

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025



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



COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2

TABLE OF CONTENTS

December 31, 2025

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1-3
MANAGEMENT’S DISCUSSION AND ANALYSIS	5-5D
FINANCIAL STATEMENTS	
Statement of Net Position – Governmental Activities	9
Statement of Activities – Governmental Activities	10
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position – Governmental Activities	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13
Reconciliation of Change in Net Position – Governmental Activities and Change in Fund Balances – Governmental Funds	14
Notes to the Financial Statements	15-22
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on a GAAP Basis – General Fund	25
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 <i>Government Auditing Standards</i>	29-30
Schedule of Findings and Responses	31
Schedule of Prior Year Findings	32



INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Comal County Emergency Services District No. 2
Canyon Lake, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of the Comal County Emergency Services District No. 2 (the District), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District, as of December 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

ABIP, PC

San Antonio, Texas
May 21, 2026



COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2025

As management of Comal County Emergency Services District No. 2 (the District), we offer readers of the financial statements this narrative overview and analysis of the financial activities and performance during the fiscal year ended December 31, 2025. We encourage readers to consider the information presented here as well as the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District levied taxes of \$0.057406/\$100 of assessed valuation. For the governmental activities ad valorem tax revenue reported for the year was \$6,529,387. Other income includes medical revenue income of \$1,939,102 and interest income of \$460,628.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$2,639,919. The unassigned fund balance increased by \$199,431 from the 2024 calendar year. The committed fund balance increased over the prior year by \$255,399 with a year end balance of \$6,167,635.
- As of December 31, 2025, the District's total net position was \$13,341,677, an increase of \$2,350,430 over the prior year.
- Current year expenses totaled \$6,578,687. Of this total, approximately \$5,890,860 was expended for health and human services, including depreciation expense of \$431,432 and the remaining \$687,827 was general government and interest expense.
- General fund revenues consisted of \$7,718,190 and exceeded total expenditures by \$454,830.

OVERVIEW OF THE FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements must include both government-wide and fund financial statements. Governments must also present a management's discussion and analysis, notes to the financial statements, and required supplementary information.

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 major fund, which is the general fund. This fund accounts for property tax revenues which are collected monthly by the Comal County Tax Assessor on behalf of the District.

The District was formed in 1992 as a political subdivision of the State of Texas as an emergency services district under Health and Safety Code 776 to provide emergency medical services to the Canyon Lake area of Comal County. Effective June 17, 2011, Senate Bill repealed Chapter 776 of the Texas Health and 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 as well as deferred outflows and inflows of resources. The statement of activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

FUND FINANCIAL STATEMENTS

The fund financial statements provide a detailed short-term view of the District's operations, focusing on its major fund, emergency service operations.

Governmental Fund - The accounting for the District's basic services are 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 12 and 14.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide disclosures and additional information that are essential to a full understanding of the financial information presented in the government-wide and fund financial statements. The notes to the financial statements are provided starting on page 15.

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information as required by the Governmental Accounting Standards Board beginning on page 25.

THE DISTRICT'S NET POSITION

At December 31, 2025 the District's net position is \$13,341,677. This is a \$2,350,430 increase over last year's net position of \$10,991,247.

Comparative Condensed Statement of Net Position

	GOVERNMENTAL ACTIVITIES	
	2025	2024
ASSETS:		
Current assets	\$ 15,717,118	\$ 14,632,598
Capital assets, net	<u>2,553,374</u>	<u>1,868,701</u>
Total assets	<u>18,270,492</u>	<u>16,501,299</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
LIABILITIES:		
Current liabilities	2,970,447	2,754,930
Non-current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>2,970,447</u>	<u>2,754,930</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,958,368</u>	<u>2,755,122</u>
NET POSITION:		
Net investment in capital assets	2,553,374	1,868,701
Restricted - capital projects	-	-
Unrestricted net position	<u>10,788,303</u>	<u>9,122,546</u>
Total net position	<u>\$ 13,341,677</u>	<u>\$ 10,991,247</u>

