations, focusing on its most significant or "major" fund, emergency service operations. The District has one fund -- a general fund.

Governmental Funds - The accounting for ESD #2's basic services is included in the governmental fund. The measurement focus and basis of accounting used for reporting continues to be the modified accrual basis which measures inflows and outflows of current financial resources and the remaining balances at year-end that are available for spending. Furthermore, under this basis of accounting, changes in net spendable assets are normally recognized only to the extent that they are expected to have a near-term impact, while inflows are recognized only if they are available to liquidate liabilities of the current period. Similarly, future outflows are typically recognized only if they represent a depletion of current financial resources. The District's governmental fund is the General Fund. The differences in the amounts reported between the fund statements and the government-wide statements are explained in the reconciliations provided on pages 10 and 12.

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information beginning on page 19.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF ESD #2 AS A WHOLE

A schedule of ESD #2's net position is summarized as follows:

	<u>2015</u>	<u>2014</u>
Assets		
Current Assets	\$ 2,339,012	\$ 1,899,040
Capital assets, net	598,344	566,770
Total assets	<u>\$ 2,937,356</u>	<u>\$ 2,465,810</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 1,986	\$ 1,987
Due to other government	-	34,826
Noncurrent liabilities:		
Long term debt - due in more than one year	-	-
Total liabilities	<u>1,986</u>	<u>36,813</u>
Deferred inflows of resources	<u>1,879,236</u>	<u>1,747,513</u>
Net position		
Unrestricted	1,056,134	681,484
Total net position	<u>\$ 1,056,134</u>	<u>\$ 681,484</u>

At December 31, 2015 the District's current assets were comprised of 24% cash, 36% due from tax office, and 40% property taxes receivable.

ESD #2's total general revenues were \$2,458,377 in 2015, an increase of 100% from the prior year. The increase in revenue was attributable to a 33% increase in the property tax rate and the district is now collecting the patient billings directly. In prior years, Emergency Services District #3 collected the patient billings and applied these payments to their operation budget, which in turn reduced the amount ESD #3 charged the district for their services. Substantially all of the District's revenue is from property taxes.

For the year ended December 31, 2015, the total costs were \$2,083,727, an increase of 57% over the prior year. The increase was due mainly to the increase of \$759,000 in EMS personnel cost in 2015, due to a restructuring of how patient billings are handled. See above explanation regarding increase in revenue. Total costs included \$1,859,000 paid to Emergency Service District #3 for personnel costs and \$120,132 of depreciation expense.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following table summarizes the changes in the District's net position from its activities for the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Revenues:		
General Revenues	\$ 2,458,377	\$ 1,226,743
Total revenues	<u>2,458,377</u>	<u>1,226,743</u>
Expenditures		
General Government	224,727	223,998
Health & Human Services	1,859,000	1,100,000
Total expenses	<u>2,083,727</u>	<u>1,323,998</u>
Increase (Decrease) in net position	374,650	(97,255)
Beginning net position	681,484	778,739
Ending net position	<u><u>\$ 1,056,134</u></u>	<u><u>\$ 681,484</u></u>

CAPITAL ASSETS ADMINISTRATION

In February 2007 ESD #2 acquired all EMS related fixed assets from Canyon Lake Fire/EMS.

Investments in capital assets, net of accumulated depreciation, was \$598,344 at December 31, 2015. Capital assets include land, building and improvements, vehicles, and EMS equipment. The district acquired \$156,963 in new capital assets during the current year.

BUDGETARY HIGHLIGHTS

The Statement of Revenues, Expenditures and Changes in Fund Balances on page 11 indicates General Fund revenues exceeded expenditures by \$337,358 and the fund balance at the end of the year was \$415,314.

Actual revenues in 2015 were more than budgeted amounts by \$82,833, due mainly to under-estimated amount of taxes and miscellaneous income to be collected. Expenditures were under budget in 2015 by \$85,250 due mainly to general government expenses being over budgeted. The budget was not amended during the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The property tax rate was \$.045 per \$100 property valuation in 2013 and 2014. The property tax rate for 2015 will change from \$.045 per \$100 property tax valuation to \$.06 per \$100.

CONTACTING THE ESD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers, patrons and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact ESD #2 at P.O. Box 2140, Canyon Lake, Texas 78133.

The District entered into an interlocal service agreement with ESD #3 for a five year period from 2010 to 2014 for ESD #3 to continue providing emergency medical transport services to the District. The details of the agreement are explained in Note E in the notes to the financial statements. The District renewed their interlocal service agreement with ESD #3 for a five year period from 2015 through 2019. The interlocal service agreement with ESD #3 will require that ESD #2 make monthly payments of \$161,372 to ESD #3 for providing services to the District for the year 2016.

BASIC FINANCIAL STATEMENTS

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COMAL COUNTY EMERGENCY SERVICES DISTRICT #2
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 570,333
Cash with fiscal agent	837,823
Property tax receivable	930,856
Capital Assets, net of accumulated depreciation:	
Land	11,950
Building and improvements	85,461
Vehicles	344,122
Equipment	<u>156,811</u>
Total capital assets	<u>598,344</u>
Total assets	<u><u>\$ 2,937,356</u></u>
Liabilities	
Accounts payable	<u>\$ 1,986</u>
Total liabilities	<u>1,986</u>
Deferred Inflow of Resources	<u>1,879,236</u>
Net Position	
Net investment in capital assets	598,344
Unrestricted	<u>457,790</u>
Total net position	<u><u>\$ 1,056,134</u></u>

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

**COMAL COUNTY EMERGENCY SERVICES DISTRICT #2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Emergency Services Function, Expenses:	Governmental Activities
Health & human services	\$ 1,859,000
General government	<u>224,727</u>
Total expenses	<u>2,083,727</u>
General revenues:	
Property tax	1,746,779
Penalties and interest - delinquent taxes	16,075
Interest income	274
Patient fees	652,574
Miscellaneous revenue	4,548
Unrestricted contributions	<u>38,127</u>
Total general revenues	<u>2,458,377</u>
Change in net position	374,650
Net position, beginning of year	681,484
Net position, end of year	<u>\$ 1,056,134</u>

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

**COMAL COUNTY EMERGENCY SERVICES DISTRICT #2
BALANCE SHEETS
DECEMBER 31, 2015 AND 2014**

	2015 General Fund	2014 General Fund
Assets		
Cash and cash equivalents	\$ 570,333	\$ 299,091
Cash with fiscal agent	837,823	730,385
Property taxes receivable	930,856	869,564
Total assets	\$ 2,339,012	\$ 1,899,040
Liabilities :		
Accounts payable	1,986	1,987
Due to other governments	-	34,826
Total liabilities	1,986	36,813
Deferred Inflow of Resources-unavailable revenue-property taxes	1,921,712	1,784,271
Fund balances:		
Unassigned	415,314	77,956
Total fund balances	415,314	77,956
Total liabilities, deferred inflow of resources and fund balances	\$ 2,339,012	\$ 1,899,040

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

**COMAL COUNTY EMERGENCY SERVICES DISTRICT #2
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015**

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

Fund balances of all governmental funds (Page 9)	\$	415,314
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		42,476
Capital assets used in governmental activities are not spendable current financial resources and, therefore, are not reported in the balance sheet of governmental funds.		<u>598,344</u>
Net position of governmental activities (Page 7)	\$	<u>1,056,134</u>

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT #2
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
	<u>General Fund</u>	<u>General Fund</u>
Revenues:		
Property tax revenue	\$ 1,741,061	\$ 1,173,235
Penalties and Interest - delinquent taxes	16,075	17,957
Interest income	274	361
Patient fees	652,574	-
Miscellaneous revenue	4,548	8,245
Unrestricted contributions	38,127	32,708
	<u>2,452,659</u>	<u>1,232,506</u>
Total revenues		
Expenditures:		
General government	99,338	116,955
Health & human services	1,859,000	1,100,000
Capital outlay	156,963	150,546
	<u>2,115,301</u>	<u>1,367,501</u>
Total expenditures		
Excess revenues over expenditures	<u>337,358</u>	<u>(134,995)</u>
Net change in fund balance	337,358	(134,995)
Fund balances, beginning of year	77,956	212,951
Fund balances, end of year	<u>\$ 415,314</u>	<u>\$ 77,956</u>

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

A. Summary of Significant Accounting Policies

The financial statements of Comal County Emergency Services District #2 (the "District") have been prepared in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of Directors ("Board"), a five-member group, has governance responsibilities over all activities related to emergency service operations within the jurisdiction of the District. The Board is appointed by the County of Comal, Texas and has the exclusive power and duty to govern. The District receives funding from local government sources and must comply with the requirements of those funding entities. However, the District is included in the County of Comal, Texas' financial statements as a component unit and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Governmental activities generally are financed through property tax revenue, which is all recorded as general revenue.

The statement of activities presents a single function, emergency services. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Revenues that are classified as general revenues include property tax, penalty and interest collected on delinquent taxes receivable, interest income, and other miscellaneous revenue.

Fund Financial Statements: The fund financial statements provide information about the District's major governmental fund:

General Fund: This is the District's operating fund. It accounts for all financial resources of the District.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

COMAL COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

A. Summary of Significant Accounting Policies - continued

2. Basis of Presentation, Basis of Accounting - continued

b. Measurement Focus, Basis of Accounting - continued

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected, except that property tax revenue is recognized in the year for which taxes have been levied. Revenues from local sources consist primarily of property taxes. Property tax revenue is recognized when received. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. The District records deferred revenue for property taxes collected in advance of the tax year for which the taxes were levied. Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes are levied October 1 on the assessed value listed as of the prior January 1 for all real and personal business property in conformity with Subtitle E of the Texas Property Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed.

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

3. Cash and Cash Equivalents - The District considers cash and cash equivalents to be cash in demand accounts, certificates of deposit, savings accounts, and other investments with an original maturity of 3 months or less.
4. Receivable and Payable Balances - The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

5. Capital Assets - Capital assets are shown at original cost. It is the District's policy to capitalize capital asset expenditures that exceed \$1,000. Donated assets are valued at their fair market value on the date donated. Depreciation is calculated using the straight-line method and is based on useful lives of 7 to 39 years.

COMAL COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

A. Summary of Significant Accounting Policies - continued

6. Deferred Inflows of Resources - In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheets. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The District 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 District 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 or deferred inflows 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 District has \$1,879,236 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 District's financial reporting has been changed in conformity

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

B. Deposits and Investments

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

Cash Deposits and Cash Equivalents:

At December 31, 2015, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in cash and cash equivalents) was \$570,333 and the bank balance was \$570,333. The District's cash deposits for all twelve months exceeded the \$250,000 FDIC coverage for at least one of its financial institutions, and were uninsured and not collateralized.

COMAL COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

B. Deposits and Investments - continued

Investments:

The GASB issued statement No. 40 "Deposits and Investment Risk Disclosures" which is effective for periods beginning after June 15, 2004. GASB 40 not only addresses custodial credit risk as noted above, but other common areas of investment risk as well, such as interest rate risk and credit risk.

Custodial Credit Risk

The District's investments are not categorized by level of risk assumed by the District because the District invests in certificates of deposit.

Interest Rate Risk

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

Concentration of Credit Risk

The District diversifies its investments in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity or specific issuer.

Credit Risk

The District's policy to manage credit risk is to invest in U.S. treasury or agency instruments, public funds investment pools, certificates of deposits, and money market accounts.

The District is not exposed to foreign currency risk.

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area, conducted as a part of the audit of the general purpose financial statements, disclosed no areas of non-compliance.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The District periodically invests in Certificates of Deposits with maturity dates not to exceed one year. The District did not have amounts invested in three Certificates of Deposit at December 31, 2015.

COMAL COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

C. Capital Assets

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

	Beginning Balance	Additions	Disposals	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Land	\$ 11,950	\$ -	\$ -	\$ 11,950
Capital assets being depreciated				
Building & improvements	189,632	-	-	189,632
Equipment	307,859	44,698	(7,000)	345,557
Vehicles	571,919	112,265	(34,442)	649,742
Total capital assets being depreciated	<u>1,069,410</u>	<u>156,963</u>	<u>(41,442)</u>	<u>1,184,931</u>
Less accumulated depreciation for:				
Building & improvements	(98,043)	(6,128)	-	(104,171)
Equipment	(162,840)	(29,289)	3,383	(188,746)
Vehicles	(253,707)	(84,715)	32,802	(305,620)
Total accumulated depreciation	<u>(514,590)</u>	<u>(120,132)</u>	<u>36,185</u>	<u>(598,537)</u>
Net assets being depreciated	<u>554,820</u>	<u>36,831</u>	<u>(5,257)</u>	<u>586,394</u>
Total capital assets, net	<u>\$ 566,770</u>	<u>\$ 36,831</u>	<u>\$ (5,257)</u>	<u>\$ 598,344</u>

Depreciation expense in the amount of \$120,132 was charged to the function of emergency service operations.

D. General Government Expense

The general government expense of \$224,727 is the sum of the following categories of expenses:

Legal, accounting and professional services	\$ 15,685
General administration	54,953
Depreciation	120,132
Vehicle and equipment maintenance	33,957
	<u>\$ 224,727</u>

COMAL COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

E. Related Party Transactions

The District has executed an interlocal service agreement with ESD #3 for fiscal years 2015 through 2019 for emergency medical transport services to be provided by ESD #3 to the District, in part using EMS equipment and ambulances owned by the District. For 2015, the consideration paid by the District to ESD #3 for services was \$1,859,000.

F. Long-Term Liabilities

The district has no long-term liabilities at December 31, 2015.

The District incurred \$0 of interest expense for the year ended December 31, 2015, no interest was capitalized for the year.

G. Subsequent Events

The District has evaluated subsequent events through May 26, 2016, the date which the financial statements were available to be issued. There are no subsequent events to be reported.

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REQUIRED SUPPLEMENTARY INFORMATION

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COMAL COUNTY EMERGENCY SERVICES DISTRICT #2
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL ON A BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Budgetary Basis (1) Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Cash on hand at 1/1/15	\$ 116,874	\$ 116,874	\$ 299,091	\$ 182,217
Property tax revenue	1,679,316	1,679,316	1,741,061	61,745
Sundry other income	690,510	690,510	711,598	21,088
Total revenues	2,486,700	2,486,700	2,751,750	265,050
Expenditures:				
Capital outlay	115,400	115,400	115,400	-
General government	186,151	186,151	104,595	81,556
Health & human services	1,859,000	1,859,000	1,859,000	-
Contingencies - capital outlay	40,000	40,000	36,306	3,694
Total expenditures	2,200,551	2,200,551	2,115,301	85,250
Excess revenue over (under) expenditures	286,149	286,149	636,449	350,300
Fund balances, beginning of year	77,956	77,956	77,956	-
Fund balances, end of year - budgetary basis	\$ 364,105	\$ 364,105	\$ 714,405	\$ 350,300
Adjustments to reconcile budget basis to GAAP basis:				
Cash on hand at 1/1/15, not a current source of revenue for GAAP purposes			(299,091)	
Fund balances, end of year - Generally Accepted Accounting Principles (GAAP) basis			<u>\$ 415,314</u>	

(1) The actual amounts have been adjusted to reflect the budgetary basis. For budgeting purposes, the District considers unrestricted cash on hand at January 1, 2015 to be a source of revenue, and the budgetary information is presented on the cash basis.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3

ANNUAL FINANCIAL STATEMENTS

DECEMBER 31, 2015

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Independent Auditor's Report

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

Report on Financial Statements

We have audited the accompanying financial statements of governmental activities and the general fund of the Comal County Emergency Services District No. 3 (the District), a component unit of Comal County, Texas as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Comal County Emergency Services District No. 3 as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1.B.9 to the financial statements, in 2015, Comal County Emergency Services District No. 3 adopted new accounting guidance, GASB Statement No. 68 "*Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27.*" Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2016 on our consideration of the Comal County Emergency Services District No. 3's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Comal County Emergency Services District No. 3's internal control over financial reporting and compliance.

ABIP, PC

Certified Public Accountants
San Antonio, Texas
May 18, 2016

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3 MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Comal County Emergency Services District No. 3's (the District) annual financial report presents management's discussion and analysis of the District's financial performance during the year ended December 31, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

A. FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities by \$4,096,274 (net position) for the fiscal year reported. This is an increase of \$900,965 before the restatement of beginning net position, in comparison to the prior year December 31, 2014.
- Governmental Accounting Standards Board Statement (GASB) No. 68 "*Accounting and Financial Reporting for Pensions* – an Amendment of GASB Statement No. 27," went into effect for the 2015 fiscal year. The major effects of the implementation is as follows:
 - A decrease of beginning net position of \$429,133, reflecting the effect of the new standard to the District's January 1, 2015 net position;
 - An increase to noncurrent liabilities of \$821,018 to record the net pension liability;
 - An increase to deferred outflows of resources of \$333,488;
 - A decrease to pension expense of \$58,397.
- Expenses for the year ended December 31, 2015 were \$4,778,349. Revenues exceeded expenses (including depreciation) by \$900,965. Included in expense is \$452,985 in depreciation.

