

**COMAL COUNTY**  
**EMERGENCY SERVICES DISTRICT NO. 2**  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2021

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2**  
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**December 31, 2021**

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**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2**  
**BOARD OF COMMISSIONERS**  
**December 31, 2021**

Tom Crossan.....President

Francesca Hays.....Vice-President

Archie Dishman.....Treasurer

Jim Whitcomb.....Secretary

Kenneth Schein.....Assistant Treasurer



*Independent Auditor's Report*

To the Board of Commissioners  
Comal County Emergency Service District No. 2

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the financial statements of the governmental activities and the major fund of Comal County Emergency District No. 2 as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Comal County Emergency Services District No. 2's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund, of Comal County Emergency Service District No. 2 as of December 31, 2021, 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 (GAAS) 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 Comal County Emergency Services District No. 2 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***

Comal County Emergency Services District No. 2's 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.

## **Report on the Audit of the Financial Statements (Continued)**

### ***Responsibilities of Management for the Financial Statements (Continued)***

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 Comal County Emergency Services District No. 2's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***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 GAAS 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 GAAS, 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 Comal County Emergency Services District No. 2 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 Comal County Emergency Services District No. 2'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 budgetary comparison information on page 28 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 Information***

The prior period financial statements for the year ended December 31, 2020 were audited by a predecessor auditor. Rick C. Reed & Co., PLLC expressed an unmodified opinion with a report dated June 25, 2021. This information is presented for comparative purposes only.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2022 on our consideration of Comal County Emergency Services District No. 2'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 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 Comal County Emergency Services District No. 2's internal control over financial reporting and compliance.

***Matthews & Johnson, CPAs, LLC***

New Braunfels, Texas  
July 28, 2022

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED December 31, 2021**

As management of Comal County Emergency Services District No. 2 ("ESD 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, 2021. We encourage readers to consider information presented here as well as the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The District levied taxes of \$0.079/\$100 of assessed valuation. Ad Valorem tax revenue reported for the year was \$4,081,954. Other income includes Medical revenue and WORD income of \$907,984 and Interest Income for the year was \$1,283.
- At the end of the fiscal year, unassigned fund balance for general fund was \$781,793. The unassigned fund balance decreased by \$302,705 from the 2020 calendar year. The Committed fund balance increased over prior year by \$1,300,415 with a year-end balance of \$2,656,398.
- As of December 31, 2021, the District's total net position was \$5,041,545, an increase of \$1,081,123 over prior year.
- Current year expenses totaled \$4,014,145. Of this total, approximately \$3,408,118 was expended for health and human services, including depreciation expense of \$332,745 and the remaining \$273,282 was general government and interest expense.
- General revenues consisted of \$5,012,667 and exceeded total expenses by \$1,169,298.

**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 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 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.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED December 31, 2021**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

ESD 2 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 & 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 accrual basis of accounting. 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, 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 ESD 2's operations, focusing on its major fund, emergency service operations.

Governmental Fund - 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 16 and 18.



**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED December 31, 2021**

**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.

**Required Supplementary Information**

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

**THE DISTRICT'S NET POSITION**

At December 31, 2021 the District's net position is \$5,041,545. This is a \$1,081,123 increase over last year's net position of \$3,960,422.

**Comparative Condensed Statement of Net Position**

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current Assets	\$ 7,987,700	\$ 6,570,242
Capital assets, net	1,507,759	1,434,184
<b>Total assets</b>	<b>\$ 9,495,459</b>	<b>\$ 8,004,426</b>
<b>Deferred inflows of resources</b>	4,453,914	4,044,004
<b>Net position</b>		
Net investment in capital assets	1,528,393	1,434,184
Unrestricted	3,513,152	2,526,238
<b>Total net position</b>	<b>\$ 5,041,545</b>	<b>\$ 3,960,422</b>

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED December 31, 2021**

**Comparative Statement of Activities**

	2021	2020
<b>Revenues</b>		
General Revenues	\$ 5,001,059	\$ 4,625,991
<b>Total revenues</b>	5,001,059	4,625,991
<b>Expenditures</b>		
General Government	511,818	455,694
Health & Human Services	3,408,118	3,218,704
<b>Total expenses</b>	3,919,936	3,674,398
<b>Increase in net position</b>	1,081,123	951,593
Beginning net position	3,960,422	3,008,829
<b>Ending net position</b>	\$ 5,041,545	\$ 3,960,422

The District's total general fund revenues were \$5,011,059 in 2021, of which, 82% of the revenue came from ad valorem property taxes, 18% from medical services and less than 1% from interest and other income.