Comparative Statement of Activities

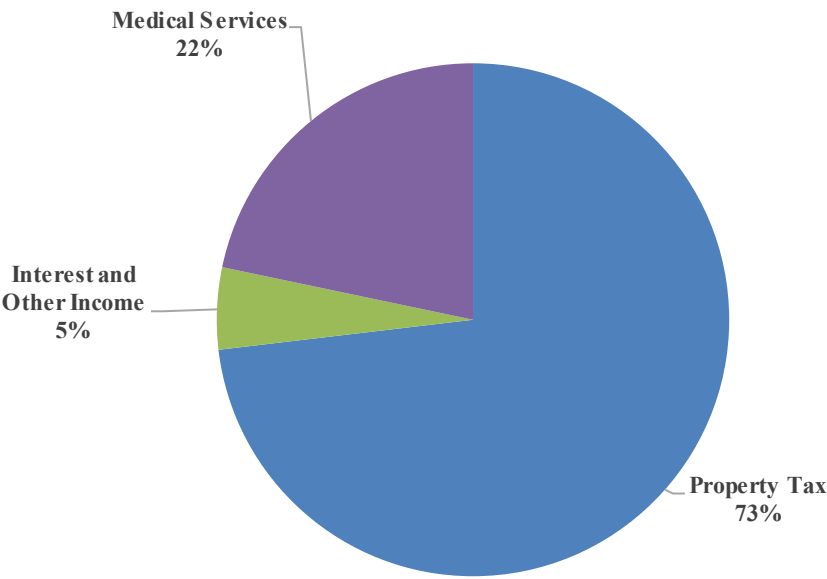
The District's total revenues were \$8,929,117 in 2025 of which 73% of the revenue came from ad valorem property taxes, 22% of revenue came from medical services and 5% from interest and other income.

The District has an executed interlocal service agreement with Comal County Emergency Services District No. 3 (ESD 3) to provide emergency services on behalf of the District within the boundaries of the District's service area. The contract was entered into on November 21, 2024 and was effective January 1, 2025 for the period covering January 1, 2025 through December 31, 2029. Funds are distributed to ESD 3 on a monthly basis for personnel and related expense reimbursement. The District and ESD 3 review budget to actual revenues and expenses every six months, whereas ESD 3 may request modifications to the budget, but the District retains approval and denial rights. The details of the agreement are explained on page 21 in the notes to the financial statements. In November 2022, the District and ESD 3 entered into an interlocal agreement with Comal County Emergency Services District No. 6 (ESD 6) to service a portion of ESD 6's territory that abuts the boundary lines of the District and ESD 3 from Station 56 as if it were their own.

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

	GOVERNMENTAL ACTIVITIES	
	2025	2024
REVENUES:		
General revenues	\$ 6,990,015	\$ 6,156,262
Charges for services	<u>1,939,102</u>	<u>1,740,696</u>
Total revenues	<u>8,929,117</u>	<u>7,896,958</u>
EXPENSES:		
General government	687,827	151,688
Health and human services	<u>5,890,860</u>	<u>5,089,177</u>
Total expenses	<u>6,578,687</u>	<u>5,240,865</u>
Change in net position	2,350,430	2,656,093
NET POSITION - BEGINNING OF YEAR	<u>10,991,247</u>	<u>8,335,154</u>
NET POSITION - END OF YEAR	<u><u>\$ 13,341,677</u></u>	<u><u>\$ 10,991,247</u></u>

The following chart is a graphic representation of the District’s revenue for the year ended December 31, 2025.



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

For the year ended December 31, 2025, the District's governmental funds reflect an unassigned fund balance of \$2,639,919. This year's increase in committed fund balance of \$255,400 is due to investment interest from the reserved fund and transfers from the general fund to the reserved fund.

Actual revenues were more than budgeted revenues by \$136,910, and actual expenditures were less than budgeted expenditures by \$246,779. Resources available were \$383,689 more than the final budgeted amount.