B. OVERVIEW OF THE FINANCIAL STATEMENTS

The District was formed as a political subdivision of the State of Texas in July 2003 when the existing Rural Fire Prevention District #4 (Health and Safety Code 794) was converted by the State of Texas to an emergency services district under Health and Safety Code 775. The District levies an eight (8) cent per \$100 property valuation tax and collects a one (1) cent sales tax for its jurisdiction. The District's Annual Financial Report consists of a series of financial statements and accompanying notes, with the primary focus being on the District as a whole. The statement of net position and the statement of activities are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The fund financial statements report the District's operations in more detail by providing information as to how services are financed in the short-term, as well as the remaining available resources for future spending. Additionally, the fund financial statements focus on major funds rather than fund types. The District has one fund, the General Fund. This fund accounts for property tax revenues and sales tax revenues which are collected monthly on behalf of the District. Comal County collects ad valorem property tax, and the State Comptroller's office collects the sales tax.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

FUND FINANCIAL STATEMENTS

Fund financial statements provide a detailed short-term view of the District's operations, focusing on its "major" fund. The Comal County Emergency Services District No. 3 has one fund – a general fund.

Governmental Funds – The accounting for the District's basic services is included in the governmental fund. The measurement focus and basis of accounting used for reporting continues to be the modified accrual basis which measures inflows and outflows of current financial resources and the remaining balances at year-end that are available for spending. Furthermore, under this basis of accounting, changes in net spendable assets are normally recognized only to the extent that they are expected to have a near-term impact, while inflows are recognized only if they are available to liquidate liabilities of the current period. Similarly, future outflows are typically recognized only if they represent a depletion of current financial resources. The District's governmental fund is the General Fund. The differences in the amounts reported between the fund statements and the government-wide statements are explained in the reconciliations provided on pages 7 and 9.

NOTES TO FINANCIAL STATEMENTS

The notes provide disclosures and additional information that are essential to a full understanding of the financial information presented in the government-wide and fund financial statements. The notes to the financial statements are provided starting on page 10.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information beginning on page 24.

C. FINANACIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District had an unrestricted net position of \$1,736,236 at December 31, 2015. This is a \$243,670 increase over last's year's unrestricted net position of \$1,550,773. In January 2015, the District paid off an existing station loan with cash received in fiscal year 2014 along with an increased receipt of property and sales taxes, capital asset changes and associated depreciation of those capital assets which accounts for the change in net position.

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

Statement of Net Position

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

	GOVERNMENTAL ACTIVITIES	
	2015	2014
<u>ASSETS</u>		
Current Assets	\$ 5,168,588	\$ 6,515,252
Capital Assets, Net	5,567,097	5,810,691
TOTAL ASSETS	<u>10,735,685</u>	<u>12,325,943</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>333,488</u>	<u>197,676</u>
<u>LIABILITIES</u>		
Current Liabilities	2,409,432	3,964,161
Non-current Liabilities	3,378,549	4,118,168
TOTAL LIABILITIES	<u>5,787,981</u>	<u>8,082,329</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	<u>1,184,918</u>	<u>1,245,981</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	2,360,038	1,644,536
Unrestricted Net Position	1,736,236	1,550,773
TOTAL NET POSITION	<u>\$ 4,096,274</u>	<u>\$ 3,195,309</u>

Statement of Activities

The District's total revenues were \$5,679,314 in 2015. In 2015, 41% of the total revenue came from ad valorem property taxes, 22% of revenue came from sales tax. In addition, 33% came from payments from Emergency Services District No. 2 for Emergency Medical Services (EMS) operations, charges for services were 3%, and the remaining 1% was from other income and investment earnings.

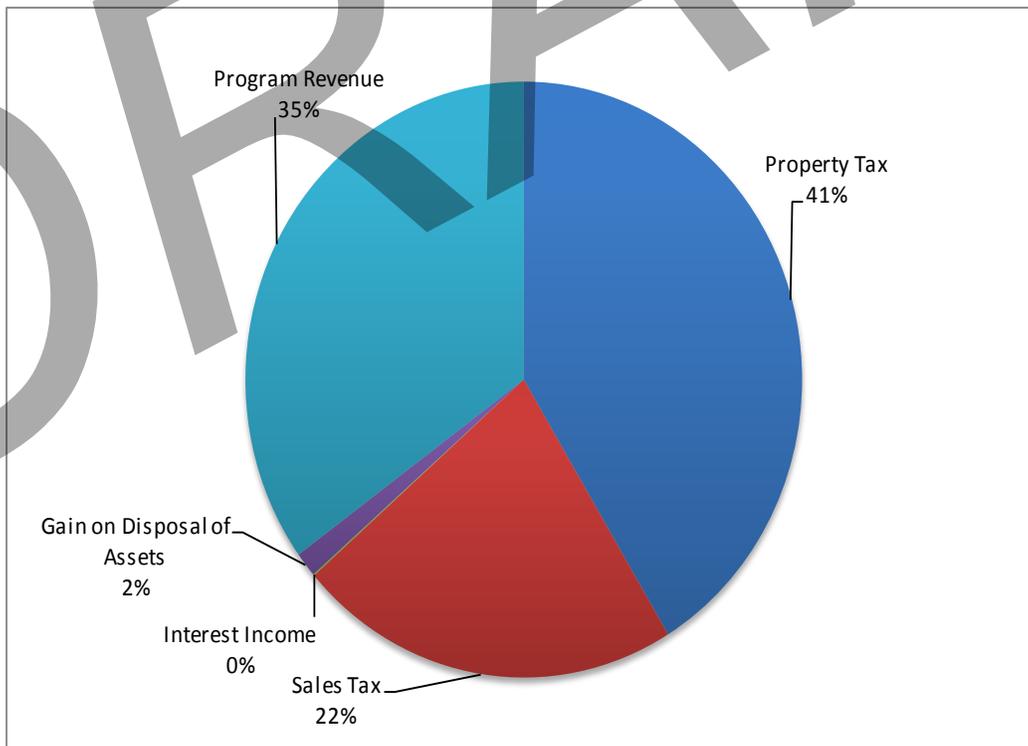
For the year ended December 31, 2015, the total expenditures were \$4,778,349 including \$452,985 of depreciation expense and \$469,935 of general government expenses.

C. FINANACIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

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

	GOVERNMENTAL ACTIVITIES	
	2015	2014
<u>REVENUES</u>		
Program Revenues	\$ 1,986,002	\$ 1,774,427
General Revenues	<u>3,693,312</u>	<u>3,212,212</u>
 TOTAL REVENUES	 <u>\$ 5,679,314</u>	 <u>\$ 4,986,639</u>
<u>EXPENSES</u>		
Public Safety	\$ 4,142,810	\$ 4,123,415
General Government	469,935	453,325
Loss on Disposal	-	1,390
Interest on Debt	<u>165,604</u>	<u>210,252</u>
TOTAL EXPENSES	<u>4,778,349</u>	<u>4,788,382</u>
 INCREASE IN NET POSITION	 <u>\$ 900,965</u>	 <u>\$ 198,257</u>

The following chart is a graphic representation of the District's income for the year ended December 31, 2015.



D. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Net investment in capital assets was \$2,360,038 at December 31, 2015. Capital assets include land, buildings and improvements, vehicles, and firefighting equipment. The significant additions for the year were the purchase of a brush truck, communication equipment, and operational equipment for firefighters. The following table shows capital assets for 2015 with comparison for 2014.

	<u>GOVERNMENTAL ACTIVITIES</u>	
	<u>2015</u>	<u>2014</u>
Land	\$ 63,194	\$ 63,194
Building and Improvements	4,889,365	4,887,886
Equipment	1,283,827	1,219,022
Vehicles	<u>3,189,180</u>	<u>3,116,387</u>
Total Capital Assets	9,425,566	9,286,489
Accumulated Depreciation	<u>(3,858,469)</u>	<u>(3,475,798)</u>
 CAPITAL ASSETS - NET	 <u>\$ 5,567,097</u>	 <u>\$ 5,810,691</u>

Long-Term Debt

At the end of 2015, the District had notes payable of \$3,207,059 for the purchase of various pieces of equipment, buildings, and vehicles. During 2015, the District paid \$1,929,785 to complete a 2014 refinancing of two fire stations' notes. In 2016, the District budgeted and paid off another debt service note early; the balance at December 31, 2015 for this note was \$373,336.

	<u>GOVERNMENTAL ACTIVITIES</u>	
	<u>2015</u>	<u>2014</u>
Capital Leases	\$ -	\$ 321,534
Notes Payable	<u>3,207,059</u>	<u>5,553,610</u>
 TOTAL DEBT	 <u>\$ 3,207,059</u>	 <u>\$ 5,875,144</u>

If more detailed information is desired on the District's capital asset and debt activity please refer to the notes to the financial statements starting on page 10.

E. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The ad valorem property tax rate in 2015 was \$0.08000 per \$100 property valuation which was not changed from the prior year, however resulted in an increase in revenue for the year. The sales tax revenues also increased 9.5% from the 2014 collections.

E. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)

The 2016 property tax rate remained at \$0.08000 per \$100 property valuation. Effective January 1, 2015, the District entered into a new Interlocal agreement for fiscal years 2015-2019 with the Comal County ESD No. 2 with an increased fee for emergency medical services payable to the District. Further, the District will no longer collect patient receivables for emergency medical services.

BUDGETARY HIGHLIGHTS

Actual revenues in 2015 were more than budgeted amounts by \$650,753. Expenditures were under budget in 2015 by \$89,407 primarily due to unspent capital expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers, patrons and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer at 830-907-2922, at Post Office Box 2140, Canyon Lake, Texas 78133.

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BASIC FINANCIAL STATEMENTS

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

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

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015

ASSETS

Cash and Cash Equivalents	\$ 2,273,717
Investments	700,000
Cash with Fiscal Agent - Tax Assessor Collector	940,867
Receivables - Property Taxes	
Current Taxes Receivable	1,184,918
Delinquent Taxes Receivable	69,086
Capital Assets:	
Land	63,194
Buildings and Improvements	4,024,456
Vehicles and Equipment	1,479,447
TOTAL ASSETS	<u>10,735,685</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources - TCDRS	<u>333,488</u>
--	----------------

LIABILITIES

Accounts Payable	50,004
Accrued Expenses	242,552
Compensated Absences	65,444
Due to State	11,664
Unearned Revenue - Property Taxes	1,390,240
Non-current Liabilities	
Due within One Year	649,528
Due in more than One Year	2,557,531
Net Pension Liability	821,018
TOTAL LIABILITIES	<u>5,787,981</u>

DEFERRED INFLOWS OF RESOURCES

Current Property Taxes Levied for Subsequent Period	<u>1,184,918</u>
---	------------------

NET POSITION

Net Investment in Capital Assets	2,360,038
Unrestricted	<u>1,736,236</u>
TOTAL NET POSITION	<u>\$ 4,096,274</u>

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3
STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

EXPENSES

Public Safety	\$ 4,142,810
General Government	469,935
Interest on Debt	<u>165,604</u>
Total Expenses	<u>4,778,349</u>

PROGRAM REVENUES

Intergovernmental Payments	1,859,000
Charges for Services	88,865
Operating Contributions	<u>38,137</u>
Total Program Revenues	<u>1,986,002</u>
Net Expense	<u>(2,792,347)</u>

GENERAL REVENUES

Property Tax	2,345,596
Sales Tax	1,266,653
Gain on Disposals of Asset	76,923
Interest Income	<u>4,140</u>
Total General Revenues	<u>3,693,312</u>
Change in Net Position	900,965

NET POSITION - JANUARY 1, 2015

3,624,442

RESTATEMENT TO NET POSITION - JANUARY 1, 2015

(429,133)

NET POSITION- JANUARY 1, 2015, AS RESTATED

3,195,309

NET POSITION - DECEMBER 31, 2015

\$ 4,096,274

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3
BALANCE SHEET – GOVERNMENTAL FUND
DECEMBER 31, 2015

ASSETS

Cash and Cash Equivalents	\$ 2,273,717
Investments	700,000
Cash with Fiscal Agent - Tax Assessor Collector	940,867
Receivables - Property Taxes	
Current Taxes Receivable	1,184,918
Delinquent Taxes Receivable	69,086

TOTAL ASSETS \$ 5,168,588

LIABILITIES

Accounts Payable	\$ 50,004
Accrued Expenses	273,478
Due to State	11,664
Unearned Revenue - Property Taxes	1,390,240
TOTAL LIABILITIES	1,725,386

DEFERRED INFLOWS OF RESOURCES

Current Property Taxes Levied for Subsequent Period	1,184,918
Delinquent Property Taxes	69,086
TOTAL DEFERRED INFLOWS OF RESOURCES	1,254,004

FUND BALANCE

Unassigned	2,189,198
Total Fund Balance	2,189,198

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND
FUND BALANCE \$ 5,168,588

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015

TOTAL FUND BALANCE - GOVERNMENTAL FUND \$ 2,189,198

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

Capital assets used in governmental activities are not spendable current financial resources and, therefore, are not reported in the balance sheet of governmental funds.

5,567,097

Delinquent property taxes deferred in the funds are recognized as revenue in the governmental activities.

69,086

Interest expense accrued on long-term debt is not reported in the funds.

30,926

Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds.

(65,444)

Recognition of the District's net pension liability required by GASB Statement No. 68 and the changes in deferred outflows of resources related to the TCDRS liability is not reported in the funds:

Net Pension Liability	(821,018)	
Deferred Outflows of Resources - TCDRS	<u>333,488</u>	(487,530)

Payables for loans which are not due in the current period are not reported in the funds.

(3,207,059)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES

\$ 4,096,274

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

REVENUES

Property Tax Revenue	\$ 2,344,080
Sales Tax Revenue	1,266,653
Charges for Services	88,865
Intergovernmental Payments	1,859,000
Operating Contributions	38,137
Other Income	142,667
Interest	4,140
Total Revenues	5,743,542

EXPENDITURES

Public Safety	3,646,912
General Government	449,250
Capital Outlay	275,135
Debt Service:	
Principal	2,668,085
Interest	182,450
Total Expenditures	7,221,832
Excess of Expenditures Over Revenues	(1,478,290)
<u>FUND BALANCE - JANUARY 1, 2015</u>	3,667,488
FUND BALANCE - DECEMBER 31, 2015	\$ 2,189,198

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COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3
RECONCILIATION OF CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES
AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

NET CHANGE IN FUND BALANCE \$ (1,478,290)

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

Governmental funds report capital outlays as expenditures (\$275,135). However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$452,985) as well as the disposals of assets with remaining costs of (\$65,744). This is the amount by which depreciation expense exceeded capital outlays in the period.	(243,594)
Delinquent property tax revenues are deferred in the funds. This is the change in these amounts this year.	1,516
Accrued interest payable is not an expense in the funds. This is the change in these amounts this year.	16,846
Accrued vacation leave payable is not an expense in the funds. This is the change in this amount this year.	(5,201)
The change in net pension liability and deferred outflows related to the District's net pension liability is not expensed in the funds. This is the change in this amount this year.	(58,397)
Payments and borrowings on long-term debt is not reported as an expenditure on the statement of activities.	<u>2,668,085</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 900,965</u>

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The five-member Board of Commissioners has governance responsibilities over all activities related to fire emergency service operations within the jurisdiction of the District. The Board is appointed by the Commissioner's Court of Comal County, Texas and has the exclusive power and duty to govern. The District receives funding from local and state government sources and must comply with the requirements of those funding entities. However, the District is included in the County of Comal, Texas' financial statements as a component unit and there are no component units included within the reporting entity.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the District's major governmental fund:

General Fund - This is the District's operating fund. It accounts for all financial resources of the District.

2. Measurement Focus, Basis of Accounting

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, Basis of Accounting (Continued)

2. Measurement Focus, Basis of Accounting (Continued)

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

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

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

3. Cash and Cash Equivalents

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

4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. Although the District's 2015 ad valorem taxes is levied on October 1, 2015, it is the District's policy to recognize revenues from the October 1 tax levy in the calendar year when the proceeds of this levy are budgeted and made available for the District's operations. The collections on the October 1, 2015 levy are considered unearned until the subsequent calendar year. The remaining receivable on unpaid levies are reported as deferred inflows of resources at year-end. No allowance for doubtful accounts is considered necessary at this time.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, Basis of Accounting (Continued)

5. Capital Assets

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

6. Receivable and Payable Balances

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

7. Management's Use of Estimates

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

8. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available resources is reported as an expenditure and fund liability of the governmental fund that will pay for it. Amounts vested or accumulated vacation leave that is not expected to be liquidated with expendable available financial resources are reported in the government wide statements. Accumulated vacation pay at December 31, 2015 of \$65,444 has been recorded in the statement of net position.

9. GASB Implementation

During 2015, the District 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.

NOTE 2: DEPOSITS AND INVESTMENTS

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

A. Cash Deposits and Cash Equivalents:

At December 31, 2015, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in cash and cash equivalents) was \$2,973,717 and the bank balance was \$3,044,966.

B. Deposits and Investment Risk

The GASB issued Statement No. 40, "Deposits and Investment Risk Disclosures". The GASB 40 disclosures below address common areas of investment risk.

1. Custodial Credit Risk

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

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

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

2. Interest Rate Risk

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

3. Concentration of Credit Risk

The District diversifies its investments in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity or specific issuer.