For the year ended December 31, 2021, the total general fund expenses were \$4,014,145 including \$3,408,118 of health and human services expenses, \$332,745 in depreciation expense, and \$179,073 in general government expense.

The District has an executed interlocal service agreement with Comal County Emergency Services District No. 3 to provide emergency services on behalf of ESD 2 within the boundaries of the ESD 2 service area. The contract was entered into on January 1, 2015 and amended effective January 1, 2020 for the period covering January 1, 2020 through 2024. Funds are distributed to ESD 3 on a monthly basis for personnel and related expense reimbursement. ESD 2 and ESD 3 review budget to actual revenues and expenses every six months, whereas ESD 3 may request modifications to the budget, but ESD retains approval and denial rights. The details of the agreement are explained on page 25 in the notes to the financial statements. In November, ESD 2 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 ESD 2 and ESD 3 from Station 56 as if it were their own.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED December 31, 2021**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

For the year ended December 31, 2021, the District's governmental funds reflect an unassigned fund balance of \$781,793. This year's decrease in fund balance of \$302,705 is due to the Board approved transfer of \$1,300,00 at year end to the reserved fund.

Actual revenues were less than budgeted revenues by \$56,565, and actual expenditures were less than budgeted expenditures by \$129,580. Resources available were \$73,015 more than the final budgeted amount.

**CAPITAL ASSETS ADMINISTRATION**

Net investments in capital assets, net of accumulated depreciation, was \$1,507,759 at December 31, 2021. Capital assets include land, building & improvements, equipment, and vehicles valued at \$2,708,112.

**LONG-TERM DEBT**

The District has no debt.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The ad valorem property tax rate will decrease to \$0.0767 per \$100 property valuation in 2022. The property tax revenue for 2022 is expected to remain similar to 2021.

**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 P.O. Box 2140, Canyon Lake, Texas 78133.

## **BASIC FINANCIAL STATEMENTS**

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
STATEMENT OF NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,771,103
Cash with fiscal agent	2,063,875
Property tax receivable	2,152,722
Capital Assets, net of accumulated depreciation:	
Land	11,950
Building and improvements	53,058
Vehicles	804,230
Equipment	<u>638,521</u>
Total capital assets	<u>1,507,759</u>
<b>Total assets</b>	<u><u>\$ 9,495,459</u></u>
<b>Deferred inflow of resources</b>	4,453,914
<b>Net Position</b>	
Net investment in capital assets	1,528,393
Unrestricted	<u>3,513,152</u>
<b>Total net position</b>	<u>5,041,545</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u><u>\$ 9,495,459</u></u>

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

<b>Emergency Services Function, Expenses</b>	<b>Governmental Activities</b>
Health & human services	3,408,118
General government	511,818
<b>Total expenses</b>	<b>3,919,936</b>
<b>General revenues</b>	
Property tax	4,056,846
Penalties and interest - delinquent taxes	34,946
Interest income	1,283
Patient fees	905,239
Miscellaneous revenue	2,745
<b>Total general revenues</b>	<b>5,001,059</b>
<b>Change in net position</b>	<b>1,081,123</b>
<b>Net position, beginning of year</b>	<b>3,960,422</b>
<b>Net position, end of year</b>	<b>\$ 5,041,545</b>

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
BALANCE SHEET  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>General Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,771,103
Cash with fiscal agent	2,063,875
Property taxes receivable	<u>2,152,722</u>
<b>Total assets</b>	<u><u>\$ 7,987,700</u></u>
<b>Deferred Inflow of Resources</b>	
Current property taxes levied for subsequent period	<u>4,549,509</u>
<b>Fund balances</b>	
Committed	2,656,398
Unassigned	<u>781,793</u>
<b>Total fund balances</b>	<u>3,438,191</u>
<b>Total liabilities, deferred inflow of resources and fund balances</b>	<u><u>\$ 7,987,700</u></u>

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

<b>Fund balances of all governmental funds (Page 15)</b>	<b>\$ 3,438,191</b>
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	95,595
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>1,507,759</u>
<b>Net position of governmental activities (Page 13)</b>	<b><u><u>\$ 5,041,545</u></u></b>



**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENT FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>2021 General Fund</b>
<b>Revenues</b>	
Property tax revenue	4,047,008
Penalties and Interest - delinquent taxes	34,946
Interest income	1,283
Patient fees	905,239
Miscellaneous revenue	2,745
<b>Total revenues</b>	<b>4,991,221</b>
<b>Expenditures</b>	
General government	179,073
Health & human services	3,408,118
Capital outlay	426,954
<b>Total expenditures</b>	<b>4,014,145</b>
<b>Excess revenues over expenditures</b>	<b>977,076</b>
<b>Net change in fund balance</b>	<b>977,076</b>
<b>Fund balances, beginning of year</b>	<b>2,440,481</b>
<b>Fund balances, end of year</b>	<b>\$ 3,417,557</b>

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENT FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**Net change in fund balances for all governmental funds (Page 17) \$ 977,076**

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

Delinquent property tax revenues are deferred in the fund.  
This is the change in these amounts this year. 9,838

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those  
assets are depreciated over their useful lives.

