

Brazos County Emergency Services District #2

Financial Statements

For the Year Ended September 30, 2025

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Ingram, Wallis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
Brazos County Emergency Services District #2
Kurten, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and the General Fund of Brazos County Emergency Services District #2 (the "District") as of and for the year ended September 30, 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 General Fund of the District, as of September 30, 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. Our responsibilities under those standards are further described in the Auditors' 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 these 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 opinion. 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 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, 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.

Ingram, Wallis & Company, P.C.

Bryan, Texas
May 4, 2026

Brazos County Emergency Services District #2
Management's Discussion and Analysis
September 30, 2025
Unaudited

DISTRICT PROFILE

Brazos County Emergency Services District #2 (the "District") was created after a public election held in 1987 under the provision of Section 48-d of Article III of the Constitution of Texas and the Texas Safety and Health Code, Chapter 794. The District was established to provide fire protection services to residents of the District.

Five persons are appointed by the County Judge and Brazos County Commissioners Court as Brazos County Emergency Services District #2 Commissioners for two-year terms with a three-and two-person rotation. They function as a board with regularly scheduled meetings every second Tuesday of the month as stated by an agenda posted at the county courthouse. The District maintains 894 N. FM 2038 Kurten, Texas 77862 as a working address.

The District operates three bank accounts and has two primary sources of revenue, namely property taxes and sales tax. The major expense of the District is payroll. The District had three outstanding loans during fiscal year 2025.

The Brazos County Tax Assessor Office computes the tax information and notifies the District of the legal requirements. The District, under current law, is limited to a maximum tax rate of \$0.03 per hundred dollars of taxable value. The commissioners set the effective tax rate of \$0.020060/100 for 2024 (for the year ended September 30, 2025). The adjusted taxable levy for Brazos County Emergency Services District #2 was \$255,002 for the calendar year 2024 tax roll.

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2025. Please read it in conjunction with the District's financial statements, which begin on page 8.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: (1) government-wide financial statements, which include the fund financial statements, and (2) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

The Statement of Net Position presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's funds are Governmental type. Governmental fund financial statements focus on current sources and uses of

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spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. Additional information such as accounting policies, capital asset activity, and notes payable activity is included in the notes to the financial statements.

On page 16 of this report, a Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual is presented to demonstrate compliance with the annual appropriated budget.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. As of September 30, 2025, the District's assets exceeded liabilities by \$2,574,085.

DISTRICT'S NET POSITION

	2025	2024
Cash	\$ 1,703,205	\$ 1,241,898
Property tax receivable	8,380	8,380
Prepaid insurance	26,796	39,972
Capital assets, net	1,130,790	1,169,372
Total Assets	<u>2,869,171</u>	<u>2,459,622</u>
Current liabilities	120,737	146,234
Long-term debt (net of current)	174,349	278,986
Total Liabilities	<u>295,086</u>	<u>425,220</u>
Net position:		
Net investment in capital assets	848,260	767,538
Unrestricted	1,725,825	1,266,864
Total Net Position	<u>\$ 2,574,085</u>	<u>\$ 2,034,402</u>

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Analysis of the District's Operations - Overall, the District had an increase in net position of \$539,683 from the prior year. The primary reasons for this increase was due to an increase in sales tax income of \$152,692 and an increase in interest income of \$20,968. Property tax revenue remained consistent with the prior year.

DISTRICT'S CHANGE IN NET POSITION

	<u>2025</u>	<u>2024</u>
Program revenues:		
Capital grants and contributions	\$ -	\$ 7,087
Total program revenues	<u>-</u>	<u>7,087</u>
General revenues:		
Property taxes and penalties	257,151	249,626
Sales tax	1,020,988	868,296
Interest income and other	<u>21,111</u>	<u>143</u>
Total general revenues	<u>1,299,250</u>	<u>1,118,065</u>
Total Revenues	<u>1,299,250</u>	<u>1,125,152</u>
Expenses:		
Fire department operating expenses	50,439	26,000
Administrative expenses	480,479	464,406
Depreciation expense	210,859	187,982
Debt service - interest expense	<u>17,790</u>	<u>22,605</u>
Total Expenses	<u>759,567</u>	<u>700,993</u>
Change in Net Position	539,683	424,159
Net Position, Beginning of Year	<u>2,034,402</u>	<u>1,610,243</u>
Net Position, End of Year	<u>\$ 2,574,085</u>	<u>\$ 2,034,402</u>