4. Credit Risk

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

B. Deposits and Investment Risk (Continued)

4. Credit Risk (Continued)

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt by rule, order, ordinance, or resolution, as appropriate, a written investment policy regarding the investment of its funds and funds under its control. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act (the Act) requires an annual audit of investment practices. Audit procedures in this area, conducted as a part of the audit of the basic financial statements, disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

A breakdown of the Districts cash, cash equivalents, and investments at December 31, 2015 are shown below:

	<u>FACE</u>	<u>MARKET</u>	<u>RATING</u>	<u>DAYS TO MATURITY</u>
<u>Included in Cash and Cash Equivalents</u>				
Money Market Account		\$ 1,514,098	n/a	n/a
Checking Accounts		359,619	n/a	n/a
CD Security State Bank	100,000	100,000	Not rated	2
CD Security State Bank	100,000	100,000	Not rated	81
CD Security State Bank	100,000	100,000	Not rated	81
CD Security State Bank	100,000	<u>100,000</u>	Not rated	81
TOTAL CASH AND CASH EQUIVALENTS		<u>\$ 2,273,717</u>		
 <u>Included in Investments</u>				
CD Security State Bank	\$ 100,000	\$ 100,000	Not rated	91
CD Security State Bank	100,000	100,000	Not rated	93
CD Security State Bank	100,000	100,000	Not rated	114
CD Security State Bank	100,000	100,000	Not rated	184
CD Security State Bank	100,000	100,000	Not rated	233
CD Security State Bank	100,000	100,000	Not rated	286
CD Security State Bank	100,000	<u>100,000</u>	Not rated	286
Total Investments		<u>700,000</u>		
TOTAL CASH AND INVESTMENTS		<u>\$ 2,973,717</u>		

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 3: CAPITAL ASSETS

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

	<u>BEGINNING BALANCE</u>	<u>RECLASS AND ADDITIONS</u>	<u>RECLASS AND DISPOSALS</u>	<u>ENDING BALANCE</u>
<u>Capital Assets, Not Being Depreciated</u>				
Land	\$ 63,194	\$ -	\$ -	\$ 63,194
<u>Capital Assets, Being Depreciated</u>				
Building and Improvements	4,887,886	4,164	(2,685)	4,889,365
Equipment	1,219,022	113,319	(48,514)	1,283,827
Vehicles	<u>3,116,387</u>	<u>157,652</u>	<u>(84,859)</u>	<u>3,189,180</u>
Total Capital Assets, being Depreciated	<u>9,223,295</u>	<u>275,135</u>	<u>(136,058)</u>	<u>9,362,372</u>
<u>Less: Accumulated Depreciation</u>				
Building and Improvements	(726,372)	(140,319)	1,782	(864,909)
Equipment	(829,878)	(142,149)	23,419	(948,608)
Vehicles	<u>(1,919,548)</u>	<u>(170,517)</u>	<u>45,113</u>	<u>(2,044,952)</u>
Total Accumulated Depreciation	<u>(3,475,798)</u>	<u>(452,985)</u>	<u>70,314</u>	<u>(3,858,469)</u>
Total Capital Assets, Being Depreciated - Net	<u>5,747,497</u>	<u>(177,850)</u>	<u>(65,744)</u>	<u>5,503,903</u>
TOTAL CAPITAL ASSETS - NET	<u>\$ 5,810,691</u>	<u>\$ (177,850)</u>	<u>\$ (65,744)</u>	<u>\$ 5,567,097</u>

Depreciation was charged to the function of public safety for \$439,404 and \$13,581 was charged to general government.

NOTE 4: DUE TO STATE

The Texas State Comptroller's office determined that the District had been remitted sales taxes that it was not entitled to in the original amount of \$116,662. The State has agreed to an interest-free repayment program over a five year period which began in July, 2011. Amount due to the Texas State Comptroller as of December 31, 2015 was \$11,664.

NOTE 5: LONG-TERM DEBT OBLIGATIONS

Long-term obligations include capital leases and notes payable. In 2014, the District secured a consolidated loan for two (2) existing stations at the lower interest rate of 3.22% compared to the previous two loans being 4.8% and 5.18% and decreased the term to only 10 years remaining. In 2015, the district paid \$1,929,785 to complete the refinancing of the two (2) fire stations as well as paid off an existing capital lease for their fire rescue boat in the amount of \$373,336. The payoff of the capital lease and refinancing of the stations saved the District approximately \$359,800 in interest.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 5: LONG-TERM DEBT OBLIGATIONS (CONTINUED)

Changes in long-term obligations for the year ended December 31, 2015, are as follows:

	<u>ORIGINAL AMOUNT</u>	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	<u>ENDING BALANCE</u>	<u>AMOUNT DUE WITHIN ONE YEAR</u>
Loans						
Wells Fargo	\$ 2,450,000	\$ 1,929,785	\$ -	\$ (1,929,785)	\$ -	\$ -
Government Capital Corp.	700,000	439,811	-	(66,475)	373,336	373,336
Government Capital Corp.	3,184,014	3,184,014	-	(350,291)	2,833,723	276,192
Total Loans	<u>7,984,014</u>	<u>5,553,610</u>	<u>-</u>	<u>(2,346,551)</u>	<u>3,207,059</u>	<u>649,528</u>
Capital leases						
Sun Trust	398,000	321,534	-	(321,534)	-	-
Total Capital Leases	<u>398,000</u>	<u>321,534</u>	<u>-</u>	<u>(321,534)</u>	<u>-</u>	<u>-</u>
 TOTAL DEBT	 <u>\$ 8,382,014</u>	 <u>\$ 5,875,144</u>	 <u>\$ -</u>	 <u>\$ (2,668,085)</u>	 <u>\$ 3,207,059</u>	 <u>\$ 649,528</u>

Loan commitments, with an interest rate ranging from 3.242% to 3.899%, are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2016	\$ 649,528	\$ 109,986	\$ 759,514
2017	285,147	82,923	368,070
2018	294,393	73,677	368,070
2019	303,938	64,132	368,070
2020	313,792	54,278	368,070
2021-2025	<u>1,360,261</u>	<u>112,018</u>	<u>1,472,279</u>
	<u>\$ 3,207,059</u>	<u>\$ 497,014</u>	<u>\$ 3,704,073</u>

NOTE 6: INTERGOVERNMENTAL REVENUES

The District contracts with Comal County Emergency Services District No. 2 through an Interlocal Agreement to provide Emergency Medical Services Operations to the Canyon Lake community. This agreement went into effect January 1, 2015 and will expire on December 31, 2019. Payments under this agreement were \$1,859,000 for fiscal year 2015.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 7: FUND BALANCE

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

These five categories are as follows:

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

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

NOTE 8: PENSION PLAN

A. Plan Description

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

The District's pension plan is a non-traditional, joint contributory, defined benefit plan. The District, as an employer, provides retirement, disability, and death benefits for all its full-time employees through a nontraditional defined-benefit pension plan in the statewide Texas County and District Retirement System. The plan is a statewide, multi-employer, public employee retirement system consisting of over 600 employers.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 8: PENSION PLAN (CONTINUED)

B Benefits Provided

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

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

Employees Covered by Benefit Terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries currently Receiving Benefits	0
Inactive Employees entitled to but Not Yet Receiving Benefits	22
Active Employees	<u>50</u>
Total	<u>72</u>

C. 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.

The District has elected the variable rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer, based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The District contributed using the actuarially determined rate of 9.81% for the year ending December 31, 2015 of annual covered payroll. Plan members are required to contribute 7% of their annual covered salary.

For the employer's accounting year ending December 31, 2015, the annual pension cost for the TCDRS Plan for its employees was \$242,403 and the actual contributions were \$242,403.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 8: PENSION PLAN (CONTINUED)

D. Net Pension Liability

The annual required contributions were actuarially determined as a percent of covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2012 and December 31, 2013, the basis for determining the contribution rates for calendar years 2014 and 2015, respectively.

The District'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 assumptions:

Actuarial Valuation Date	12/31/2014
Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Amortization Period	20 Years
Asset Valuation Method	5 Year Smoothed Value
Actuarial Assumptions:	
Investment Return*	8.1%
Projected Salary Increase*	4.9
Inflation	3.0
Cost-of-Living Adjustments	0.0

*Include 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.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 8: PENSION PLAN (CONTINUED)

D. Net Pension Liability (Continued)

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 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return (Expected Minus Inflation)</u>
U.S. Equities	16.5%	5.35%
Private Equity	12.0%	8.35%
Global Equities	1.5%	5.65%
International Equities - Developed	11.0%	5.35%
international Equities - Emerging	9.0%	6.35%
Investment-Grade Bonds	3.0%	0.55%
High-Yield Bonds	3.0%	3.75%
Opportunistic Credit	5.0%	5.54%
Direct Lending	2.0%	5.80%
Distressed Debt	3.0%	6.75%
REIT Equities	2.0%	4.00%
Commodities	2.0%	-0.20%
Master Limited Partnerships (MLPs)	2.0%	5.30%
Private Real Estate Partnerships	3.0%	7.20%
Hedge Funds	<u>25.0%</u>	5.15%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 8: PENSION PLAN (CONTINUED)

D. Net Pension Liability (Continued)

Changes in the Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2013	\$ 1,798,779	\$ 1,171,971	\$ 626,808
Changes for the year:			
Service Cost	290,129	-	290,129
Interest on Total Pension Liability	161,605	-	161,605
Effect of Plan Changes	110,351	-	110,351
Effect of Economic/Demographic Gains or Losses	76,123	-	76,123
Effect of Assumptions Changes or Inputs	-	-	-
Refund of Contributions	-	-	-
Benefit Payments	-	-	-
Administrative Expense	-	(1,085)	1,085
Member Contributions	-	165,320	(165,320)
Net Investment Income	-	82,165	(82,165)
Employer Contributions	-	197,676	(197,676)
Other	-	(78)	78
Net Changes	<u>638,208</u>	<u>443,998</u>	<u>194,210</u>
Balance at December 31, 2014	<u>\$ 2,436,987</u>	<u>\$ 1,615,969</u>	<u>\$ 821,018</u>

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

The following presents the net pension liability of the District, calculated using the discount rate of 8.1%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.1%) or 1-percentage-point higher (9.1%) than the current rate:

	1% Decrease in Discount Rate (7.1%)	Discount Rate (8.1%)	1% Increase in Discount Rate (9.1%)
Total Pension Liability	\$ 2,942,625	\$ 2,436,987	\$ 2,042,690
Fiduciary Net Position	<u>1,615,968</u>	<u>1,615,969</u>	<u>1,615,968</u>
District's Net Pension Liability (Asset)	<u>\$ 1,326,657</u>	<u>\$ 821,018</u>	<u>\$ 426,722</u>

Pension Plan Fiduciary Net Position

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 8: PENSION PLAN (CONTINUED)

E. Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended December 31, 2015, the District recognized pension expense of \$300,801.

At December 31, 2015, the District reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>
Difference Between Expected and Actual Economic Experience	\$ 68,510
Changes in Actuarial Assumptions	-
Difference Between Projected and Actual Investment Earnings	22,575
Contributions Subsequent to the Measurement Date	<u>242,403</u>
Total	<u>\$ 333,488</u>

The District reported \$242,403 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2015	\$ 13,256
2016	13,256
2017	13,256
2018	13,256
2019	7,612
Thereafter	<u>30,449</u>
Total	<u>\$ 91,085</u>

NOTE 9: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2015, the District obtained general liability coverage through a commercial insurer, VFIS of Texas. The District continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 10: RESTATEMENT OF NET POSITION AND FUND BALANCE

During the fiscal year 2015, the District 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 District 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 (\$429,133). The restated net position for the District is \$3,195,309 for the year ended December 31, 2014. This adoption also resulted in a decrease of the District's pension expense by \$58,397 during the fiscal year.

NOTE 11: SUBSEQUENT EVENT

On January 19, 2016, the District retired its note payable on a Pierce Engine that had a principal balance of \$373,336 at December 31, 2015.

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REQUIRED SUPPLEMENTARY INFORMATION

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL ON A GAAP BASIS – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>BUDGETED AMOUNTS ORIGINAL</u>	<u>BUDGETED AMOUNTS FINAL</u>	<u>GAAP BASIS ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<u>REVENUES</u>				
Property Tax Revenue	\$ 2,215,789	\$ 2,215,789	\$ 2,344,080	\$ 128,291
Sales Tax Revenue	950,000	950,000	1,266,653	316,653
Charges for Services	29,500	29,500	88,865	59,365
Intergovernmental	1,859,000	1,859,000	1,859,000	-
Operating Contributions	35,000	35,000	38,137	3,137
Other Income	-	-	142,667	142,667
Interest Earnings	3,500	3,500	4,140	640
Total Revenues	<u>5,092,789</u>	<u>5,092,789</u>	<u>5,743,542</u>	<u>650,753</u>
<u>EXPENDITURES</u>				
Public Safety	3,667,015	3,667,015	3,646,912	20,103
General Government	429,012	429,012	449,250	(20,238)
Capital Outlay	372,500	372,500	275,135	97,365
Debt Service	984,222	2,842,712	2,850,535	(7,823)
Total Expenditures	<u>5,452,749</u>	<u>7,311,239</u>	<u>7,221,832</u>	<u>89,407</u>
Excess Revenue Over (Under) Expenditures	(359,960)	(2,218,450)	(1,478,290)	740,160
<u>FUND BALANCES - BEGINNING OF YEAR</u>	<u>3,667,488</u>	<u>3,667,488</u>	<u>3,667,488</u>	<u>-</u>
FUND BALANCES - END OF YEAR GAAP BASIS	<u>\$ 3,307,528</u>	<u>\$ 1,449,038</u>	<u>\$ 2,189,198</u>	<u>\$ 740,160</u>

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS
*LAST 10 YEARS

	2014
Total Pension Liability	
Service Cost	\$ 290,129
Interest on the Total Pension Liability	161,605
Effect of Plan Changes	110,351
Effect of Assumption Changes	-
Effect of Economic/Demographic (Gains) or Losses	76,123
Benefit Payments/Refunds of Contributions	-
	638,208
Net Change in Total Pension Liability	638,208
Total Pension Liability - Beginning	1,798,779
Total Pension Liability - Ending (a)	\$ 2,436,987
Fiduciary Net Position	
Employer Contributions	\$ 197,676
Member Contributions	165,320
Investment Income, Net of Investment Expenses	82,165
Benefit Payments/Refunds of Contributions	-
Administrative Expense	(1,085)
Other	(78)
	443,998
Net Change in Plan Fiduciary Net Position	\$ 443,998
Plan Fiduciary Net Position - Beginning	1,171,971
Plan Fiduciary Net Position - Ending (b)	\$ 1,615,969
Net Pension Liability (a) - (b)	\$ 821,018
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.31%
Covered Employee Payroll	\$ 2,361,717
Net Pension Liability as a Percentage of Total Covered Employee Payroll	34.76%

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
*LAST 10 FISCAL YEARS

Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 242,403	\$ 242,403	\$ -	\$ 2,377,973	10.2%

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

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COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 3
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015

NOTE 1: SCHEDULE OF EMPLOYER CONTRIBUTIONS

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	20 Years
Asset Valuation Method	5 Year Smoothed Value
Inflation	3.00%
Salary Increases	3.5% to 4.9% Including Inflation
Investment Rate of Return	8.10%
Retirement Age	Experience-based table of rates that are specific to the District's plan of benefits.
Mortality	RP2000 Combined Mortality Table with a one-year set-forward for males and no age adjustments for females on a fully generational basis with scale AA

OTHER INFORMATION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the governmental activities and the major fund of the Comal County Emergency Services District No. 3 (the District), a component unit of Comal County, Texas, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 18, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

ABIP, PC

Certified Public Accountants
San Antonio, Texas

May 18, 2016

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COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4

ANNUAL FINANCIAL STATEMENTS

DECEMBER 31, 2015

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ANNUAL FINANCIAL REPORT OF THE
COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4
YEAR ENDED DECEMBER 31, 2015

DISTRICT COMMISSIONERS:

PRESIDENT

PAUL GRAF

VICE PRESIDENT

BRET BARNETT

TREASURER

CURTIS BREMER

SECRETARY

JOSH DEAN

ASSISTANT TREASURER

DEENA CLAUSEN

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Independent Auditor's Report

Board of Commissioners
Comal County Emergency Services
District No. 4
Spring Branch, Texas

Report on Financial Statements

We have audited the accompanying financial statements of governmental activities and the general fund for the Comal County Emergency Services District No. 4 (the District) a component unit of Comal County, Texas as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Comal County Emergency Services District No. 4 as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-3D and 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

ABIP, PC

Certified Public Accountants
San Antonio, Texas

April 21, 2016

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Comal County Emergency Services District No. 4's (the District) annual financial report presents management's discussion and analysis of the District's financial performance during the year ended December 31, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position was \$2,957,975 at December 31, 2015.
- Expenses for the year ended December 31, 2015 were \$1,187,308. Revenues exceeded expenses (including depreciation) by \$680,852. Included in expenses is \$123,930 in depreciation for the District's capital assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

Fund financial statements provide a detailed short-term view of the District's operations, focusing on its "major" fund. The District has one fund – a general fund.

Governmental Funds - The accounting for the District's basic services is included in the governmental fund. The measurement focus and basis of accounting used for reporting is the modified accrual basis which measures inflows and outflows of current financial resources and the remaining balances at year-end that are available for spending. Furthermore, under this basis of accounting, changes in net spendable assets are normally recognized only to the extent that they are expected to have a near-term impact, while inflows are recognized only if they are available to liquidate liabilities of the current period. Similarly, future outflows are typically recognized only if they represent a depletion of current financial resources. The District's governmental fund is the General Fund. The differences in the amounts reported between the fund statements and the government-wide statements are explained in the reconciliations provided on pages 7 and 9.

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information on page 19.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net position at December 31, 2015 is \$2,957,975. This is a \$765,852 increase over last year's net position of \$2,192,123, including a prior period adjustment of net position.