CAPITAL ASSETS ADMINISTRATION

Net investments in capital assets, net of accumulated depreciation, was \$2,553,374 at December 31, 2025. Capital assets include land, buildings and improvements, equipment, and vehicles valued at \$5,335,774.

	GOVERNMENTAL ACTIVITIES	
	2025	2024
Land	\$ 11,950	\$ 11,950
Building and improvements	189,632	189,632
Vehicles	2,884,380	2,601,834
Equipment	2,249,812	1,416,253
Total capital assets	5,335,774	4,219,669
Accumulated depreciation	(2,782,400)	(2,350,968)
Capital assets, net	<u>\$ 2,553,374</u>	<u>\$ 1,868,701</u>

LONG-TERM DEBT

The District has no debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The ad valorem property tax rate is \$0.056167 per \$100 property valuation which is a decrease from 2024 tax year of \$0.057406. The District expects increased revenues for the 2025 year due to an increase in certified property valuations and taxes related to new construction.

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 office at 830-907-2922, or at post office box 2140, Canyon Lake, Texas 78133.



BASIC FINANCIAL STATEMENTS



COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2

STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES

December 31, 2025

ASSETS:

Cash and cash equivalents	\$ 8,971,282
Property tax receivable	3,080,271
Due from County	2,806,719
Patient receivables, net	858,846
Capital assets (net of accumulated depreciation)	
Land	11,950
Buildings and improvements	34,561
Vehicles	1,393,142
Equipment	<u>1,113,721</u>
Total assets	<u>18,270,492</u>

LIABILITIES:

Accounts payable	38,568
Patient reimbursements	8,096
Unearned revenues	<u>2,923,783</u>
Total liabilities	<u>2,970,447</u>

DEFERRED INFLOWS OF RESOURCES:

Current year property taxes levied for the subsequent period	<u>1,958,368</u>
Total deferred inflows of resources	<u>1,958,368</u>

NET POSITION:

Net investment in capital assets	2,553,374
Unrestricted	<u>10,788,303</u>
Total net position	<u>\$ 13,341,677</u>

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2

STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES

For the year ended December 31, 2025

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
Primary government				
Governmental activities:				
Public safety	\$ 5,890,860	\$ 1,939,102	\$ -	\$ (3,951,758)
General government	<u>687,827</u>	<u>-</u>	<u>-</u>	<u>(687,827)</u>
Total governmental activities	<u>\$ 6,578,687</u>	<u>\$ 1,939,102</u>	<u>\$ -</u>	<u>(4,639,585)</u>
General revenues				
Taxes:				
Property taxes				6,529,387
Interest income				<u>460,628</u>
Total general revenues and transfers				<u>6,990,015</u>
Change in net position				2,350,430
Net position at beginning of year				<u>10,991,247</u>
Net position at end of year				<u>\$ 13,341,677</u>

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2025

	<u>General Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 8,971,282
Property taxes receivable	3,080,271
Due from County	2,806,719
Patient receivables, net	<u>858,846</u>
Total assets	<u><u>\$ 15,717,118</u></u>
LIABILITIES:	
Accounts payable	\$ 38,568
Patient reimbursements	8,096
Unearned revenues	<u>2,923,783</u>
Total liabilities	<u><u>2,970,447</u></u>
DEFERRED INFLOWS OF RESOURCES:	
Unpaid property taxes	3,080,271
Unpaid patient receivables	<u>858,846</u>
Total deferred inflows of resources	<u><u>3,939,117</u></u>
FUND BALANCE:	
Committed	6,167,635
Unassigned	<u>2,639,919</u>
Total fund balance	<u><u>8,807,554</u></u>
 Total liabilities, deferred inflows of resources, and fund balance	 <u><u>\$ 15,717,118</u></u>

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2

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

December 31, 2025

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 8,807,554
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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.	2,553,374
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Other assets unavailable to pay for current period expenditures are deferred in the funds.	858,846
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Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	<u>1,121,903</u>
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ 13,341,677</u></u>
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The accompanying notes are an integral part of the financial statements.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2