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FINANCIAL ANALYSIS OF GOVERNMENTAL FUND

	<u>2025</u>	<u>2024</u>
Assets:		
Cash	\$ 1,703,205	\$ 1,241,898
Property tax receivable	8,380	8,380
Prepaid insurance	26,796	39,972
Total Assets	<u>\$ 1,738,381</u>	<u>\$ 1,290,250</u>
Liabilities:		
Accounts payable	\$ -	\$ 14,423
Accrued payroll	10,447	6,116
Accrued pension and taxes	2,109	2,847
Total Liabilities	<u>12,556</u>	<u>23,386</u>
Deferred Inflows of Resources:		
Unearned revenues - property taxes	<u>8,380</u>	<u>8,380</u>
Total Deferred Inflows of Resources	<u>8,380</u>	<u>8,380</u>
Fund Balance:		
Nonspendable	26,796	39,972
Unassigned	<u>1,690,649</u>	<u>1,218,512</u>
Total Fund Balance	<u>1,717,445</u>	<u>1,258,484</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,738,381</u>	<u>\$ 1,290,250</u>

Overall, the District had an increase in fund balance of \$448,131 from the prior year. As previously noted, the primary reason for this increase was due to an increase in sales tax income of \$152,692 and an increase in interest income of \$20,968. Property tax revenue remained consistent with the prior year.

Budgetary Highlights

The District adopts an annual budget in August prior to the budget year which begins in October the following fiscal year. The budget includes the proposed expenditures and the means to finance the budget.

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Original budget compared to final budget. During the year there was no need for amendments to increase the original estimated revenues or original budgeted appropriations.

Final budget compared to actual revenues and expenditures. Total revenues were higher than budget by \$157,165 and total expenditures were lower than budget by \$324,951 to create a positive variance with the final budget of \$482,116.

Capital Assets

The District's investment in capital assets for its operations as of September 30, 2025, amounts to \$1,130,790 (net of accumulated depreciation), a decrease of \$38,582. This decrease is comprised of capital asset additions of \$172,277, reduced by current year depreciation expense of \$210,859.

Additional information on the District's capital assets can be found in the notes to the financial statements on page 14 of this report.

Long-term Obligations

As of September 30, 2025, the District had total long-term obligations of \$279,325. Additional information on the District's long-term obligations can be found in the notes to the financial statements on page 15 of this report.

LOOKING AHEAD

The District's expenditure budget for 2026 increased to \$1,196,785 which is an increase of \$31,545 from the Approved Budget for 2025 in the amount of \$1,165,240. This increase is due mainly to personnel expenditures.

CONTACTING THE DISTRICT

This financial report is designed to provide the residents of Brazos County and the District's creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives from property taxes and sales tax. If you have questions about this report or need additional financial information, please contact Brazos County Emergency Services District #2, 894 N. FM 2038 Kurten, Texas 77862, and make attention to the President of the Board of Commissioners.