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

Statement of Net Position

The following table reflects the condensed statement of net position:

	GOVERNMENTAL ACTIVITIES	
	2015	2014
Current Assets	\$ 2,379,469	\$ 2,122,793
Capital Assets, Net	<u>1,811,194</u>	<u>1,289,497</u>
Total Assets	<u>4,190,663</u>	<u>3,412,290</u>
Current Liabilities	664,195	640,413
Non-Current Liabilities	<u>95,019</u>	<u>139,530</u>
Total Liabilities	<u>759,214</u>	<u>779,943</u>
Deferred Inflows of Resources	<u>473,474</u>	<u>440,224</u>
Net Investment in Capital Assets	1,671,664	1,106,698
Unrestricted Net Position	<u>1,286,311</u>	<u>1,085,425</u>
TOTAL NET POSITION	<u>\$ 2,957,975</u>	<u>\$ 2,192,123</u>

The statement of revenues, expenditures and changes in fund balances on page 8 indicates general fund revenues exceeded expenses by \$141,350 and the fund balance at the end of the year was \$1,265,146.

The District's total general fund revenues were \$1,893,624 in 2015. In 2015, 56% of the total revenue came from ad valorem property taxes, 43% of revenue came from sales tax, 1% was from interest and operating contributions.

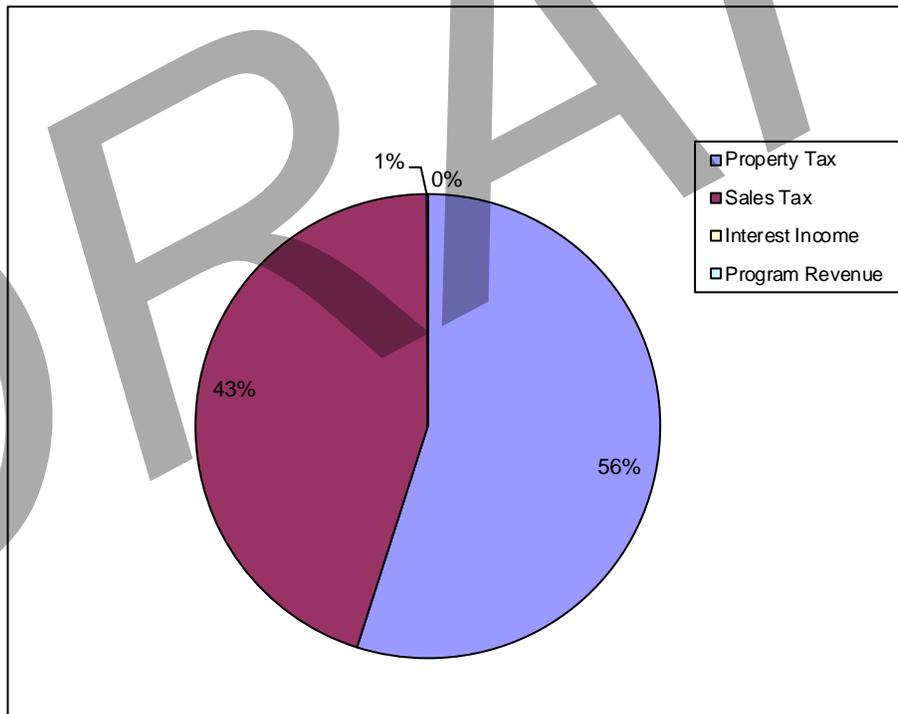
For the year ended December 31, 2015, the total general fund expenditures were \$1,752,274 including \$1,026,139 of public safety, \$31,991 of general government expenses, and \$48,517 in debt service payments.

Statement of Activities

The following table summarizes the changes in the District's net position from its activities for the years ended December 31, 2015 and 2014:

	<u>GOVERNMENTAL ACTIVITIES</u>	
	<u>2015</u>	<u>2014</u>
<u>REVENUES</u>		
Program Revenues	\$ 510	\$ 29,789
General Revenues	<u>1,867,650</u>	<u>1,582,165</u>
Total Revenues	<u>1,868,160</u>	<u>1,611,954</u>
<u>EXPENSES</u>		
General Government	31,991	243,983
Public Safety	1,150,069	1,187,912
Interest on Debt	<u>5,248</u>	<u>6,453</u>
Total Expenses	<u>1,187,308</u>	<u>1,438,348</u>
Change in Net Position - Governmental Activities	<u>\$ 680,852</u>	<u>\$ 173,606</u>

The following chart is a graphic representation of the District's income for the year ended December 31, 2015.



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Net investment in capital assets was \$1,811,194 at December 31, 2015. Capital assets include land, equipment, and rolling apparatus. The significant addition for the year was the down payment towards the construction of a new rolling apparatus to be completed and delivered in 2016.

If more detailed information is desired on the District's capital asset please refer to the notes to the financial statements beginning on page 10.

Long-Term Debt

At the end of 2015, the District had notes payable of \$139,530 for the purchase of various pieces of equipment and vehicles.

If more detailed information is desired on the District's debt activity please refer to the notes to the financial statements beginning on page 10.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The ad valorem property tax was \$.06 per \$100 property valuation in 2015 and this rate remains the same for 2016.

BUDGETARY HIGHLIGHTS

Actual revenues in 2015 were more than budgeted amounts by \$332,874. Actual expenditures were under budget in 2015 by \$458,476. The favorable variance in revenues was primarily due to sales tax and ad valorem tax revenues higher than anticipated. The District experienced less expenditures than budgeted primarily due to unspent budgeted capital expenditures.

CONTACTING THE ESD's FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers, patrons and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the office at 830-625-7522, at P. O. Box 601, Spring Branch, Texas 78070.

BASIC FINANCIAL STATEMENTS

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

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

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4
STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 1,147,423
Cash with Fiscal Agent	540,610
Receivables - Property Taxes	
Current Taxes	473,474
Delinquent Taxes	21,165
Due from Other Governments	196,797
Total Current Assets	2,379,469

Capital Assets

Land	766,650
Rolling Apparatus in Progress	645,627
Equipment	151,889
Rolling Apparatus	247,028
Total Capital Assets, Net	1,811,194

TOTAL ASSETS	\$ 4,190,663
--------------	--------------

LIABILITIES

Unearned Revenue - Property Taxes	\$ 619,684
Long-Term Debt	
Due Within One Year	44,511
Due in More Than One Year	95,019
Total Liabilities	759,214

DEFERRED INFLOW OF RESOURCES

Current Property Taxes Levied for Subsequent Period	473,474
---	---------

NET POSITION

Net Investment in Capital Assets	1,671,664
Unrestricted	1,286,311
Total Net Position	2,957,975

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 4,190,663
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COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4
STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

FUNCTIONS/PROGRAMS	EXPENSES	OPERATING GRANTS AND CONTRIBUTIONS	TOTAL
<u>GOVERNMENTAL ACTIVITIES</u>			
General and Administrative	\$ 31,991	\$ -	\$ (31,991)
Public Safety	1,150,069	510	(1,149,559)
Interest on Debt	<u>5,248</u>	<u>-</u>	<u>(5,248)</u>
Total Governmental Activities	<u>\$ 1,187,308</u>	<u>\$ 510</u>	<u>(1,186,798)</u>
<u>General Revenues</u>			
Property Tax			1,026,223
Sales Tax			840,017
Interest Income			<u>1,410</u>
Total General Revenues			<u>1,867,650</u>
Change in Net Position			<u>680,852</u>
<u>Net Position - Beginning</u>			<u>2,192,123</u>
Adjustment to Net Position (See Note H)			85,000
<u>Net Position - Beginning, As Adjusted</u>			<u>2,277,123</u>
Net Position - Ending			<u>\$ 2,957,975</u>

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4
 BALANCE SHEET – GOVERNMENTAL FUND
 DECEMBER 31, 2015

ASSETS

Cash and Cash Equivalents	\$ 1,147,423
Cash with Fiscal Agent	540,610
Receivables - Property Taxes	
Current Taxes	473,474
Delinquent Taxes	21,165
Due from Other Governments	<u>196,797</u>

TOTAL ASSETS \$ 2,379,469

LIABILITIES

Unearned Revenue - Property Taxes	<u>619,684</u>
TOTAL LIABILITIES	<u>619,684</u>

DEFERRED INFLOWS OF RESOURCES

Current Property Taxes Levied for Subsequent Period	\$ 473,474
Delinquent Property Taxes	<u>21,165</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>494,639</u>

FUND BALANCES

Committed	600,000
Unassigned	<u>665,146</u>
TOTAL FUND BALANCES	<u>1,265,146</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND
 FUND BALANCES \$ 2,379,469

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4
 RECONCILIATION OF THE BALANCE SHEET OF
 GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION -
 GOVERNMENTAL ACTIVITIES
 DECEMBER 31, 2015

<u>FUND BALANCE OF GOVERNMENTAL FUND</u>	\$ 1,265,146
--	--------------

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

Capital assets used in governmental activities are not spendable current financial resources and, therefore, are not reported in the balance sheet of governmental funds.	1,811,194
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Property taxes deferred in the funds are recognized as revenue in the governmental activities.	21,165
--	--------

Payables for capital leases which are not due in the current period are not reported in the funds.	(139,530)
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,957,975</u>
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COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
 GOVERNMENTAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015

REVENUES

Property Tax Revenue	\$ 1,051,687
Sales Tax Revenue	840,017
Operating Contributions	510
Interest	1,410
Total Revenues	1,893,624

EXPENDITURES

General Government	31,991
Public Safety	1,026,139
Capital Outlay	645,627
Debt Service:	
Principal	43,269
Interest	5,248
Total Expenditures	1,752,274

Excess of Revenues Over Expenditures	141,350
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<u>FUND BALANCE - BEGINNING</u>	1,038,796
ADJUSTMENT TO FUND BALANCE (SEE NOTE H)	85,000
<u>FUND BALANCE - BEGINNING, AS ADJUSTED</u>	1,123,796
FUND BALANCE - ENDING	\$ 1,265,146

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4
 RECONCILIATION OF THE CHANGES IN FUND BALANCE OF GOVERNMENTAL
 FUNDS TO THE CHANGE IN NET POSITION – GOVERNMENTAL ACTIVITIES
 DECEMBER 31, 2015

NET CHANGE IN FUND BALANCE FOR GOVERNMENTAL FUND \$ 141,350

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

Capital outlays are not reported as expenses in the statement of activities.	645,627
Depreciation of capital assets is not reported in the funds.	(123,930)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(25,464)
Payments and borrowings on long-term debt is not reported as an expenditure and revenue on the statement of activities.	<u>43,269</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 680,852</u></u>

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COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

A. Summary of Significant Accounting Policies

The financial statements of Comal County Emergency Services District No. 4 (the "District") have been prepared in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District 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 District 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 or deferred inflows 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 District has \$473,474 in 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 District's financial reporting has been changed in conformity with the statement.

1. Reporting Entity

The Board of Commissioners ("Board"), a five-member group has governance responsibilities over all activities related to fire emergency service operations within the jurisdiction of the District. The Board is appointed by the County of Comal, Texas and has the exclusive power and duty to govern. The District receives funding from local and state government sources and must comply with the requirements of those funding entities. However, the District is included in the County of Comal, Texas' financial statements as a component unit and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Governmental activities generally are financed through property tax and sales tax revenue. The statement of activities presents a single function, emergency services. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

A. Summary of Significant Accounting Policies (Continued)

2. Basis of Presentation, Basis of Accounting (Continued)

a. Basis of Presentation (Continued)

Program revenues include (a) fees, fines and charges paid for goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including property tax, sales tax, and interest income are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's major governmental fund:

General Fund. This is the District's operating fund. It accounts for all financial resources of the District.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, grants and contributions. On an accrual basis, revenue from property taxes and sales taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants and contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected. Revenues from local sources consist primarily of property taxes and sales taxes. Property tax and sales tax revenue is recognized when received. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds.

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

A. Summary of Significant Accounting Policies (Continued)

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

4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. Although the District's 2015 ad valorem taxes are levied on October 1, 2015, it is the District's policy to recognize revenues from the October 1 tax levy in the calendar year when the proceeds of this levy are budgeted and made available for the District's operations. The collections on the October 1, 2015 levy are considered unearned until the subsequent calendar year. The remaining receivable on unpaid levies are reported as deferred inflows of resources at year-end. No allowance for doubtful accounts is considered necessary at this time.

5. Receivable and Payable Balances – The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

6. Capital assets, which include land and equipment are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Equipment	3 - 10 years
Rolling Apparatus	5 - 8 years

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

A. Summary of Significant Accounting Policies (Continued)

7. Deferred Inflows of Resources consist of property tax revenues that are recognized when they become both measurable and available in fund statements. Property tax revenue that is not available for the current period is reflected as unearned revenue, thus delinquent taxes collected in the last quarter of 2014 is deferred to 2015.
8. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities statement of net position.
9. Management's Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

B. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. As of December 31, 2015, cash balances were fully collateralized with FDIC coverage and security pledged in the District's name.

Cash Deposits and Cash Equivalents:

At December 31, 2015, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in cash and cash equivalents) was \$1,147,423 and the bank balance was \$1,149,164.

The GASB issued statement No. 40 "Deposits and Investment Risk Disclosures". The GASB 40 disclosures below address common areas of investment risk.

Custodial Credit Risk

The District's investments are not categorized by level of risk assumed by the District because the District invests in money market accounts.

Interest Rate Risk

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

B. Deposits and Investments (Continued)

Concentration of Credit Risk

The District diversifies its investments in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity or specific issuer.

Credit Risk

The District is not exposed to credit risk.

Foreign Currency Risk

The District is not exposed to foreign currency risk.

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing District's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the District.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area, conducted as a part of the audit of the financial statements, disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act, with the exception of the annual review of the investment policies and investment officer training. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

C. Capital Assets

The District's investments in capital assets are as follows:

	BEGINNING BALANCE	INCREASE	DECREASE	ENDING BALANCE
<u>Capital Assets not being Depreciated</u>				
Land	\$ 766,650	\$ -	\$ -	\$ 766,650
Rolling Apparatus in Progress	-	645,627	-	645,627
Total Capital Assets not being Depreciated	766,650	645,627	-	1,412,277
<u>Capital Assets being Depreciated</u>				
Equipment	313,230	-	-	313,230
Rolling Apparatus	596,000	-	-	596,000
Total Capital Assets being Depreciated	909,230	-	-	909,230
<u>Less: Accumulated Depreciation</u>				
Equipment	(124,654)	(36,687)	-	(161,341)
Rolling Apparatus	(261,729)	(87,243)	-	(348,972)
Total Accumulated Depreciation	(386,383)	(123,930)	-	(510,313)
Total Capital Assets being Depreciated, Net	522,847	(123,930)	-	398,917
TOTAL CAPITAL ASSETS - NET	<u>\$ 1,289,497</u>	<u>\$ 521,697</u>	<u>\$ -</u>	<u>\$ 1,811,194</u>

Depreciation was charged to the public safety function.

D. Capital Lease

The District entered into a capital lease agreement with Frost Bank for the purchase of rolling fire apparatus. The lease calls for seven annual payments of \$48,516 with an imputed interest rate of 2.87%. The lease is collateralized by the equipment.

<u>CAPITAL LEASE</u>	<u>ORIGINAL AMOUNT</u>	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	<u>ENDING BALANCE</u>	<u>AMOUNT DUE WITHIN ONE YEAR</u>
Frost Bank	<u>\$ 305,498</u>	<u>\$ 182,799</u>	<u>\$ -</u>	<u>\$ 43,269</u>	<u>\$ 139,530</u>	<u>\$ 44,511</u>

Future payments on the capital lease are as follows:

<u>DECEMBER 31,</u>	<u>PAYMENT</u>
2016	\$ 48,516
2017	48,516
2018	50,643
	147,675
Less: Amount Representing Interest	(8,145)
	139,530
Less: Current Portion	(44,511)
LONG-TERM CAPITAL LEASE	<u>\$ 95,019</u>

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

E. Fund Balance

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

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

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

At December 31, 2015 the District's Commissioners established the following classifications of fund balances:

	<u>General Fund</u>
Committed	
Equipment	\$ 300,000
Building	300,000
Unassigned	<u>665,146</u>
	<u>\$ 1,265,146</u>

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

F. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2015, the District obtained general liability coverage through a commercial insurer, VFIS of Texas. The District continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

G. Related Party Transactions

The District entered into a joint agreement with Bulverde-Spring Branch Emergency Services (a non-profit organization) to provide emergency fire services for the response area of the District. Two (2) members of the Board of Commissioners also serve as voting members of the board of the Bulverde-Spring Branch Emergency Services. The District paid \$1,020,000 to the Bulverde-Spring Branch Emergency Services in accordance with the joint agreement for the fiscal year ended December 31, 2015.