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

For the year ended December 31, 2025

	<u>General Fund</u>
REVENUES:	
Property tax revenue	\$ 5,787,880
Interest income	460,628
Patient fees	<u>1,469,682</u>
Total revenues	<u>7,718,190</u>
EXPENDITURES:	
General government	687,827
Health and human services	5,459,428
Capital outlay	<u>1,116,105</u>
Total expenditures	<u>7,263,360</u>
Excess of revenues over expenditures	454,830
FUND BALANCE - BEGINNING OF YEAR	<u>8,352,724</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 8,807,554</u></u>

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2

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

For the year ended December 31, 2025

NET CHANGE IN FUND BALANCES \$ 454,830

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 capital outlays exceeded depreciation expense in the
period.

Expenditures for capital assets	\$ 1,116,105	
Current year's depreciation	<u>(431,432)</u>	684,673

Change in patient revenue	469,420
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Delinquent property tax revenues are deferred in the fund. This is the change in these amounts this year.	<u>741,507</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 2,350,430</u></u>
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The accompanying notes are an integral part of the financial statements.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

(1) Summary of significant accounting policies

The financial statements of Comal County Emergency Services District No. 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.

Reporting entity

The District is responsible for emergency medical services in the Canyon Lake and northeastern areas of Comal County, Texas. The Board of Commissioners (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 sources.

The District has no employees. The governing Board is responsible for managing the day-to-day financial and operational functions of the District. The District has an interlocal agreement with Comal County Emergency Services District No. 3 to provide all emergency services within its jurisdiction.

For financial reporting purposes, based on standards established by GASB Statement No. 61, *The Financial Reporting Entity*” Omnibus – An Amendment of GASB Statements No. 14 and No. 34, these financial statements should present the District and its component units. The District does not have any component units.

Basis of presentation, basis of accounting

Basis of presentation

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

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 revenue includes 1) fees, fines and charges paid for goods and services offered by the programs such as patient fees and 2) 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 and interest income are presented as *general revenues*.

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

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

(1) Summary of significant accounting policies (continued)

Basis of presentation, basis of accounting (continued)

Measurement focus, basis of accounting and financial statement preparation

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 the timing of related cash flow.

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. 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 when they are collectible within the current period or soon thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds.

Cash and cash equivalents

The District considers cash and cash equivalents to be cash in demand accounts, certificates of deposit, savings accounts, funds invested in the Texas Local Government Investment Pool, and other investments with an original maturity of three (3) months or less.

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.

Capital assets

Capital assets, which include land, buildings 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 \$1,000 or more. Capital assets are recorded at historical cost 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 the lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives: equipment, 3-10 years, vehicles, 7 years, and buildings, 39 years.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

(1) Summary of significant accounting policies (continued)

Basis of presentation, basis of accounting (continued)

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.

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.

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 ad valorem tax is levied on October 1, 2025 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, 2025 levy is 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.

(2) Deposits and investments

Cash deposits and cash equivalents

At December 31, 2025, the carrying amount of the District's deposits (cash and interest-bearing savings accounts included in cash and cash equivalents) was \$656,107 and the bank balance was \$674,439. The District's deposits at December 31, 2025 were entirely covered by FDIC insurance and pledged securities.

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. During the year any of the District's deposits greater than FDIC insurance were not covered by pledged securities and are exposed to credit risk.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

(2) Deposits and investments (continued)

Custodial credit risk (continued)

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

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

Interest rate risk

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

Concentration of credit risk

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

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 credit risk.