Brazos County Emergency Services District #2
Statement of Net Position and Governmental Fund Balance Sheet
September 30, 2025

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Current assets			
Cash	\$ 1,703,205	\$ -	\$ 1,703,205
Property tax receivable	8,380	-	8,380
Prepaid insurance	26,796	-	26,796
Total current assets	<u>1,738,381</u>	<u>-</u>	<u>1,738,381</u>
Capital assets			
Construction in progress	-	61,292	61,292
Trucks	-	1,934,418	1,934,418
Equipment	-	625,619	625,619
Less accumulated depreciation	-	(1,490,539)	(1,490,539)
Net capital assets	<u>-</u>	<u>1,130,790</u>	<u>1,130,790</u>
TOTAL ASSETS	<u>1,738,381</u>	<u>1,130,790</u>	<u>2,869,171</u>
LIABILITIES			
Liabilities:			
Current liabilities:			
Accrued payroll	10,447	-	10,447
Accrued pension and taxes	2,109	-	2,109
Accrued interest payable	-	3,205	3,205
Current maturities of notes payable	-	104,976	104,976
Total current liabilities	<u>12,556</u>	<u>108,181</u>	<u>120,737</u>
Notes payable, net of current maturities	<u>-</u>	<u>174,349</u>	<u>174,349</u>
Total non-current liabilities	<u>-</u>	<u>174,349</u>	<u>174,349</u>
TOTAL LIABILITIES	<u>12,556</u>	<u>282,530</u>	<u>295,086</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenues - property taxes	<u>8,380</u>	<u>(8,380)</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>8,380</u>	<u>(8,380)</u>	<u>-</u>
FUND BALANCE/NET POSITION			
Nonspendable	26,796	(26,796)	-
Unassigned	<u>1,690,649</u>	<u>(1,690,649)</u>	<u>-</u>
TOTAL FUND BALANCE	<u>1,717,445</u>	<u>(1,717,445)</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 1,738,381</u>		
Net investment in capital assets		848,260	848,260
Unrestricted		<u>1,725,825</u>	<u>1,725,825</u>
TOTAL NET POSITION		<u>\$ 2,574,085</u>	<u>\$ 2,574,085</u>

See accompanying notes to the financial statements

Brazos County Emergency Services District #2
Statement of Activities and
Governmental Fund Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended September 30, 2025

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES			
Current			
Administrative	\$ 480,479	\$ -	\$ 480,479
Fire department operating	50,439	-	50,439
Depreciation	-	210,859	210,859
Capital outlay	172,277	(172,277)	-
Debt service:			
Principal	118,977	(118,977)	-
Interest	18,117	(327)	17,790
TOTAL EXPENDITURES/EXPENSES	<u>840,289</u>	<u>(80,722)</u>	<u>759,567</u>
GENERAL REVENUES			
Property taxes and penalties	257,151	-	257,151
Sales tax	1,020,988	-	1,020,988
Interest income and other	21,111	-	21,111
TOTAL GENERAL REVENUES	<u>1,299,250</u>	<u>-</u>	<u>1,299,250</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>458,961</u>	<u>(458,961)</u>	<u>-</u>
CHANGE IN NET POSITION	<u>-</u>	<u>539,683</u>	<u>539,683</u>
FUND BALANCE /NET POSITION			
BEGINNING OF YEAR	<u>1,258,484</u>	<u>775,918</u>	<u>2,034,402</u>
END OF YEAR	<u>\$ 1,717,445</u>	<u>\$ 856,640</u>	<u>\$ 2,574,085</u>

See accompanying notes to the financial statements

Brazos County Emergency Services District #2
Notes to the Financial Statements
September 30, 2025

Note 1 – Creation of District

Brazos County Emergency Services District #2 (the “District”) was created after a public election held in 1990 under the provision of Section 48-d of Article III of the Constitution of Texas and the Texas Safety and Health Code, Chapter 775. The District was established to provide fire protection services to residents of the District.

Note 2 – Significant Accounting Policies

Basis of Presentation

The District’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for the state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

The financial statements of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that compromise its assets, liabilities, reserves, net assets, revenues and expenditures/expenses.

The following fund types are used by the District:

General Fund – The General Fund is the general operating fund of the District. This fund includes all the available operating revenues and accumulates reserves for future operating activities.