H. Prior Period Adjustment

Governmental Fund and Governmental Activities

The beginning fund balance of the governmental fund and the beginning net position of the governmental activities has been adjusted to correct the recording of January 2015 service provider payment as an expense of the prior year. A reconciliation is as follows:

	Governmental Fund	Governmental Activities
Beginning Fund Balance, Net Position	\$ 1,038,796	\$ 2,192,123
Adjustment to Correct Extra Payment	85,000	85,000
Beginning Fund Balance, Net Position as Restated	\$ 1,123,796	\$ 2,277,123

REQUIRED SUPPLEMENTARY INFORMATION

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COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 4
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL ON A BUDGETARY BASIS – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	BUDGETED AMOUNTS ORIGINAL	BUDGETED AMOUNTS FINAL	GAAP BASIS ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<u>REVENUES</u>				
Property Tax Revenue	\$ 950,000	\$ 950,000	\$ 1,051,687	\$ 101,687
Sales Tax Revenue	600,000	600,000	840,017	240,017
Operating Contributions	10,000	10,000	510	(9,490)
Interest Earnings	<u>750</u>	<u>750</u>	<u>1,410</u>	<u>660</u>
Total Revenues	<u>1,560,750</u>	<u>1,560,750</u>	<u>1,893,624</u>	<u>332,874</u>
<u>EXPENDITURES</u>				
General Government	72,000	72,000	31,991	40,009
Public Safety	1,050,000	1,050,000	1,026,139	23,861
Capital Outlay	390,234	1,040,234	645,627	394,607
Debt Service				
Principal	43,269	43,269	43,269	-
Interest	<u>5,247</u>	<u>5,247</u>	<u>5,248</u>	<u>(1)</u>
Total Expenditures	<u>1,560,750</u>	<u>2,210,750</u>	<u>1,752,274</u>	<u>458,476</u>
Excess Revenues Over Expenditures	<u>-</u>	<u>(650,000)</u>	<u>141,350</u>	<u>791,350</u>
<u>FUND BALANCES - BEGINNING</u>	<u>1,038,796</u>	<u>1,038,796</u>	<u>1,038,796</u>	<u>-</u>
RESTATEMENT OF FUND BALANCE	85,000	85,000	85,000	-
<u>FUND BALANCE - BEGINNING, AS RESTATED</u>	<u>1,123,796</u>	<u>1,123,796</u>	<u>1,123,796</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,123,796</u>	<u>\$ 473,796</u>	<u>\$ 1,265,146</u>	<u>\$ 791,350</u>

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OTHER INFORMATION



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

Board of Commissioners
Comal County Emergency Services
District No. 4
Spring Branch, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the governmental activities and major fund of Comal County Emergency Services District No. 4 (the District) a component unit of Comal County, Texas as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

ABIP, PC

Certified Public Accountants
San Antonio, Texas

April 21, 2016

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COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2015

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ANNUAL FINANCIAL REPORT
of the
COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5
YEAR ENDED DECEMBER 31, 2015

DISTRICT COMMISSIONERS:

PRESIDENT

TED WILCOX

VICE PRESIDENT/SECRETARY

DAVE BULLOCK

TREASURER

ELDYN INGERICK

COMMISSIONER

JIM BARR

COMMISSIONER

MIKE RARICK

DRAFT

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Independent Auditor's Report

Board of Commissioners
Comal County Emergency Services
District No. 5
Spring Branch, Texas

Report on Financial Statements

We have audited the accompanying financial statements of governmental activities and the general fund of the Comal County Emergency Services District No. 5 (the District) a component unit of Comal County, Texas as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Comal County Emergency Services District No. 5 as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-3D and 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

ABIP, PC

Certified Public Accountants
San Antonio, Texas

April 21, 2016

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)

As management of the Comal County Emergency Services District No. 5 (the District), we offer readers the following discussion and analysis (MD & A) of the District's financial activities for the year ended December 31, 2015. The MD & A should be read in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

General Fund

At the end of the current fiscal year, unassigned fund balance for the general fund was \$674,388 or 49.86% of 2015 general fund expenditures. The unassigned fund balance increased by \$220,665 from the 2014 calendar year.

Governmental Activities

On a government-wide basis for governmental activities, the District had program expenses of \$1,207,208 and total revenues of \$1,467,638.

As of December 31, 2015, the District's governmental activities reported an ending net position balance of \$868,772.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – management's discussion and analysis (this section) and the basic financial statements.

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements.

The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are the government-wide financial statements that provide both long-term and short-term information about the District's overall financial status. Previously, the primary focus of local governmental financial statements has been summarized fund type information on a current financial resource basis. GASB 34 modified this approach, adding new statements, government-wide statements, which focus on the District as a whole.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. These statements tell what remains for future spending in general government service.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to statements of a private-sector business.

The statement of net position includes all of the government's assets and liabilities, with the difference between the two reported as net position.

All the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The two government-wide statements report the District's net position and how they have changed. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

The government-wide financial statements of the District are presented in a governmental activities format. The District's basic services (general and administrative and public safety) are paid for by property and sales tax revenues.

Fund Financial Statements

The fund financial statements provide detailed information about an entity's major funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Currently, the focus is now on major funds rather than fund types.

The District has one fund type:

Governmental Funds – The general fund is a governmental fund, which focuses on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year end that are available for spending.

This fund is reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental funds statements provide a short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on schedules immediately following the governmental funds statements that explain the relationship (or differences) between them.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net position at fiscal year-end is \$868,772. This is an \$260,430 increase over last year's net position of \$608,342.

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

Statement of Net Position

The following table reflects the condensed statement of net position:

	GOVERNMENTAL ACTIVITIES	
	2015	2014
Current and Other Assets	\$ 2,054,286	\$ 1,734,289
Capital Assets, Net	<u>478,598</u>	<u>536,482</u>
Total Assets	<u>2,532,884</u>	<u>2,270,771</u>
Current Liabilities	839,336	759,248
Long-Term Liabilities	<u>222,248</u>	<u>322,650</u>
Total Liabilities	<u>1,061,584</u>	<u>1,081,898</u>
Deferred Inflows of Resources	<u>602,528</u>	<u>580,531</u>
Net Investment in Capital Assets Unrestricted	155,948 <u>712,824</u>	116,499 <u>491,843</u>
Total Net Position	<u>\$ 868,772</u>	<u>\$ 608,342</u>

Statement of Activities

	GOVERNMENTAL ACTIVITIES	
	2015	2014
<u>REVENUES</u>		
Program Revenues		
Charges for Services	\$ -	\$ 1,631
General Revenues		
Property Taxes	1,256,073	1,174,017
Sales Tax	250,338	290,646
Interest	3,240	2,096
Other Revenue	3,199	5,325
Loss on Sale of Assets	(45,212)	-
Total Revenues	<u>1,467,638</u>	<u>1,473,715</u>
<u>EXPENSES</u>		
General and Administrative	56,423	64,728
Public Safety	1,130,732	1,248,090
Interest	20,053	34,695
Total Expenses	<u>1,207,208</u>	<u>1,347,513</u>
Change in Net Position	260,430	130,202
<u>NET POSITION - BEGINNING</u>	<u>608,342</u>	<u>478,140</u>
NET POSITION - ENDING	<u>\$ 868,772</u>	<u>\$ 608,342</u>

Governmental activities realized benefits from both property and sales taxes. The increase in change in net position caused the District's overall financial position to improve during year 2015.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

For the year ended December 31, 2015, the District's governmental funds reflect an unassigned fund balance of \$674,388. This year's increase in fund balance of \$200,665 is primarily due to the increase in property taxes and sales taxes.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were less than budgeted revenues by \$118,196, primarily due to the lower sales tax receipts than expected. In addition, actual expenditures were less than budgeted expenditures by \$5,572. Resources available were \$112,624 less than the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's net investment in capital assets at the end of 2015 amounted to \$155,948. This investment in capital assets includes vehicles, buildings and equipment. The following table shows capital assets for 2015 with comparison for 2014. If more detailed information is desired on the District's capital asset activity please refer to the notes to the financial statements.

	GOVERNMENTAL ACTIVITIES	
	2015	2014
Vehicles	\$ 1,440,525	\$ 1,491,066
Buildings	21,228	199,856
Equipment	78,629	101,275
Total Capital Assets	1,540,382	1,792,197
Accumulated Depreciation	(1,061,784)	(1,255,715)
 NET CAPITAL ASSETS	 \$ 478,598	 \$ 536,482

Long-Term Debt

At the end of 2015, the District had notes payable of \$322,650 for the purchase of various equipment. More detailed information can be found in the notes to the financial statements.

	GOVERNMENTAL ACTIVITIES	
	2015	2014
Notes Payable	\$ 322,650	\$ 419,983

THE BUDGET, ECONOMIC ENVIRONMENT, AND PROJECTED PROJECTS

The District's outlook for 2016 is very promising. Taxes are projected to increase and expenses are expected to decrease as a result of the agreement with Bulverde-Spring Branch Emergency Services.

Contacting the District's Financial Management

This report is designed to provide the citizens, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Comal County Emergency Services District No. 5
 353 Rodeo Drive
 Spring Branch, Texas 78070
 (830) 228-4501

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5
STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 764,259
Cash with Fiscal Agent	644,737
Receivables - Property Taxes	
Current Property Taxes	602,528
Delinquent Property Taxes	42,762
Total Current Assets	2,054,286

Capital Assets

Vehicles	1,440,525
Buildings	21,228
Equipment	78,629
Accumulated Depreciation	(1,061,784)
Total Capital Assets, Net	478,598

TOTAL ASSETS	\$ 2,532,884
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LIABILITIES

Accounts Payable	\$ 2,513
Accrued Interest	4,326
Unearned Revenues - Property Taxes	732,095
Long-Term Debt:	
Due Within One Year	100,402
Due in More than One Year	222,248
TOTAL LIABILITIES	1,061,584

DEFERRED INFLOWS OF RESOURCES

Current Property Taxes Levied for a Subsequent Period	602,528
---	---------

NET POSITION

Net Investment in Capital Assets	155,948
Unrestricted	712,824
TOTAL NET POSITION	868,772

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 2,532,884
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COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5
STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

PROGRAM EXPENSES

General and Administrative	\$ 56,423
Public Safety	1,130,732
Interest	<u>20,053</u>
Total Governmental Activities	<u>\$ 1,207,208</u>

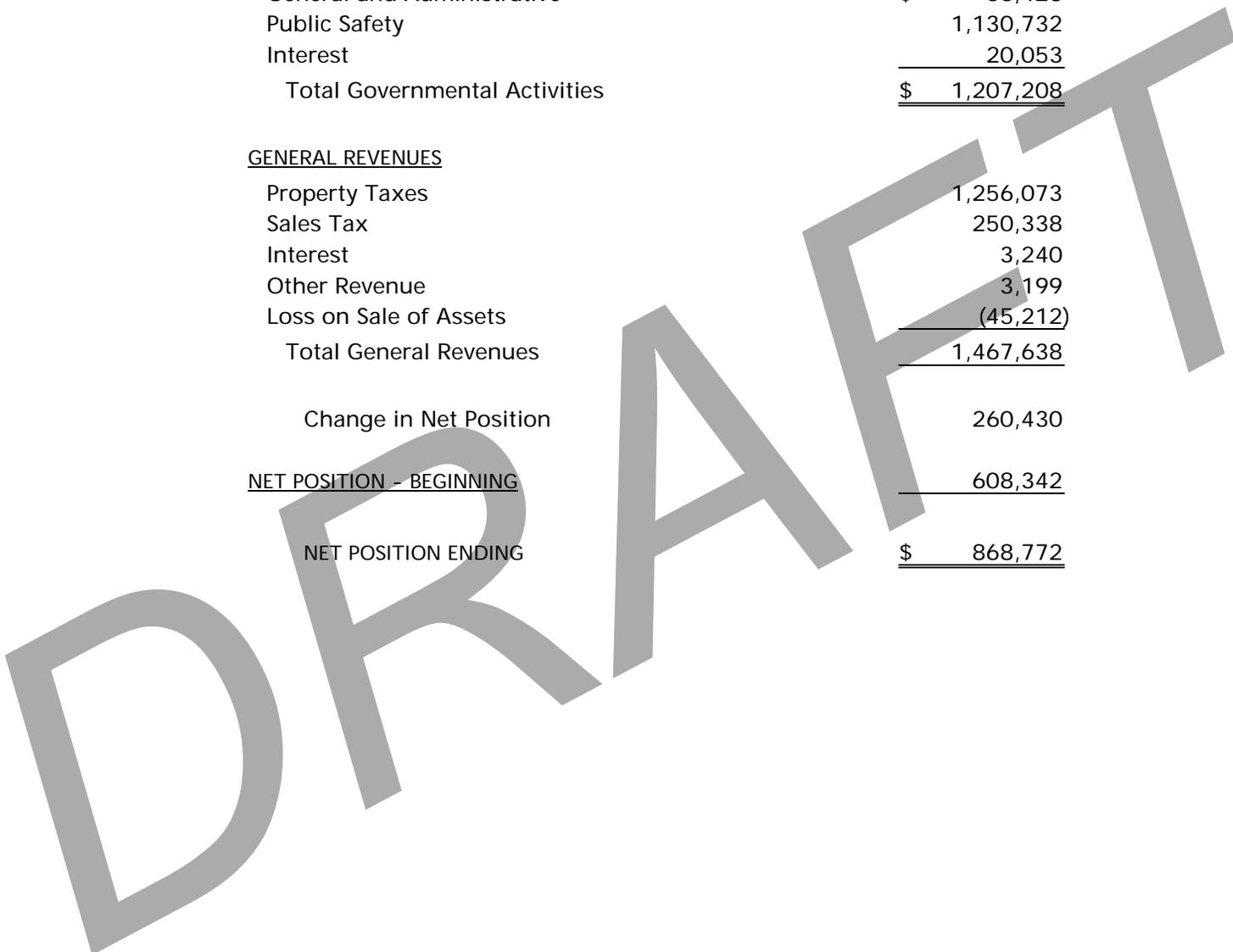
GENERAL REVENUES

Property Taxes	1,256,073
Sales Tax	250,338
Interest	3,240
Other Revenue	3,199
Loss on Sale of Assets	<u>(45,212)</u>
Total General Revenues	<u>1,467,638</u>

Change in Net Position	260,430
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<u>NET POSITION – BEGINNING</u>	<u>608,342</u>
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NET POSITION ENDING	<u>\$ 868,772</u>
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COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5

BALANCE SHEET – GOVERNMENTAL FUNDS

DECEMBER 31, 2015

ASSETS

Cash and Cash Equivalents	\$ 764,259
Cash with Fiscal Agent	644,737
Receivables - Property Taxes	
Current Property Taxes	602,528
Delinquent Property Taxes	<u>42,762</u>

TOTAL ASSETS \$ 2,054,286

LIABILITIES

Accrued Expenses	\$ 2,513
Deferred Revenue	<u>732,095</u>
TOTAL LIABILITIES	<u>734,608</u>

DEFERRED INFLOWS OF RESOURCES

Current Property Taxes Levied for Subsequent Period	602,528
Delinquent Property Taxes	<u>42,762</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>645,290</u>

FUND BALANCE

Unassigned	<u>674,388</u>
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TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND
FUND BALANCE \$ 2,054,286

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5

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

DECEMBER 31, 2015

<u>TOTAL FUND BALANCE</u>	\$ 674,388
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	478,598
Property tax deferred in the funds is recognized as revenue in governmental activities but not at the fund level.	42,762
Payables on bond interests are payable in current period and, therefore, are not reported in the funds.	(4,326)
Notes payable are not due and payable in the current period and, therefore, not reported in the funds.	<u>(322,650)</u>
TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES	<u>\$ 868,772</u>

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COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5

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

YEAR ENDED DECEMBER 31, 2015

REVENUES

Property Taxes	\$ 1,251,431
Sales Tax	250,338
Interest	3,240
Other Revenue	3,199
Sale of Asset	<u>65,000</u>
Total Revenues	<u>1,573,208</u>

EXPENDITURES

Current	
General and Administrative	56,423
Public Safety	1,183,060
Debt Service	
Principal	97,333
Interest	<u>15,727</u>
Total Expenditures	<u>1,352,543</u>

Excess (Deficiency) of Revenues
Over (Under) Expenditures 220,665

FUND BALANCE - BEGINNING 453,723

FUND BALANCE - ENDING \$ 674,388

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5

RECONCILIATION OF CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS TO
CHANGE IN NET POSITION – GOVERNMENTAL ACTIVITIES

DECEMBER 31, 2015

NET CHANGE IN FUND BALANCE \$ 220,665

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

Governmental funds report capital outlays as expenditures (\$160,109). However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$107,781). Losses on disposed assets are not reported in the funds (\$110,212). (57,884)

Certain property tax revenues are deferred in the funds. This is the change in these amounts this year. 4,642

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest (4,326)

Repayment of notes payable is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position. 97,333

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 260,430

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Comal County Emergency Services District No. 5 (the District) is a political subdivision of the State of Texas and was created by the Comal County Commissioner's Court after a public election on February 2, 2002. The District was created to provide emergency services and promote public safety, welfare, health and convenience for persons residing in the District. On January 1, 2011, the District assumed the operations of the Bulverde Area Volunteer Fire Department. All of the Department's assets and liabilities were transferred to the District. Previously the District had contracted with the Department to provide the emergency services.

A. Reporting Entity

The District is a component unit of Comal County, Texas. A component unit is a legally separate entity for which the elected officials of the governmental unit are financially accountable. The District will be presented in the County's financial statements as a discretely presented component unit.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. Governmental activities are supported mainly by taxes.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges of customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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 among program revenues are reported instead as general revenues.

The general fund meets the criteria of a major governmental fund. The District has no other governmental funds.

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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Amounts reported as program revenues include 1) charges to customers or applications for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes and other miscellaneous receipts.

The District reports the following major governmental fund:

The General Fund is the operating fund of the District and is always classified as a major fund. The general fund is used to account for all financial resources. Primary expenditures are for general and administrative and public safety.