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

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

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

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

(2) Deposits and investments (continued)

Credit risk (continued)

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

Fair value measurement

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

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

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

A breakdown of the District's cash, cash equivalents, and investments at December 31, 2025 is shown below:

	<u>CARRYING AMOUNT</u>	<u>LEVEL 1</u>	<u>AMORTIZED COST</u>	<u>DAYS TO MATURITY</u>
Included in cash and cash equivalents:				
Checking accounts	\$ 656,107	\$ 656,107	\$ -	n/a
Included in investments:				
TexPool	<u>8,315,175</u>	<u>-</u>	<u>8,315,175</u>	39
Total cash and investments	<u>\$ 8,971,282</u>	<u>\$ 656,107</u>	<u>\$ 8,315,175</u>	
Weighted average maturity				39

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

(3) Capital assets

Capital asset activity for the year ended December 31, 2025, was as follows:

	BEGINNING BALANCE	RECLASS AND ADDITIONS	RECLASS AND DISPOSALS	ENDING BALANCE
Capital assets, not being depreciated:				
Land	\$ 11,950	\$ -	\$ -	\$ 11,950
Capital assets, being depreciated:				
Buildings and improvements	189,632	-	-	189,632
Vehicles	2,601,834	282,546	-	2,884,380
Equipment	<u>1,416,253</u>	<u>833,559</u>	<u>-</u>	<u>2,249,812</u>
Total capital assets, being depreciated	<u>4,207,719</u>	<u>1,116,105</u>	<u>-</u>	<u>5,323,824</u>
Less accumulated depreciation:				
Buildings and improvements	(150,447)	(4,624)	-	(155,071)
Vehicles	(1,213,104)	(278,134)	-	(1,491,238)
Equipment	<u>(987,417)</u>	<u>(148,674)</u>	<u>-</u>	<u>(1,136,091)</u>
Total accumulated depreciation	<u>(2,350,968)</u>	<u>(431,432)</u>	<u>-</u>	<u>(2,782,400)</u>
Total capital assets, being depreciated - net	<u>1,856,751</u>	<u>684,673</u>	<u>-</u>	<u>2,541,424</u>
Total capital assets - net	<u>\$ 1,868,701</u>	<u>\$ 684,673</u>	<u>\$ -</u>	<u>\$ 2,553,374</u>

Depreciation expense in the amount of \$431,432 was charged to health and human services expenditures.

(4) Patient receivable

Patient receivable balances at December 31, 2025 were \$2,044,872 and had an allowance for doubtful accounts of \$1,186,026.

(5) Net position and fund balance

The government-wide financial statements, the difference between the District's total assets and total liabilities represent a net position. Net position is presented in two components – capital assets, and unrestricted. Unrestricted net position represents the net assets available for future operations. The District has no restricted assets at year ended December 31, 2025.

GASB Statement No. 54 (GASB 54) *Fund Balance Reporting and Governmental Fund Type Definitions* provides guidance to enhance the usefulness of fund balance information by providing clearer classifications that can be more consistently applied by clarifying existing fund type definitions. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the funds.

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

(5) Net position and fund balance (continued)

In the governmental fund financial statements, fund balance is classified as follows:

- Nonspendable – these funds are not available for expenditures based on legal or contractual requirements. An example might be inventories or 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.

(6) Related party transactions

The District has an interlocal service agreement with Comal County Emergency Services District No. 3 (ESD 3) to provide emergency response services for the District. Payments to the ESD 3 are included in health and human services expenditures. The District paid \$5,767,505 to ESD 3 for the year ended December 31, 2025.

According to the terms of this agreement, all medical billings revenue for EMS services collected by, or on behalf of, either District shall be paid to Comal County Emergency Services District No. 2. Patient revenues for the year ended December 31, 2025 were \$1,937,620.

The District and ESD 3 entered into an interlocal agreement with Comal County Emergency Services District No. 6 (ESD 6) in November 2021 to service the shared boundary line with EMS from Station 56 to better service the ESD 6 shared territory.

(7) 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 2025, the District obtained general liability coverage through a commercial insurer. 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. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

(8) Evaluation of subsequent events

The District has evaluated subsequent events through May 21, 2026, the date which the financial statements were available to be issued. There are no subsequent events to be reported.