Government-Wide Financial Statements

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all the non-fiduciary activities of the primary government and its component units.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Brazos County Emergency Services District #2
Notes to the Financial Statements
September 30, 2025

Note 2 – Significant Accounting Policies-Continued

Government-Wide Financial Statements-Continued

The statement of activities demonstrates the degree to which the expenses of a given function are offset by program revenues. Expenses are those that are clearly identifiable with a specific function. Program revenues include 1) reimbursements from the volunteer fire department, 2) contributions, 3) grants, 4) gains on sales of capital assets and 5) insurance recoveries. Taxes and other items properly not included among program revenues are reported instead as general revenues.

Fund Level Financial Statements

In the governmental funds financial statements, the governmental-type activities are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means that the amount of the transaction can be determined, and “available” means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A 60-day period is used for recognition for all governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

The fund level financial statements are reported using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances (net current assets) are considered a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

The government-wide and fund financial statements are provided for the governmental fund of the District with a column for adjustments between the two statements.

Capital Assets

As stated in the Texas Health and Safety Code, Title 9, Subtitle B, Chapter 775, Section 775.073 as of September 1, 2013, any property, including interest in property, purchased or leased using District funds, wholly or partly, must remain the property of the District, regardless of whether the property is used by a third party under a contract for services or otherwise, until the property is sold to a third party following the procedures under Section 263.003, 263.007, or 263.008.

Brazos County Emergency Services District #2
Notes to the Financial Statements
September 30, 2025

Note 2 – Significant Accounting Policies-Continued

Deferred Outflows/Inflows of Resources

In addition to liabilities, the statement of net position and/or balance sheet 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 then. For the year ended September 30, 2025, the District has the following item that qualifies for reporting in this category.

- Unavailable revenues – The unavailable revenues which arise only under the modified accrual basis of accounting qualify for reporting in this category in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes of \$8,380 as of September 30, 2025.

Fund Balances

GASB Statement No.54, “Fund Balance Reporting and Governmental Fund Type Definitions,” 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 resources reported in governmental funds. The implementation of GASB 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. Under GASB 54, fund balances are required to be reported according to the following classifications:

Nonspendable Fund Balance - Amounts that cannot be spent because they are either not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted Fund Balance - Amounts that can be spent only for specific purposes because of constraints placed on the use of these resources by creditors (such as through debt covenants), grantors, contributors or other governments; or constraints are imposed by law (through constitutional provisions or enabling legislation).

Committed Fund Balance - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority (Board of Commissioners).

Assigned Fund Balance - Amounts that are constrained by the government's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given.

Unassigned Fund Balance – All amounts not included in other spendable classifications.

Brazos County Emergency Services District #2
Notes to the Financial Statements
September 30, 2025

Note 2 – Significant Accounting Policies-Continued

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on the use by either external parties or enabling legislation. It is the District's policy to expend restricted resources first and to use unrestricted resources when the restricted resources have been depleted.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures of assets, liabilities, revenues and expenditures. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

The carrying amounts of current assets and current liabilities approximate fair value because of the short maturity of those instruments.

Note 3 – Deposits

The District is authorized by statute to maintain deposit accounts which are federally insured. At year end, the carrying amount of the District's bank deposits was \$1,703,205. Deposits are categorized to give an indication of the level of risk assumed at year end. Categories are as follows:

Category 1 – Insured or collateralized with securities held by the District or its agency in the District's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agency in the District's name.

Category 3 – Uncollateralized.

At September 30, 2025, all of the District's deposits were in Category 1.

Note 4 – Property Taxes

Property taxes are collected and remitted to the District by the Brazos County Tax Assessor Collector. Taxes are levied annually on October 1, and are due one half by November 30, and one half by June 30, or in full by January 31. Delinquent tax payments throughout the year are recognized in the year received.

Brazos County Emergency Services District #2
Notes to the Financial Statements
September 30, 2025

Note 4 – Property Taxes-Continued

During the year ended September 30, 2025, the District levied an ad valorem tax at the rate of \$0.020060 per \$100 assessed valuation, which resulted in a tax levy of \$255,002 on the taxable valuation of \$1,269,561,588 for the tax year.