D. Cash and Cash Equivalents

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

E. Property Taxes

Property taxes are levied each October 1 on the taxable value as of the preceding January 1, the date a lien attaches, for all taxable real and personal property located in the District. Taxes are due by January 31 following the October 1 assessment date and become delinquent on February 1, at which time they begin accruing penalty and interest. Although the District's 2015 ad valorem taxes is levied on October 1, 2015, it is the District's policy to recognize revenues from the October 1 tax levy in the calendar year when the proceeds of this levy are budgeted and made available to the District's operations. The collections of the October 1, 2015 levy are considered unearned until the subsequent calendar year. The remaining receivable on unpaid levies are reported as deferred inflows of resources at year-end. No allowance for doubtful accounts is considered necessary at this time

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Equity

In the fund financial statements, governmental funds report unassigned fund balance for amounts that are available for appropriation.

G. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restriction imposed by creditors, grantors, or laws or regulations of other governments.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Capital Assets

Capital assets, which include vehicles, buildings and equipment, are reported in the District's financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. When capital assets are purchased, they are capitalized and depreciated in the financial statements.

Capital assets are valued at cost where historical records are available and at an estimated cost where no records exist. Donated capital assets are valued at their estimated fair market value at the date of donation.

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

Improvements to capital assets that materially extend the life of the asset or add to the value are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated over their useful lives on a straight-line basis as follows:

<u>ASSETS</u>	<u>YEARS</u>
Vehicles	7 - 10
Buildings	20 - 39
Equipment	3 - 10

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015

NOTE 2: DEPOSITS

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the District's deposit may not be returned to it. As of December 31, 2015 all of the District's bank balances of \$764,259 were covered by depository insurance (FDIC) as well as collateralized securities held by the pledging institution with a market value of \$1,959,149 at December 31, 2015.

NOTE 3: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the fiscal year 2015, the District obtained general liability coverage through a commercial insurer, VFIS of Texas. The District continues to carry commercial insurance for other risks of loss as well. There were no significant reduction in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three (3) fiscal years.

NOTE 4: CAPITAL ASSETS

A summary of capital assets at December 31, 2015 is as follows:

	BEGINNING BALANCE	INCREASE	DECREASE	ENDING BALANCE
<u>Capital Assets, Being Depreciated</u>				
Vehicles	\$ 1,491,066	\$ 160,109	\$ (210,650)	\$ 1,440,525
Buildings	199,856	-	(178,628)	21,228
Equipment	101,275	-	(22,646)	78,629
Total Capital Assets, Being Depreciated	<u>1,792,197</u>	<u>160,109</u>	<u>(411,924)</u>	<u>1,540,382</u>
<u>Less: Accumulated Depreciation</u>				
Vehicles	(1,117,825)	(94,764)	210,650	(1,001,939)
Buildings	(78,929)	(4,425)	77,014	(6,340)
Equipment	(58,961)	(8,592)	14,048	(53,505)
Total Accumulated Depreciation	<u>(1,255,715)</u>	<u>(107,781)</u>	<u>301,712</u>	<u>(1,061,784)</u>
 TOTAL CAPITAL ASSETS BEING DEPRECIATED - NET	 <u>\$ 536,482</u>	 <u>\$ 52,328</u>	 <u>\$ (110,212)</u>	 <u>\$ 478,598</u>

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

Public Safety \$ 107,781

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015

NOTE 5: NOTES PAYABLE

A summary of notes payable at December 31, 2015, is as follows:

	ORIGINAL AMOUNT	INTEREST RATE	BALANCE OUTSTANDING JANUARY 1, 2015	DURING YEAR		BALANCE OUTSTANDING DECEMBER 31, 2015	AMOUNT DUE IN ONE YEAR
				ISSUED	(RETIRED)		
Government Capital	\$ 622,411	5.16%	\$ 350,336	\$ -	\$ (63,200)	\$ 287,136	\$ 64,887
PNC Equipment Finance	284,723	5.45%	69,647	-	(34,133)	35,514	35,515
TOTALS			\$ 419,983	\$ -	\$ (97,333)	\$ 322,650	\$ 100,402

Annual debt service requirements for notes payable are as follows:

YEAR ENDED DECEMBER 31,	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2016	\$ 100,402	\$ 14,816	\$ 115,218
2017	69,890	11,387	81,277
2018	75,038	7,781	82,819
2019	77,320	3,988	81,308
TOTALS	\$ 322,650	\$ 37,972	\$ 360,622

NOTE 6: RELATED PARTY TRANSACTIONS

The District entered into a joint agreement with Bulverde-Spring Branch Emergency Services (a non-profit organization) to provide emergency fire services for the response area of the District. Two (2) members of the Board of Commissioners also serve as voting members of the board of the Bulverde-Spring Branch Emergency Services. The District paid \$1,020,000 to the Bulverde-Spring Branch Emergency Services in accordance with the joint agreement for the fiscal year ended December 31, 2015.

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REQUIRED SUPPLEMENTARY INFORMATION

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GENERAL FUND
BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2015

	<u>BUDGETED AMOUNTS ORIGINAL</u>	<u>BUDGETED AMOUNTS FINAL</u>	<u>GAAP BASIS ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>				
Property Taxes	\$ 1,241,804	\$ 1,241,804	\$ 1,251,431	\$ 9,627
Sales Tax	372,000	372,000	250,338	(121,662)
Interest	3,600	3,600	3,240	(360)
Miscellaneous	-	9,000	3,199	(5,801)
Sale of Assets	-	65,000	65,000	-
Total Revenues	<u>1,617,404</u>	<u>1,691,404</u>	<u>1,573,208</u>	<u>(118,196)</u>
<u>EXPENDITURES</u>				
Current				
General and Administrative	<u>88,000</u>	<u>38,000</u>	<u>56,423</u>	<u>(18,423)</u>
Public Safety				
Common Provider	1,020,000	1,020,000	1,020,000	-
Insurance	3,400	3,400	2,951	449
Capital Outlay	-	177,596	160,109	17,487
Total Public Safety	<u>1,023,400</u>	<u>1,200,996</u>	<u>1,183,060</u>	<u>17,936</u>
Debt Service				
Principal	94,681	94,681	97,333	(2,652)
Interest	24,438	24,438	15,727	8,711
Total Debt Service	<u>119,119</u>	<u>119,119</u>	<u>113,060</u>	<u>6,059</u>
Total Expenditures	<u>1,230,519</u>	<u>1,358,115</u>	<u>1,352,543</u>	<u>5,572</u>
Change in Fund Balance	386,885	333,289	220,665	(112,624)
<u>FUND BALANCE - BEGINNING</u>	<u>453,723</u>	<u>453,723</u>	<u>453,723</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 840,608</u>	<u>\$ 787,012</u>	<u>\$ 674,388</u>	<u>\$ (112,624)</u>

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OTHER INFORMATION



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

Board of Commissioners
Comal County Emergency Services
District No. 5
Spring Branch, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the governmental activities and the general fund of Comal County Emergency Services District No. 5 (the District) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

ABIP, PC

Certified Public Accountants
San Antonio, Texas

April 21, 2016

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May 09, 2016

To the Commissioners,
Comal County Emergency Services District No. 6

We have audited the financial statements of the Comal County Emergency Services District No. 6 as of and for the year ended December 31, 2015, and have issued our report thereon dated May 09, 2016. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 5, 2013, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Comal County Emergency Services District No. 6 solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Comal County Emergency Services District No. 6 is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2015. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive estimate affecting the financial statements is management's estimate of useful lives and depreciation calculations on capital assets. Management's estimate of useful lives and depreciation calculations on capital assets is based on the type of asset and previous history. We evaluated the key factors and assumptions used to develop the estimate of useful lives of capital assets and determined that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosure affecting the Comal County Emergency Services District No. 6's financial statements.

Significant Difficulties Encountered during the Audit

We encountered no difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We proposed adjustments to assist management in year-end property tax accruals and reconciliations to prior audit balances. These adjustments were expected and not considered to be indicative of deficiencies in internal control.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Comal County Emergency Services District No. 6' financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated May 09, 2016.

Management Consultation with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Comal County Emergency Services District No. 6, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the District, and operational plans and strategies that may affect the risk of material misstatement. None of the matters discussed resulted in a condition to our retention as the Comal County Emergency Services District No. 6' auditors.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Comal County Emergency Services District No. 6' audited financial statements does not extend beyond the financial information identified in the report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards we have, with respect to the supplementary information accompanying the financial statements, made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Our responsibility also includes communicating to you any information we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Compliance with Public Funds Investment Act

The Public Funds Investment Act, (the “Act”) requires that we include, as part of our audit, procedures to determine if the Comal County Emergency Services District No. 6 complied with the provisions of the Act. We found, as a result of our audit that with respect to the Comal County Emergency Services District No. 6, that the District complied in all material respects, with the provisions of the Act. In the event that the District intends to engage in investing activities, the Act requires that the District adopt a written investment policy to be reviewed annually.

This report is intended solely for the information and use of the Board of Commissioners of the Comal County Emergency Services District No. 6 and is not intended to be and should not be used by anyone other than these specified parties.



Armstrong, Vaughan & Associates., P.C.

May 09, 2016

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**COMAL COUNTY
EMERGENCY SERVICES DISTRICT NO. 6**

ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
DECEMBER 31, 2015**

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COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 6
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED DECEMBER 31, 2015

DISTRICT OFFICIALS

PRESIDENT

WAYNE TYSON

VICE-PRESIDENT

JOHN SCHUMAN

SECRETARY

RANDY MASCHEK

TREASURER

WILLIAM WAECHTER

ASSISTANT TREASURER

ROBERT SHILLIDAY

ATTORNEY

BURNS, ANDERSON, JURY & BRENNER, L.L.P.

AUDITOR

ARMSTRONG, VAUGHAN & ASSOCIATES, P.C.

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COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 6
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

District Commissioners
Comal County Emergency Services District No. 6

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Comal County Emergency Services District No. 6 (a component unit of Comal County), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Comal County Emergency Services District No. 6' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Comal County Emergency Services District No. 6 management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of the Comal County Emergency Services District No. 6, as of December 31, 2015, and the respective change in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Comal County Emergency Services District No. 6 basic financial statement. The comparative statements are presented for the purpose of additional analysis and are not a required part of the financial statements.

The comparative statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.



Armstrong, Vaughan & Associates, P.C.

May 09, 2016

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Comal County Emergency Services District No. 6’ annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year ended December 31, 2015. Please read it in conjunction with the District’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District’s total net position was \$1.7 million at December 31, 2015.
- During the year, the District’s expenses were \$460 thousand less than the \$1.6 million generated in taxes and other revenues from governmental activities.
- The total cost of the District’s programs increased \$83 thousand from last year, but no programs were added this year. Increases were caused by increased cost of fire protection.
- The general fund reported a fund balance this year of \$1.1 million.
- The District did not issue bonds during fiscal year ending December 31, 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District’s operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1, Required Components of the District’s Annual Financial Report

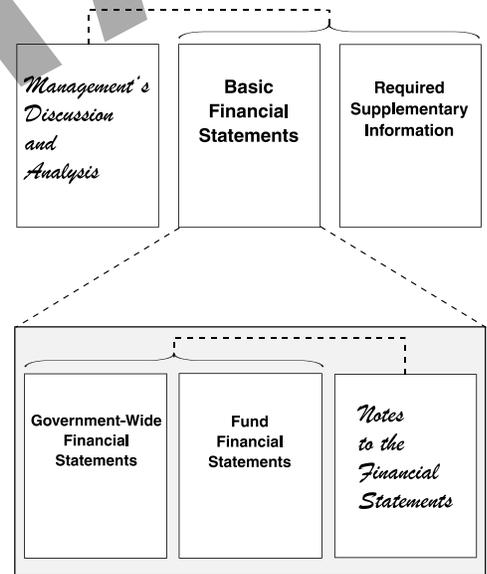


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.



Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements		
	Fund Statement	
<i>Type of Statements</i>	Government-wide	Governmental Funds
<i>Scope</i>	Entire District's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net Position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as Emergency Services and general administration. Property taxes finance most of these activities.

Fund Financial Statements

The District has the following kinds of funds:

- *Governmental funds*—All of the District’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District’s combined net position was \$1.7 million at December 31, 2015. (See Table A-1).

Table A-1
Comal County Emergency Services District No. 6 Net Position
(In thousands dollars)

	Governmental Activities		Total Percentage Change
	2015	2014	
Current Assets:			
Cash and Investments	\$ 1,141	\$ 647	76.4%
Certificates of Deposit	-	203	-100.0%
Property Tax Receivable	1,176	866	35.8%
Sales Tax Receivable	74	70	5.4%
Prepaid Items	13	9	43.0%
Noncurrent Assets:			
Vehicles	821	800	2.6%
Accumulated Depreciation	(308)	(192)	60.5%
Total Assets	<u>2,917</u>	<u>2,403</u>	21.4%
Current Liabilities:			
Accrued Interest Payable	-	4	-100.0%
Lease Payable - Current	-	80	-100.0%
Noncurrent Liabilities:			
Lease Payable	-	166	-100.0%
Total Liabilities	<u>-</u>	<u>250</u>	-100.0%
Deferred Inflows of Resources:			
Property Taxes Levied for Future Periods	<u>1,245</u>	<u>941</u>	32.3%
Net Position:			
Net Investment in Capital Assets	513	362	41.6%
Unrestricted	<u>1,160</u>	<u>850</u>	36.4%
Total Net Position	<u>\$ 1,672</u>	<u>\$ 1,212</u>	38.0%

Changes in Net Position. The District’s total revenues were \$1.67 million. The District’s revenue comes from taxes, investment income, and capital grants and contributions. There was no state aid during the fiscal year.

The total cost of all programs and services was \$1.2 million.

Governmental Activities

- Property tax rates were assessed at \$0.0719 per \$100 valuation.

Table A-2
Changes in District's Net Position
(In thousands dollars)

	Governmental Activities		Total Percentage Change
	2015	2014	
General Revenues			
Property Taxes	\$ 953	\$ 879	8.4%
Sales Taxes	506	397	27.4%
Capital Grant Contribution	179	77	132.3%
Investment Income	3	4	-28.6%
Total Revenues	<u>1,640</u>	<u>1,357</u>	20.9%
Emergency Services	1,150	1,067	7.8%
General Government	25	22	12.4%
Interest on Capital Lease	5	7	-22.5%
Total Expenses	<u>1,180</u>	<u>1,096</u>	7.7%
Prior Period Adjustment	<u>402</u>	<u>-</u>	100%
Increase (Decrease) in Net Position	<u>\$ 863</u>	<u>\$ 261</u>	230.6%

Table A-3 presents the cost of each of the District's largest functions, as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by local tax dollars.

- The cost of all *governmental* activities this year was \$1.2 million, and were financed 100% through taxes, contributions, and investment income.

Table A-3
Cost of Selected District Functions
(In thousands dollars)

	Net Cost of Services		Percentage Change
	2015	2014	
General Administration	\$ 25	\$ 22	12.4%
Emergency Services	972	1,067	-8.9%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$1.6 million. The increase in local revenues is a result of increasing property valuations, sales taxes collected, and contributions received. Additionally, significant population growth has resulted in increased expenses for emergency services.

General Fund Budgetary Highlights

Over the course of the year, the District did revise its budget. Actual expenditures were \$4 thousand less than budget amounts.

Revenues were \$302 thousand more than the final budgeted amount, as sales tax collections were greater than expected and the capital grant contribution was not anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the District had invested \$821 thousand in three fire trucks. After depreciation is taken, the Net Capital Assets totaled \$513 thousand for the year ending 2015.

Long Term Debt

At year end the District had no outstanding long-term debt, a decrease of \$246 thousand from the prior year as the capital lease was paid off in full in the current year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The property tax rate for the 2016 budget preparations increased from \$0.0719 per \$100 valuation to \$0.0860 per \$100 valuation. The projected revenues for the 2016 budget preparation increased to \$1.2 million. This is a 6.9% increase due to increasing property valuations.
- General operating fund spending increased in the 2016 budget from \$1.3 million to \$1.7 million. The significant increase is primarily due to budgeted central station renovations.

These indicators were taken into account when adopting the general fund budget for 2016. Amounts available for appropriation in the general fund budget are \$1.7 million, a decrease of 2.6% under the final 2015 actual revenue of \$1.63. Property taxes are expected to increase due to increases in property valuations and property tax rate. The District will adjust expenditures to finance programs the District currently offers.

If these estimates are realized, the District's budgetary general fund balance is expected to change appreciably by the close of 2016.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide Comal County Emergency Services District No. 6 citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Administrator by phone at 210-688-0665.