Expenditures for capital assets	426,954	
Current year's depreciation	<u>(332,745)</u>	<u>94,209</u>

**Change in net position of governmental activities (Page 14) \$ 1,081,123**

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**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. The District has elected to follow all pronouncements of GASB.

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

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 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, patient fees, and interest income are presented as *general revenues*.

Fund Financial Statements: The fund financial statements provide information about the District's major governmental fund: the 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**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement Focus, Basis of Accounting and Financial Statement Presentation*

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 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, grants and contributions. Revenue from property 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 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 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 costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)*  
*Capital Assets (Continued)*

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

*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.

At December 31, 2021, the District has \$4,453,914 in deferred inflows of resources on the statement of net position, related to ad valorem taxes that were received or reported as a receivable before the period for which property taxes are 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 October 1 on the assessed value listed as of the prior January 1 for all real, business, and personal 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. Although the District's 2021 ad valorem taxes were levied on October 1, 2020, 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, 2021 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.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**ASSETS, LIABILITIES AND NET POSITION OR FUND BALANCE**

**Deposits and Investments**

The District is required by the Public Funds Collateral Act (Government Code, Chapter 2257) to maintain security for all deposits of funds that exceed coverage provided by the Federal Deposit Insurance Corporation ("FDIC"). As of the balance sheet date, the District's cash deposits were fully collateralized by securities pledged by the depository banks. Based on audit procedures conducted in conjunction with the audit of the basic financial statements, the District appears to have complied with the requirements of the Public Funds Collateral Act. 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. TexPool balances are backed by an external investment pool which is managed by the State Comptroller

*Cash Deposits and Cash Equivalents:*

The District's deposits are cash and certificates of deposit, and interest-bearing savings accounts included in cash equivalents.

*Investments:*

The District is required by the Public Funds Investment Act (Government Code, chapter 2256) (the "Act") to adopt, implement, and publicize a written investment policy which primarily emphasizes safety of principal, and liquidity, and addresses investment diversification, yield, and maturity. Additionally, the policy must address the quality and capability of investment management and include the types of investments in which the entity may invest its funds, as well as the maximum allowable stated maturity of any individual investment, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio of pooled fund groups, and bid requirements for certificates of deposit.

The Act determines the types of investments allowable to District. These include, with certain restrictions:

- U.S. Treasury securities which have a liquid market; direct obligations of the State of Texas, and other obligations that are guaranteed by the State of Texas or United States of America.
- Obligations of states, agencies, counties, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalents;
- Repurchase agreements collateralized by U.S. Treasury or U.S. Government Agency securities in accordance with a master repurchase agreement;

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**ASSETS, LIABILITIES AND NET POSITION OR FUND BALANCE (Continued)**

**Deposits and Investments (Continued)**

*Investments: (Continued)*

- Joint pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by current law (the pool must be continuously rated no lower than “AAA” or AAA-m” by at least one nationally recognized rating service.”

The Act also requires an annual audit of investment practices. Audit procedures conducted in conjunction with the audit of the basic financial statements disclosed that the District’s investment practices adhered to its policies and were consistent with the requirements of the Public Funds Investment Act.

*Custodial Credit Risk*

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the District’s deposits may not be returned. At December 31, 2021, the District maintained cash deposits at two financial institutions totaling \$3,771,103 that were fully collateralized, or insured.

The District’s investments are not categorized by level of risk assumed by the District because TexPool seeks to maintain a \$1.00 value per share as required by the Texas Public Funds Act.