REQUIRED SUPPLEMENTARY INFORMATION



COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2

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

For the year ended December 31, 2025

	BUDGETED AMOUNTS ORIGINAL	BUDGETED AMOUNTS FINAL	GAAP BASIS ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
REVENUES:				
Property tax revenue	\$ 5,627,903	\$ 5,627,903	\$ 5,787,880	\$ 159,977
Patient fees	1,225,894	1,548,970	1,469,682	(79,288)
Interest income	100,000	402,007	460,628	58,621
Other	<u>2,400</u>	<u>2,400</u>	<u>-</u>	<u>(2,400)</u>
Total revenues	<u>6,956,197</u>	<u>7,581,280</u>	<u>7,718,190</u>	<u>136,910</u>
EXPENDITURES:				
Capital outlay	473,573	1,182,133	1,116,105	66,028
General government	280,872	299,362	687,827	(388,465)
Health and human services	<u>6,055,438</u>	<u>6,028,644</u>	<u>5,459,428</u>	<u>569,216</u>
Total expenditures	<u>6,809,883</u>	<u>7,510,139</u>	<u>7,263,360</u>	<u>246,779</u>
Excess of revenues over expenditures	146,314	71,141	454,830	383,689
FUND BALANCES - BEGINNING OF YEAR	<u>8,352,724</u>	<u>8,352,724</u>	<u>8,352,724</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 8,499,038</u>	<u>\$ 8,423,865</u>	<u>\$ 8,807,554</u>	<u>\$ 383,689</u>



OTHER INFORMATION



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

To the Board of Commissioners
Comal County Emergency Services District No. 2
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. 2 (the District), as of and for the year ended December 31, 2025, 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 21, 2026.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-1 which we consider to be material weaknesses.

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*.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

ABIP, PC

San Antonio, Texas
May 21, 2026

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended December 31, 2025

A. Summary of Auditor's Results

1. Financial Statements

Type of Auditor's Report Issued:

Unmodified

Internal Control Over Financial Reporting:

Material Weakness(es) Identified?

 X Yes No

Significant Deficiency(ies) Identified that are
not Considered to be Material Weaknesses?

 Yes X None Reported

Noncompliance Material to Financial
Statements Noted?

 Yes X No

B. Financial Statement Findings

2025-1 Patient Revenue and Receivables

Type of Finding: Material Weakness

Condition: The District did not reconcile and record patient receivables as of December 31, 2025.

Criteria: The District should monitor patient billings and determine how much is outstanding at the end of the fiscal year and record the receivable in accordance with generally accepted accounting principles (GAAP).

Cause: The District only records the cash receipts forwarded to them by the third-party billing and collector vendor. We noted during the audit that the District did not obtain and maintain reports from the vendor that could be used to record the patient receivable on an accrual basis.

Effect: The District did not adjust the patient receivables and allowance for doubtful collections to actual and required an audit adjustment to properly state their financials in accordance with GAAP.

Recommendation:

We recommend the District record patient receivables in accordance with GAAP.

Management's Response:

The District will begin obtaining the proper reports from the third-party billing and collector to determine the patient receivable at fiscal year end and record the adjustment to the financial statements for the receivable and allowance for doubtful accounts prior to the auditor performing the audit.

Responsible Person:

Board Treasurer

COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2

SCHEDULE OF PRIOR YEAR FINDINGS

For the year ended December 31, 2025

2024-1 Patient Revenue and Receivables

Type of Finding: Material Weakness

Condition: The District did not reconcile and record patient receivables as of December 31, 2024.

Criteria: The District should monitor patient billings and determine how much is outstanding at the end of the fiscal year and record the receivable in accordance with generally accepted accounting principles (GAAP).

Cause: The District only records the cash receipts forwarded to them by the third-party billing and collector vendor. We noted during the audit that the District did not obtain and maintain reports from the vendor that could be used to record the patient receivable on an accrual basis.

Effect: The District did not adjust the patient receivables and allowance for doubtful collections to actual and required an audit adjustment to properly state their financials in accordance with GAAP.

Recommendation: We recommend the District record patient receivables in accordance with GAAP.

Status: The District did not reconcile and record patient receivables as of December 31, 2024. This remains a finding, see finding 2025-1.