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COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 6
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED DECEMBER 31, 2015

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board (GASB). The sets of statements include:

- Government – wide financial statements
- Fund financial statements:
 - Governmental funds

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

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COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 6
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities
ASSETS	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 1,141,067
Property Tax Receivable, Net of Allowance	1,176,730
Sales Tax Receivable	73,791
Prepaid Items	12,867
<i>Total Current Assets</i>	2,404,455
 <i>Capital Assets:</i>	
Vehicles	820,860
Less:	
Accumulated Depreciation	(308,241)
<i>Total Capital Assets</i>	512,619
TOTAL ASSETS	2,917,074
 DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied for Future Periods	1,244,783
TOTAL DEFERRED INFLOWS OF RESOURCES	1,244,783
 NET POSITION	
Net Investment in Capital Assets	512,619
Unrestricted	1,159,672
NET POSITION	\$ 1,672,291

The accompanying notes are an integral part of these statements.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 6
STATEMENT OF ACTIVITIES
FOR YEAR ENDED DECEMBER 31, 2015

<u>Functions and Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses), Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary Government:				
Governmental Activities:				
Emergency Services	\$ 1,150,785	\$ -	\$ 178,885	\$ (971,900)
General Administration	23,724	-	-	(23,724)
Interest on Capital Lease	5,424	-	-	(5,424)
Total Governmental Activities	<u>1,179,933</u>	<u>-</u>	<u>178,885</u>	<u>(1,001,048)</u>
Total Primary Government	<u>\$ 1,179,933</u>	<u>\$ -</u>	<u>\$ 178,885</u>	<u>(1,001,048)</u>
General Revenues:				
General Property Taxes				952,734
General Sales Taxes				505,733
Interest Income				<u>2,856</u>
Total General Revenues				<u>1,461,323</u>
Change in Net Position				460,275
Net Position at Beginning of Year				<u>1,212,016</u>
Net Position at End of Year				<u>\$ 1,672,291</u>

The accompanying notes are an integral part of these statements.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 6
 BALANCE SHEET
 GOVERNMENTAL FUND
 DECEMBER 31, 2015

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,141,067
Property Tax Receivable, Net of Allowance	1,176,730
Sales Tax Receivable	73,791
Prepaid Items	<u>12,867</u>
TOTAL ASSETS	<u><u>\$ 2,404,455</u></u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
<i>Deferred Inflows of Resources:</i>	
Property Taxes Levied for Future Periods	\$ 1,244,783
Unavailable Property Tax Revenue	<u>20,355</u>
<i>Total Deferred Inflows of Resources</i>	<u>1,265,138</u>
<i>Fund Balance:</i>	
Non-spendable	
Prepaid Items	12,867
Assigned for Emergency Services	600,000
Unassigned	<u>526,450</u>
<i>Total Fund Balance</i>	<u><u>1,139,317</u></u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 2,404,455</u></u>

The accompanying notes are an integral part of these statements.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 6
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015

TOTAL FUND BALANCE - GOVERNMENTAL FUND \$ 1,139,317

Amounts reported for governmental activities in the Statement of
Net Position are different because:

Capital Assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds.

512,619

Property taxes receivable are not available to pay current period
expenditures and, therefore, are deferred in the fund statements.

20,355

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES

\$ 1,672,291

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The accompanying notes are an integral part of these statements.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 6
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>General Fund</u>
REVENUES	
Property Taxes	\$ 940,063
Sales Taxes	505,733
Capital Grant Contribution	178,885
Interest and Other Income	2,856
TOTAL REVENUES	<u>1,627,537</u>
EXPENDITURES	
Current:	
Emergency Services	1,034,507
Administrative	23,724
Capital Outlay	20,760
Debt Service:	
Principal	245,900
Interest	9,466
TOTAL EXPENDITURES	<u>1,334,357</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>293,180</u>
Net Change in Fund Balance	293,180
Fund Balance at Beginning of Year	<u>846,137</u>
Fund Balance at End of Year	<u><u>\$ 1,139,317</u></u>

The accompanying notes are an integral part of these statements.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 6
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE OF THE
 GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2015

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND \$ 293,180

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay.

Additions to Capital Assets	20,760	
Depreciation	(116,277)	
	(95,517)	(95,517)

The issuance of long-term debt (e.g. bonds and capital leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal Payments on Capital Lease	245,900	
Change in Accrued Interest on Capital Lease	4,041	
	249,941	249,941

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. The change of property tax receivable reported in the statement of activities does not provide current financial resources and, therefore, is not reported as revenue in the governmental fund.

	12,671	
	12,671	12,671
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES		\$ 460,275

The accompanying notes are an integral part of these statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

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COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Comal County Emergency Services District No. 6 (a component unit of Comal County) is a political subdivision of the State of Texas and was created by the Comal County Commissioners' Court after a Public Election in 2003. The District was created to provide emergency services and promote public safety, welfare, health and convenience of persons residing in the District.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below:

A. THE FINANCIAL REPORTING ENTITY

In evaluating how to define the government for financial purposes, management has considered all potential component units. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the foregoing criteria, there were no component units identified that would require inclusion in this report.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the District. Governmental activities are supported mainly by property taxes.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) 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 in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental funds. The General Fund meets the criteria of a **major governmental fund**. The District has no other governmental funds.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2015

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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. Revenue types, which have been accrued, are revenue from the investments, intergovernmental revenue and charges for services. Property taxes are recognized in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs and investment earnings.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Property taxes which were levied prior to December 31, 2014, and became due January 01, 2015 have been assessed to finance the budget of the fiscal year beginning January 01, 2015.

Expenditures generally are recorded when an expense is incurred.

The government reports the following major governmental fund:

The General Fund is the general operating fund of the District and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes; sales taxes; and investment of idle funds. Primary expenditures are for general administration, emergency services and management.

The District has no other major governmental funds.

D. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the District.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2015

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

E. INVESTMENTS

State statutes authorize the District to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d); or, (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. The District has all its monies in interest bearing checking accounts, savings accounts, money market accounts or certificates of deposit. Earnings from these investments are added to each account monthly or quarterly.

F. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 and become due October 1 and past due after the following January 31. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property taxes receivable for prior year's levy is shown net of the allowance for doubtful accounts.

Sales taxes are reported based on sales and use transactions occurring within the borders of the District. Sales taxes are reported and payments are submitted monthly to the Texas Comptroller of Public Accounts, who releases the District's portion of revenues collected. Sales taxes receivable are reflected on the government-wide statement based on the full accrual method of accounting.

G. PREPAID ITEMS

Payments made for goods and services in advance are recorded as prepaid items on the balance sheet.

H. CAPITAL ASSETS

Capital assets, which include fire trucks, are reported in the government-wide financial statements. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 6
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
 DECEMBER 31, 2015

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

H. CAPITAL ASSETS (Cont.)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

ASSETS	YEARS
Vehicles	7 years

I. UNAVAILABLE REVENUE

Property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenues not expected to be available for the current period are reflected as unavailable revenue (a deferred inflow of resources).

Property taxes levied in October are used to finance the following calendar year and are also reflected as property taxes levied for future periods.

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

Deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet under a modified accrual basis of accounting. Unavailable revenues from property tax receivables are deferred and recognized as an inflow of resource in the period the amounts become available.

K. FUND EQUITY

Fund balances in governmental funds are classified as follows:

Nonspendable – Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted – Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2015

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

K. FUND EQUITY (CONT.)

Committed – Represents amounts that can only be used for a specific purpose determined by a formal action of the government’s highest level of decision-making authority. The District Board of Commissioners is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. .

Assigned – Represents amounts which the District intends to use for a specific purpose but do not meet the criteria of restricted or committed. The District Commissioners may make assignments through formal documentation in the minutes. The District Commissioners are the only entities that may make assignments at this time.

Unassigned – Represents the residual balance that may be spent on any other purpose of the District.

When an expenditure is incurred for a purpose in which multiple classifications are available, the District considers restricted balances spent first, committed second, assigned third, and unassigned fourth.

L. NET POSITION

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

M. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2015

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

N. RECLASSIFICATIONS

Certain reclassifications have been made to the prior periods presented to conform to the current presentation. These reclassifications had no effect on fund equity.

NOTE 2 -- CASH AND CASH INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledge securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash

At December 31, 2015, the carrying amount of the District's deposits in the bank was \$1,141,067 and the bank balance was \$1,152,653. Of the bank balance, \$250,000 was covered by federal deposit insurance and the District's depository had pledged securities having a face value of \$1,155,000 and a market value of \$1,193,807 as collateral for the District deposits. All of the District's cash was fully collateralized.

2. Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District had no investments at December 31, 2015.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2015

NOTE 2 -- CASH AND CASH INVESTMENTS (CONT.)

3. Analysis of Specific Deposit and Investment Risks

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

a. 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. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

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

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

The risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to a concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 6
 NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
 DECEMBER 31, 2015

NOTE 3 -- CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Balance 1/1/15</u>	<u>Additions</u>	<u>Adjustments and Disposals</u>	<u>Balance 12/31/15</u>
Vehicles	\$ 800,100	\$ 20,760	\$ -	\$ 820,860
Less Accumulated Depreciation	(191,964)	(116,277)	-	(308,241)
	<u>\$ 608,136</u>	<u>\$ (95,517)</u>	<u>\$ -</u>	<u>\$ 512,619</u>

NOTE 4 -- CAPITAL LEASES

The District entered into a capital lease agreement with Oshkosh Capital for the purchase of a fire truck. The original lease agreement is in the amount of \$592,044 and is for a five-year term, with a maturity date of May 2017, and a nominal annual interest rate of 2.5%. The lease called for a down payment of \$192,044 at signing, leaving a remaining \$400,000 debt to be paid in annual payments of \$86,099 through the lease term. The remaining principle balance of \$258,297 was paid off during the current year.

NOTE 5 -- AD VALOREM (PROPERTY) TAXES

The District has contracted with the Comal County Tax Assessor-Collector to collect taxes on its behalf. Current year taxes become delinquent February 1. Current year delinquent taxes not paid by July 1 are turned over to attorneys for collection action.

For fiscal year 2015, the assessed tax rate for the District was \$0.071900 per \$100 on an assessed valuation of \$1,315,744,093. Total tax levy for fiscal year 2015 was \$946,020. As of December 31, 2015, the delinquent current taxes for the 2014 levy were \$7,729.

NOTE 6 -- CONTINGENT LIABILITIES

Litigation

The District is not aware of any pending or threatened litigation.

NOTE 7 -- CONCENTRATION OF EXPENDITURES

For fiscal year 2015, the District paid the City of Schertz, EMS \$93,450 and Bracken Volunteer Fire Department \$941,057 for providing emergency services to the District, which combined was approximately 77% of the total expenditures of the District.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2015

NOTE 8 -- SERVICE PROVIDER AGREEMENT

The District is currently engaged with the City of Schertz, Schertz EMS, to provide certain emergency medical services and emergency medical transport within the boundaries of the District. The District shall provide a quarterly payment to the City equal to one-quarter of the annual fee of \$13.35 per citizen located within the District's boundaries. The relationship between the City and the District is renewed annually, and may be terminated by either party during the annual renewal process.

The District is currently engaged with Bracken Volunteer Fire Department (a nonprofit fire department) designating the Department as the District's agent for providing fire suppression and extinguishment within the boundaries of the District. The District provides quarterly reimbursement of qualified expenditures to the Department based on expenditures and budgets approved by the District Commissioners. Title and ownership of all assets purchased with funds provided by the District are to remain with the Department until dissolution of the relationship between the Department and the District. Upon dissolution of the relationship between the Department and the District, title and ownership of all assets purchased with District funds will be transferred to the District or an entity determined by the District.

NOTE 9 -- RISK MANAGEMENT

The Comal County Emergency Services District No. 6 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. To cover this risk the District contracts with the Volunteer Firemen's Insurance Services (VFIS) of Texas to provide insurance coverage for Property/Casualty. Contributions are set annually by VFIS. Liability by the District is generally limited to the contributed amounts. Annual contributions for the year ended December 31, 2015, were \$1,280.

NOTE 10 -- SUBSEQUENT EVENTS

As of December 31, 2015, the District is pursuing the purchase of a 3-acre property for construction of a substation. The District approved to offer up to \$108,000 for the property, contingent on lifting certain homeowner association restrictions.

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REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund

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COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 6
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Property Taxes	\$ 946,246	\$ 946,246	\$ 940,063	\$ (6,183)
Sales Taxes	377,000	377,000	505,733	128,733
Capital Grant Contribution	-	-	178,885	178,885
Interest and Other Income	2,000	2,000	2,856	856
TOTAL REVENUES	<u>1,325,246</u>	<u>1,325,246</u>	<u>1,627,537</u>	<u>302,291</u>
EXPENDITURES				
Current:				
Emergency Services	1,027,850	1,034,507	1,034,507	-
Administrative	29,602	29,602	23,724	5,878
Capital Outlay	-	21,103	20,760	343
Debt Service:				
Principal	253,000	253,000	245,900	7,100
Interest	-	-	9,466	(9,466)
TOTAL EXPENDITURES	<u>1,310,452</u>	<u>1,338,212</u>	<u>1,334,357</u>	<u>3,855</u>
Net Change in Fund Balance	14,794	(12,966)	293,180	306,146
Fund Balance - Beginning of Year	<u>846,137</u>	<u>846,137</u>	<u>846,137</u>	<u>-</u>
Fund Balance - End of Year	<u><u>\$ 860,931</u></u>	<u><u>\$ 833,171</u></u>	<u><u>\$ 1,139,317</u></u>	<u><u>\$ 306,146</u></u>

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 6
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DECEMBER 31, 2015

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The District maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the District’s Board and as such is a good management control device.

Actual expenditures may not legally exceed appropriations. Actual expenditures did not exceed appropriations for the year ended December 31, 2015.

The District does not use encumbrances.

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SUPPLEMENTARY INFORMATION

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COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 6
 COMPARATIVE BALANCE SHEET
 GENERAL FUND
 DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and Cash Equivalents	\$ 1,141,067	\$ 646,776
Certificates of Deposit	-	203,174
Property Tax Receivable, Net of Allowance	1,176,730	866,254
Sales Tax Receivable	73,791	70,286
Prepaid Items	12,867	8,862
TOTAL ASSETS	\$ 2,404,455	\$ 1,795,352
 DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
<i>Deferred Inflows of Resources:</i>		
Property Taxes Levied for Future Periods	\$ 1,244,783	\$ 941,530
Unavailable Property Tax Revenue	20,355	7,685
<i>Total Deferred Inflows of Resources</i>	1,265,138	949,215
 <i>Fund Balance:</i>		
Non-spendable		
Prepaid Items	12,867	8,862
Assigned for Emergency Services	600,000	400,000
Unassigned	526,450	437,275
<i>Total Fund Balance</i>	1,139,317	846,137
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 2,404,455	\$ 1,795,352

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 6
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - GENERAL FUND
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
REVENUES		
Property Taxes	\$ 940,063	\$ 878,081
Sales Taxes	505,733	396,923
Fire Truck Contribution	178,885	77,602
Interest and Other Income	2,856	3,732
TOTAL REVENUES	1,627,537	1,356,338
EXPENDITURES		
<i>Current:</i>		
Emergency Services	1,034,507	969,788
Administrative	23,724	21,732
Capital Outlay	20,760	200,190
Debt Service:		
Principal	245,900	78,001
Interest	9,466	8,098
TOTAL EXPENDITURES	1,334,357	1,277,809
Net Change in Fund Balance	293,180	78,529
Fund Balance at Beginning of Year	846,137	767,608
Fund Balance at End of Year	\$ 1,139,317	\$ 846,137

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COMAL COUNTY
EMERGENCY SERVICES DISTRICT #7

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2015

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**COMAL COUNTY EMERGENCY SERVICES DISTRICT #7
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DECEMBER 31, 2015**

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Rick C. Reed
& COMPANY, PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board Members
Comal County Emergency Services District #7
New Braunfels, TX

We have audited the accompanying financial statements of the governmental activities, and each major fund of Comal County Emergency Services District #7 (the District) as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year comparative information shown on pages 10 and 12 has been derived from the Districts' 2014 financial statements and, in our report dated May 22, 2015, we expressed a qualified opinion on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities and each major fund of the Comal County Emergency Services District #7, as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information:

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and page 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Rick C. Reed & Company, PLLC

Rick C. Reed & Company, PLLC

May 18, 2016

**COMAL COUNTY EMERGENCY SERVICES DISTRICT #7
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Comal County Emergency Services District #7 ("ESD #7" "the District") annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ESD #7's total net position was \$1,672,096 at December 31, 2015.
- Expenses for the year ended December 31, 2015 were \$984,290. Revenues exceeded expenses by \$325,465.

OVERVIEW OF THE FINANCIAL STATEMENTS

ESD #7's Annual Financial Report consists of a series of financial statements and accompanying notes, with the primary focus being on the District as a whole. The Statement of Net Position and the Statement of Activities are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The fund financial statements report ESD #7's operations in more detail by providing information as to how services are financed in the short-term, as well as the remaining available resources for future spending. Additionally, the fund financial statements focus on major funds rather than fund types. The District has one fund type which is the general fund. This fund accounts for property tax revenues which are collected monthly by Comal County on behalf of the District. ESD #7 was formed as a subdivision of the State of Texas as an emergency services district under Health and Safety Code 776.

Government-Wide Financial Statements

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

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

The two government-wide statements report ESD #7's net position, which represent the difference between assets and (liabilities plus deferred inflows of resources.) Over time, the increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating. Additionally, the District's financial operating results are determined by the difference between the revenues and expenses. To assess the overall health of the District, consideration should be given to additional non-financial factors such as changes in the District's tax base.

Fund Financial Statements

Fund financial statements provide a detailed short-term view of ESD #7's operations, focusing on its most significant or "major" fund, emergency service operations. The District has one fund -- a general fund.

Governmental Funds - The accounting for ESD #7's basic services is included in the governmental fund. The measurement focus and basis of accounting used for reporting continues to be the modified accrual basis which measures inflows and outflows of current financial resources and the remaining balances at year-end that are available for spending. Furthermore, under this basis of accounting, changes in net spendable assets are normally recognized only to the extent that they are expected to have a near-term impact, while inflows are recognized only if they are available to liquidate liabilities of the current period. Similarly, future outflows are typically recognized only if they represent a depletion of current financial resources. The District's governmental fund is the General Fund. The differences in the amounts reported between the fund statements and the government-wide statements are explained in the reconciliations provided on pages 11 and 13.