**Capital Assets**

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 11,950	\$ -	\$ -	\$ 11,950
Capital assets being depreciated				
Building & improvements	189,632	-	-	189,632
Equipment	1,182,380	189,966	(39,724)	1,332,622
Vehicles	1,324,150	236,988	-	1,561,138
Total capital assets being depreciated	2,696,162	426,954	(39,724)	3,083,392
Less accumulated depreciation for:				
Building & improvements	(131,950)	(4,624)	-	(136,574)
Equipment	(556,957)	(171,887)	19,090	(709,754)
Vehicles	(585,021)	(156,234)	-	(741,255)
Total accumulated depreciation	(1,273,928)	(332,745)	19,090	(1,587,583)
Net assets being depreciated	1,422,234	94,209	(20,634)	1,495,809
Total capital assets, net	<u>\$ 1,434,184</u>	<u>\$ 94,209</u>	<u>\$ (20,634)</u>	<u>\$ 1,507,759</u>

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**ASSETS, LIABILITIES AND NET POSITION OR FUND BALANCE (Continued)**

**Capital Assets (Continued)**

Depreciation expense in the amount of \$332,745 was charged to general government expenditures.

**Net Position and Fund Balance**

In the government-wide financial statements, the difference between the District's total assets and total liabilities represents 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, 2021..

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 and 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.

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 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.



**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**Net Position and Fund Balance (Continued)**

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, 2021 the District's Board established the following classifications of fund balances:

	General Fund
	<hr/>
Committed	
Equipment	\$ 2,656,398
Unassigned	781,793
	<hr/>
	<u>\$ 3,438,191</u>

**Related Party Transactions**

The District has an interlocal service agreement with ESD 3 to provide emergency response services for the District. Payments to ESD 3 are included in health and human services expenditures. The District paid \$3,408,118 to ESD 3 for the year ended December 31, 2021.

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 ESD 2. Patient revenues collected for the year ended December 31, 2021 were \$905,239

The District and ESD 3 entered into an interlocal agreement with ESD 6 in November 2021 to service the shared boundary line with EMS from Station 56 to better service the ESD 6 shared territory.

The District entered into a joint contract with ESD 3 through 2022 with Comal County Water Oriented Recreation District to provide a minimum of two paramedics and two EMT Basic and related personnel on regular weekends and holiday weekends within the boundaries of the WORD. WORD income for the year ended December 31, 2021 was \$2,745.

**COMAL COUNTY EMERGENCY SERVICES DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**OTHER INFORMATION**

*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 2021, 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.

**OTHER INFORMATION (Continued)**

*Contingencies and Uncertainties*

The outbreak of a novel strain of coronavirus (COVID-19) has spread throughout the United States beginning in March of 2020. Multiple jurisdictions in the U.S. declared various levels of States of Emergency and the government has also implemented enhanced screenings, quarantine requirements, and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus began causing business disruptions domestically beginning in March 2020 and are anticipated to continue for the foreseeable future.

While the District operates in an industry that has been identified as an essential business, and does not expect this matter to have an impact on its results, given the daily evolution of COVID-19, and the global responses to curb its spread, the District is not able to estimate any adverse effects the COVID-19 outbreak may have on its results of operations, financial condition, or liquidity for 2021 and beyond.

**Subsequent Events**

The District has evaluated subsequent events through July 28, 2022, 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**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL – GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		GAAP Basis Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Unfavorable)</u>
Revenues				
Property tax revenue	3,623,090	3,880,631	3,710,705	(169,926)
Sundry other income	833,852	830,852	944,213	113,361
Total revenues	<u>4,456,942</u>	<u>4,711,483</u>	<u>4,654,918</u>	<u>(56,565)</u>
Expenditures				
Capital outlay	376,043	376,043	426,954	(50,911)
General government	282,997	282,997	170,621	112,376
Health & human services	3,408,118	3,408,118	3,408,118	-
Total expenditures	<u>4,067,158</u>	<u>4,067,158</u>	<u>4,005,693</u>	<u>61,465</u>
Excess revenue over (under) expenditures	389,784	644,325	649,225	4,900
Fund balances, beginning of year	2,432,029	2,432,029	2,432,029	-
Fund balances, end of year - budgetary basis	<u>\$ 2,821,813</u>	<u>\$ 3,076,354</u>	<u>\$ 3,081,254</u>	<u>\$ 4,900</u>



*Independent Auditor's Report*

To the Board of Commissioners  
Comal County Emergency Service District No.2

We have audited, 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, the financial statements of the governmental activities and the major fund, of Comal County ESD No. 2 as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Comal County ESD No. 2's basic financial statements, and have issued our report thereon dated July 28, 2022.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Comal County ESD No. 2's internal control over financial reporting (internal control) as a basis for designing 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 Comal County ESD No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of Comal County ESD No. 2'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 Comal County ESD No. 2'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 financial statements. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

***Matthews & Johnson, CPAs, LLC***

New Braunfels, Texas

July 28, 2022