Note 5 - Capital Assets

Capital assets purchased or acquired with an original individual cost of \$2,500 or more are recorded at historical cost and contributed assets are recorded at fair market value as of the date of the donation. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over estimated useful lives ranging from five to ten years.

Capital asset activity for the year ended September 30, 2025, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Construction in Progress	\$ 19,100	\$ 42,192	\$ -	\$ 61,292
Trucks	1,934,418	-	-	1,934,418
Equipment	495,534	130,085	-	625,619
Accumulated Depreciation	(1,279,680)	(210,859)	-	(1,490,539)
Total Capital Assets, net	<u>\$ 1,169,372</u>	<u>\$ (38,582)</u>	<u>\$ -</u>	<u>\$ 1,130,790</u>

Note 6 – Notes Payable

The following represents a summary of the notes payable as of September 30, 2025.

Lender	Interest Rate	Amount	Due Within One Year	Maturity	Collateral
PNC Bank	4.630%	\$ 194,716	\$ 52,470	2/13/2029	Pumper Tank
First State Bank of Bedias	5.250%	29,021	14,135	2/15/2027	Truck
First State Bank of Bedias	6.000%	55,588	38,371	3/10/2027	Freightliner
Total outstanding principal		279,325	<u>\$ 104,976</u>		
Less amount due within one year		<u>(104,976)</u>			
Notes payable, less current portion		<u>\$ 174,349</u>			

Notes payable activity of the District for the year ended September 30, 2025, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Notes Payable	\$ 398,302	-	(118,977)	\$ 279,325

Brazos County Emergency Services District #2
Notes to the Financial Statements
September 30, 2025

Note 6 – Notes Payable-Continued

The notes payable will be liquidated with the General Fund. Maturities by year are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2026	\$ 104,976	\$ 11,900
2027	86,617	6,675
2028	57,530	3,053
2029	30,202	518
	<u>\$ 279,325</u>	<u>\$ 22,146</u>

Subsequent to year-end, the District entered into a \$883,062 note payable agreement (see Subsequent Events).

Note 7 – Risk Management

The District has insurable risks in various areas, including crime, auto, general liability, management liability and excess liability. During the year, the District obtained insurance against risks through a commercial carrier. Management believes the amount and types of coverage are adequate to protect the District from losses which could reasonably be expected to occur. There were no significant reductions in insurance coverages in the past year and settled claims resulting from these risks have not exceeded coverage in any of the past three years.

Note 8 - Subsequent Events

Management has evaluated subsequent events through May 4, 2026, the date the financial statements were available to be issued. In January 2026, the District finalized a \$883,062 note payable agreement to finance the purchase of a Fire Engine. The note bears interest at 4.40% and will be repaid over ten years with equal installments beginning February 17, 2027.

Brazos County Emergency Services District #2
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
General Fund
For the Year Ended September 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
REVENUES				
Property taxes	\$ 252,685	\$ 252,685	\$ 257,151	\$ 4,466
Sales tax	869,400	869,400	1,020,988	151,588
Interest income and other	<u>20,000</u>	<u>20,000</u>	<u>21,111</u>	<u>1,111</u>
TOTAL REVENUES	<u>1,142,085</u>	<u>1,142,085</u>	<u>1,299,250</u>	<u>157,165</u>
EXPENDITURES				
Current:				
Administrative	599,392	599,392	480,479	118,913
Fire department operating	52,500	52,500	50,439	2,061
Capital outlay	376,057	376,057	172,277	203,780
Debt service:				
Principal	137,291	137,291	118,977	18,314
Interest	<u>-</u>	<u>-</u>	<u>18,117</u>	<u>(18,117)</u>
TOTAL EXPENDITURES	<u>1,165,240</u>	<u>1,165,240</u>	<u>840,289</u>	<u>324,951</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (23,155)</u>	<u>\$ (23,155)</u>	458,961	<u>\$ 482,116</u>
FUND BALANCE - BEGINNING OF YEAR			<u>1,258,484</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,717,445</u>	