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information beginning on page 19.

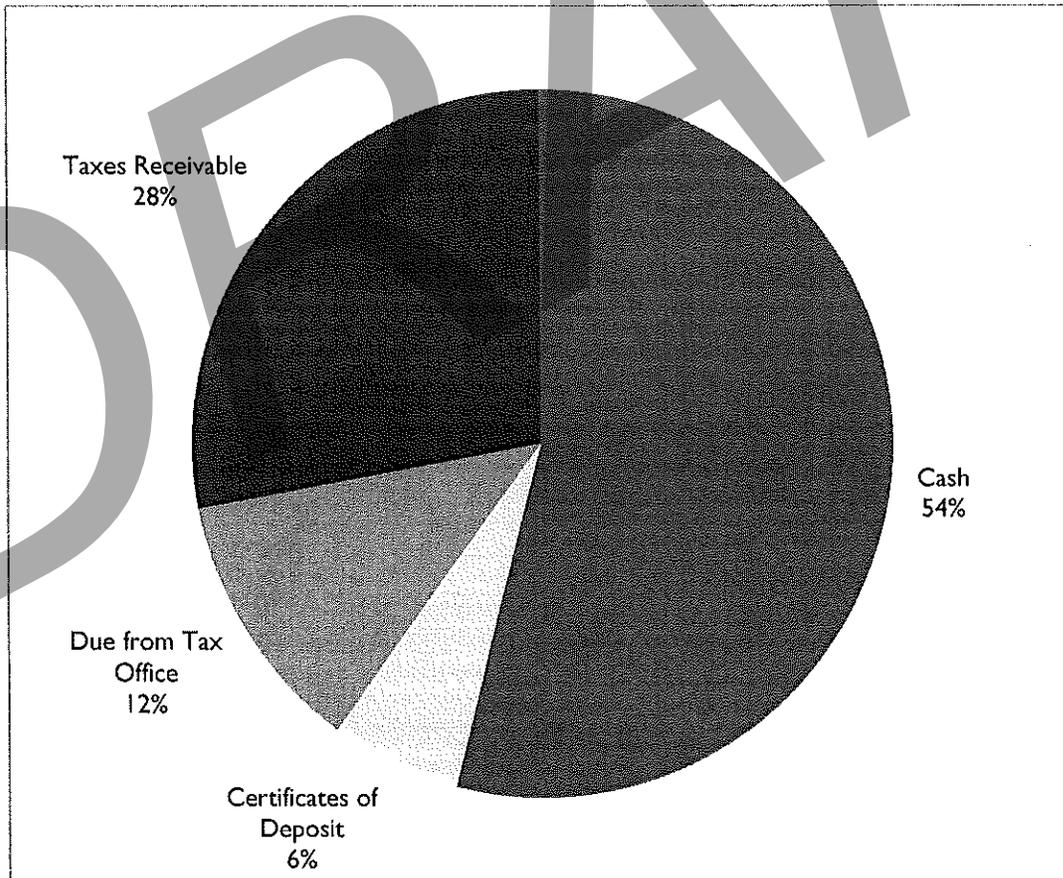
FINANCIAL ANALYSIS OF ESD #7 AS A WHOLE

The most significant assets of the District consists of taxes receivable, and cash including a money market account and two certificates of deposit.

A schedule of ESD #7's net position is summarized as follows:

	2015	2014	Change
Assets			
Current assets	\$ 3,306,670	\$ 2,870,149	\$ 436,521
Other assets	-	-	-
Total assets	<u>\$ 3,306,670</u>	<u>\$ 2,870,149</u>	<u>\$ 436,521</u>
Liabilities			
Current liabilities	\$ 283,437	\$ 226,084	\$ 57,353
Long-term liabilities	-	-	-
Total liabilities	<u>283,437</u>	<u>226,084</u>	<u>57,353</u>
Deferred inflow of resources	<u>1,351,137</u>	<u>1,297,434</u>	<u>53,703</u>
Net Position			
Unrestricted	<u>1,672,096</u>	<u>1,346,631</u>	<u>325,465</u>
Total net position	<u>\$ 1,672,096</u>	<u>\$ 1,346,631</u>	<u>\$ 325,465</u>

The following chart is a graphic representation of the district's assets at December 31, 2015.



ESD #7's total general revenues were \$1,309,755 in 2015; substantially all of the revenue is from property taxes. The increase from 2014 was due to an increase in assessed property values.

For the year ended December 31, 2015, the total expenditures were \$984,290, an increase of 5.98% over the prior year. The increase was due mainly to the increase in contract payments to the City of New Braunfels for fire and emergency services. The contract payments increased from 2014 by \$57,353 or 6.34%. The contracted costs are calculated based upon the District's call volume compared to the City's total call volume, adjusted for estimated insurance reimbursements.

The following table summarizes the changes in the District's net position from its activities for the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Revenues:			
General Revenues	\$ 1,309,755	\$ 1,273,739	\$ 36,016
Total revenues	<u>1,309,755</u>	<u>1,273,739</u>	<u>36,016</u>
Expenditures			
General Government	22,603	24,375	(1,772)
Public safety	961,687	904,334	57,353
Total expenses	<u>984,290</u>	<u>928,709</u>	<u>55,581</u>
Increase in net position	<u>325,465</u>	<u>345,030</u>	<u>(19,565)</u>
Beginning net position, as originally stated (2014)	1,346,631	1,227,685	118,946
Prior period adjustment (1)	-	(226,084)	226,084
Beginning net position, as restated (2014)	<u>1,346,631</u>	<u>1,001,601</u>	<u>345,030</u>
Ending net position	<u>\$ 1,672,096</u>	<u>\$ 1,346,631</u>	<u>\$ 325,465</u>

(1) The District made a change in accounting principle to recognize the expense for services paid to the City of New Braunfels in accordance with the modified accrual basis of accounting. This required a prior period adjustment, see Note D for further explanation.

CAPITAL ASSETS ADMINISTRATION

The District contracts with the City of New Braunfels to provide emergency services, and the District has no capital assets.

BUDGETARY HIGHLIGHTS

The Statement of Revenues, Expenditures and Changes in Fund Balances on page 12 indicates General Fund revenues exceeded expenditures by \$321,328 and the fund balance at the end of the year was \$1,653,396.

Actual revenues in 2015 were more than budgeted amount by \$651, due mainly to penalties and interest under budgeted. Expenditures were over budget in 2015 by \$22,514 because the contracted services expenditures to the City of New Braunfels was more than originally budgeted amounts. The budget was not amended during 2015.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2016 property tax rate was decreased from 2015, from \$.0815 per \$100 property valuation to \$.0777 per \$100 property valuation. In 2016, taxable values in the District increased about 5% from 2015 values, but the tax rate decreased 8% so the assessed Ad Valorem taxes will be about 3% (approx. \$44,000) more than the 2015 assessed taxes.

The 2015/2016 contract with the City will require total payments of \$1,133,747, an 18% increase from the 2014/2015 contract. The contracted costs are calculated based upon the District's call volume compared to the City's total call volume, adjusted for estimated insurance reimbursements.

CONTACTING THE ESD's FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers, patrons and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact ESD #7 at 301 Main Plaza, Box 372, New Braunfels, Texas 78130.

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BASIC FINANCIAL STATEMENTS

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COMAL COUNTY EMERGENCY SERVICES DISTRICT #7
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,777,926
Cash with fiscal agent	386,686
Investments	210,319
Property tax receivable	930,948
Prepays	791
Total assets	\$ 3,306,670
Liabilities	
Accounts payable	\$ 283,437
Total liabilities	283,437
Deferred Inflow of Resources	1,351,137
Net Position	
Unrestricted	1,672,096
Total net position	\$ 3,306,670

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

**COMAL COUNTY EMERGENCY SERVICES DISTRICT #7
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Emergency Services Function,	Governmental
Expenses:	Activities
Public safety	\$ 961,687
General government	22,603
	<hr/>
Total expenses	984,290
	<hr/>
General revenues:	
Property tax	1,299,976
Penalties and interest - delinquent taxes	7,722
Interest income	2,057
	<hr/>
Total general revenues	1,309,755
	<hr/>
Change in net position	325,465
Net position, beginning of year, as originally stated	1,572,715
Prior period adjustment	(226,084)
	<hr/>
Net position, beginning of year, as restated	1,346,631
	<hr/>
Net position, end of year	\$ 1,672,096
	<hr/>

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

**COMAL COUNTY EMERGENCY SERVICES DISTRICT #7
BALANCE SHEETS
DECEMBER 31, 2015 AND 2014**

	2015 General Fund	2014 General Fund
Assets		
Cash and cash equivalents	\$ 1,777,926	\$ 1,410,401
Cash with fiscal agent	386,686	340,946
Investments	210,319	208,787
Property taxes receivable	930,948	909,191
Prepays	791	824
	\$ 3,306,670	\$ 2,870,149
Liabilities:		
Accounts payable	\$ 283,437	\$ 226,084
	283,437	226,084
Deferred Inflow of Resources		
Unavailable revenue - property taxes	1,369,837	1,311,997
Fund balances:		
Unassigned	1,653,396	1,332,068
	1,653,396	1,332,068
Total fund balances	1,653,396	1,332,068
Total liabilities, deferred inflow of resources and fund balances	\$ 3,306,670	\$ 2,870,149

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

**COMAL COUNTY EMERGENCY SERVICES DISTRICT #7
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015**

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

Fund balances of all governmental funds (Page 10)	\$ 1,653,396
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	<u>18,700</u>
Net position of governmental activities (Page 8)	<u>\$ 1,672,096</u>

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

**COMAL COUNTY EMERGENCY SERVICES DISTRICT #7
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u> <u>General Fund</u>	<u>2014</u> <u>General Fund</u>
Revenues:		
Property tax revenue	\$ 1,295,839	\$ 1,267,780
Penalties and Interest - delinquent taxes	7,722	3,568
Interest income	2,057	1,791
	<hr/>	<hr/>
Total revenues	1,305,618	1,273,139
	<hr/>	<hr/>
Expenditures:		
General government	22,603	24,375
Public safety	961,687	904,334
	<hr/>	<hr/>
Total expenditures	984,290	928,709
	<hr/>	<hr/>
Excess expenditures over revenues	321,328	344,430
	<hr/>	<hr/>
Net change in fund balance	321,328	344,430
	<hr/>	<hr/>
Fund balances, beginning of year as originally stated (2014)	1,332,068	1,213,722
Prior period adjustment	-	(226,084)
	<hr/>	<hr/>
Fund balances, beginning of year as restated (2014)	1,332,068	987,638
	<hr/>	<hr/>
Fund balances, end of year	<u>\$ 1,653,396</u>	<u>\$ 1,332,068</u>

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

**COMAL COUNTY EMERGENCY SERVICES DISTRICT #7
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2015**

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

Net change in fund balances for all governmental funds (Page 12)	\$ 321,328
Certain property tax revenues are deferred in the funds. This is the change in the amounts this year.	<u>4,137</u>
Change in net position of governmental activities (Page 9)	<u><u>\$ 325,465</u></u>

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

**COMAL COUNTY EMERGENCY SERVICES DISTRICT #7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

A. Summary of Significant Accounting Policies

The financial statements of Comal County Emergency Services District #7 (the "District") have been prepared in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of Directors ("Board"), a five-member group has governance responsibilities over all activities related to fire emergency service operations within the jurisdiction of the District. The Board is appointed by the County of Comal, Texas and has the exclusive power and duty to govern. The District receives funding from local government sources and must comply with the requirements of those funding entities. However, the District is included in the County of Comal, Texas' financial statements as a component unit and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Governmental activities generally are financed through property tax revenue, which is all recorded as general revenue.

The statement of activities presents a single function, emergency services. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Revenues that are classified as general revenues include property tax, penalty and interest collected on delinquent taxes receivable and interest income.

Fund Financial Statements: The fund financial statements provide information about the District's major governmental fund:

General Fund. This is the District's operating fund. It accounts for all financial resources of the District.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

COMAL COUNTY EMERGENCY SERVICES DISTRICT #7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

A. Summary of Significant Accounting Policies (continued)

2. Basis of Presentation, Basis of Accounting - continued
 - b. Measurement Focus, Basis of Accounting

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected, except that property tax revenue is recognized in the year for which taxes have been levied. Revenues from local sources consist primarily of property taxes. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. The district records deferred inflow of resources for property taxes collected in advance of the tax year for which the taxes were levied. Expenditures are recorded when the related fund liability is incurred.

Property taxes are levied October 1 on the assessed value listed as of the prior January 1 for all real and personal business property in conformity with Subtitle E of the Texas Property Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed.

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

3. Cash and Cash Equivalents - The District considers cash and cash equivalents to be cash in demand accounts, certificates of deposit, savings accounts, and other investments with an original maturity of 3 months or less.
4. Receivable and Payable Balances - The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.
5. Management's Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

COMAL COUNTY EMERGENCY SERVICES DISTRICT #7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

A. Summary of Significant Accounting Policies (continued)

6. Deferred Inflows of Resources - In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in the category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheets. The governmental funds report unavailable revenues for property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts became available.

The District adopted the provisions of GASB #63 Financial Reporting of Deferred Outflows of Resources and Net Position. This statement requires governments to account for deferred outflows of resources or deferred inflows of resource, deferred inflows of resources and net position as they relate to derivatives and service concession arrangements. Under provisions of this statement, governments will also present a Statement of Net Position and changes the caption "Net Assets" to "Net Position".

The District adopted the provisions of GASB #65 Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as outflows of resources or inflows 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 District has \$1,351,137 deferred inflows of resources on the statement of net position, relating to ad valorem taxes that are reviewed or reported as a receivable before the period for which property taxes are available. The Districts financial reporting has been changed in conformity with the statement.

B. Deposits and Investments

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

Cash Deposits and Cash Equivalents:

At December 31, 2015, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in cash and cash equivalents) and investments was \$1,988,245 and the bank balance was \$1,988,401. The District's cash deposits at December 31, 2015 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

COMAL COUNTY EMERGENCY SERVICES DISTRICT #7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

B. Deposits and Investments (Continued)

Investments:

The GASB issued statement No. 40 "Deposits and Investment Risk Disclosures" which is effective for periods beginning after June 15, 2004. GASB 40 not only addresses custodial credit risk as noted above, but other common areas of investment risk as well, such as interest rate risk and credit risk.

Custodial Credit Risk

The District's investments are not categorized by level of risk assumed by the District because the District invests in certificates of deposit.

Interest Rate Risk

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

Concentration of Credit Risk

The District diversifies its investments in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity or specific issuer.

Credit Risk

The Certificates of Deposit are rated as shown in the schedule on page 18. The District's policy to manage credit risk is to invest in U.S. treasury or agency instruments, public funds investment pools, certificates of deposits, and money market accounts.

The District is not exposed to foreign currency risk.

The District is required by Government Code Chapter 2256, The Public Funds Investment Act ("Act"), to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT #7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

B. Deposits and Investments (Continued)

The District's investments at December 31, 2015 are shown below:

	<u>Face</u>	<u>Market</u>	<u>Rating</u>	<u>Maturity Date</u>
Included in cash equivalents:				
CD Randolph Brooks FCU	\$ 105,567	\$ 105,567	Not Rated	1/6/16
CD Randolph Brooks FCU	104,752	104,752	Not Rated	7/4/16
	<u>\$ 210,319</u>	<u>\$ 210,319</u>		

C. General Government Expense

The general government expense of \$22,603 is the sum of the following categories of expenses:

Appraisal, legal, accounting and professional services	\$ 19,820
General administration	<u>2,783</u>
	<u>\$ 22,603</u>

D. Prior Period Adjustment

ESD #7 has a contract with the City of New Braunfels for emergency services provided to the District. Prior to 2015, the expenses for these services were reported per the payment terms of the contract versus when the expenses were actually incurred. Beginning in the 2015, the District is now recognizing these expenses when incurred to be in accordance with generally accepted accounting principles. The change in the accounting principle required a prior period adjustment to 2014, which resulted in an increase to accounts payable of \$226,084 and a decrease to the beginning net assets of \$226,084.

E. Evaluation of Subsequent Events

The District has evaluated subsequent events through May 18, 2016, the date which the financial statements were available to be issued. There were no subsequent events to disclose.

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

**COMAL COUNTY EMERGENCY SERVICES DISTRICT #7
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL ON A BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts Original and Final	Budgetary Basis Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues:			
Property tax revenue	\$ 1,299,667	\$ 1,295,839	\$ (3,828)
Sundry other income	5,300	9,779	4,479
Total revenues	<u>1,304,967</u>	<u>1,305,618</u>	<u>651</u>
Expenditures:			
General government	30,310	22,603	7,707
Public safety	931,466	904,334	27,132
Total expenditures	<u>961,776</u>	<u>926,937</u>	<u>34,839</u>
 Excess revenue over expenditures	 343,191	 378,681	 35,490
 Fund balances, beginning of year	 <u>1,276,618</u>	 <u>1,332,068</u>	 <u>55,450</u>
Fund balances, end of year - budgetary basis	<u>\$ 1,619,809</u>	<u>\$ 1,710,749</u>	<u>\$ 90,940</u>

Budgetary Information

Budgetary is derived from the annual operating budget and is presented using the cash basis of accounting.

Excess revenue over expenditures budgetary basis	\$ 378,681
Reconciliation of budgetary basis to GAAP basis:	
City contract payments adjustment from cash basis to accrual basis	(57,353)
 Excess revenue over expenditures, GAAP basis	 <u>\$ 321,328</u>