

**BRAZORIA COUNTY EMERGENCY
SERVICES DISTRICT NO. 2**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2023



**8 WEST WAY COURT
LAKE JACKSON, TEXAS 77566**

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BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2

*Annual Financial Report
For the Year Ended September 30, 2023*

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FINANCIAL SECTION

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Independent Auditor's Report

To the Board of Commissioners
Brazoria County Emergency Services District No. 2
Brazoria, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and general fund of the Brazoria County Emergency Services District No. 2 (the "District") as of and for the year ended September 30, 2023, 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 general fund of the District, as of September 30, 2023, 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 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.

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Bay City, TX 77414
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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 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.

KM&L, LLC

Lake Jackson, Texas
February 13, 2024

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BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2

Management's Discussion and Analysis For the Year Ended September 30, 2023

As directors of Brazoria County Emergency Services District No.2 (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2023.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$ 8,638,104 (net position). Of this amount \$ 6,400,530 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors with the District's fund designation.
- The District's total net position increased \$ 1,792,710.
- As of the close of the current fiscal year, the District's governmental fund reported an ending fund balance of \$ 6,342,946 or 279.16% of the total general fund expenditure. 100% of this total amount (unassigned fund balance), is available for use within the District's fund designation.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* 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 (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes. The *governmental activities* of the District include general government and administration, and contractual expenses (support of fire departments).

The government-wide financial statements can be found on pages 16 through 17 of this report.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2

Management's Discussion and Analysis

For the Year Ended September 30, 2023

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has only one major fund, which is the general fund, and is reported as a governmental fund.

- **Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of 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.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The fund financial statements can be found on pages 20 through 23 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 through 39 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. The required supplementary information can be found on page 42 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 8,638,104 as of September 30, 2023. Net position of the District's governmental activities increased by \$ 1,792,710, from \$ 6,845,394 to \$ 8,638,104.

Net investments in capital assets of \$ 2,237,574 reflects its investment in capital assets less any debt used to acquire those assets that is still outstanding. The remaining balance of unrestricted net position of \$ 6,400,530 may be used to meet the government's ongoing obligations to citizens and creditors.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2*Management's Discussion and Analysis**For the Year Ended September 30, 2023***The District's Net Position**

	<u>2023</u>	<u>2022</u>
Assets:		
Current and other assets	\$ 6,715,883	\$ 5,614,925
Capital assets	<u>2,513,481</u>	<u>1,913,439</u>
Total assets	<u>9,229,364</u>	<u>7,528,364</u>
Liabilities:		
Other liabilities	48,386	11,476
Long-term liabilities	<u>275,907</u>	<u>347,641</u>
Total liabilities	<u>324,293</u>	<u>359,117</u>
Total deferred inflows of resources	<u>266,967</u>	<u>323,853</u>
Net Position:		
Net investment in capital assets	2,237,574	1,565,798
Unrestricted	<u>6,400,530</u>	<u>5,279,596</u>
Total net position	<u>\$ 8,638,104</u>	<u>\$ 6,845,394</u>

Governmental Activities: Governmental activities increased the District's net position by \$ 1,792,710. Total revenues from governmental activities amounted to \$ 3,391,885, of which property taxes amounted to 89.12%. The following table provides a summary of the District's operations for the years ended September 30, 2023 and 2022, respectively.

District's Changes in the Net Position

	<u>2023</u>	<u>2022</u>
Revenues:		
Property taxes	\$ 3,022,935	\$ 2,525,930
Investment income	304,239	36,448
Lease income	<u>64,711</u>	<u>65,965</u>
Total revenues	<u>3,391,885</u>	<u>2,628,343</u>
Expenses:		
General government and administration	516,806	183,388
Contractual	1,075,000	1,258,567
Interest and fiscal charges	<u>7,369</u>	<u>6,834</u>
Total expenses	<u>1,599,175</u>	<u>1,448,789</u>
Change in net position	1,792,710	1,179,554
Net position - beginning	<u>6,845,394</u>	<u>5,665,840</u>
Net position - ending	<u>\$ 8,638,104</u>	<u>\$ 6,845,394</u>

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2

*Management's Discussion and Analysis
For the Year Ended September 30, 2023*

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental fund reported a fund balance of \$ 6,342,946. 100 % of this total amount constitutes unassigned fund balance.

General Fund Budgetary Highlights. During the year ended September 30, 2023, actual revenues exceeded the budget by \$ 308,216 due to higher than expected tax revenue and an increase in investment income. Actual expenditures were more than the budget by \$ 296,748 mainly due to the fact that the District had more expenditures on capital outlay. The budget was not amended.

Capital Assets

The District's investment in capital assets for its governmental activities as of September 30, 2023, amounts to \$ 2,513,481 (net of accumulated depreciation). Additional information on the District's capital assets can be found in Note 6 on page 38 of this report.

Long-Term Debt (Purchase Financial Notes)

At the end of the current fiscal year, the District has \$ 275,907 of purchase financing notes. Additional information on the District's long-term debt can be found in Note 7 on pages 38 through 39 of this report.

Economic Factors and Next Year's Budget and Rates

In the 2023-2024 budget, revenues are budgeted to increase by 26.71% from the 2022-2023 budget year due to an increase in property tax income and interest earned. Budgeted expenditures are to increase by 3.66% over the preceding year's budget due to an increase in contractual expenditures and additional dispatching.

Request for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Board of Commissioners, 202 North Brooks Street, Brazoria, Texas 77422.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2

Exhibit A-1

*Statement of Net Position**September 30, 2023*

	<u>Total Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 6,368,621
Receivables, net:	
Taxes	73,255
Lease receivable	273,542
Due from other government	465
Capital assets, net	<u>2,513,481</u>
Total assets	<u>9,229,364</u>
Liabilities:	
Accounts payable	4,344
Due to other government	40,158
Accrued interest payable	3,884
Noncurrent Liabilities:	
Due within one year	89,149
Due in more than one year	<u>186,758</u>
Total liabilities	<u>324,293</u>
Deferred Inflows of Resources:	
Lease	<u>266,967</u>
Total deferred outflows of resources	<u>266,967</u>
Net Position:	
Net investment in capital assets	2,237,574
Unrestricted	<u>6,400,530</u>
Total net position	<u>\$ 8,638,104</u>

The notes to the financial statements are an integral part of this statement.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2

Exhibit B-1

*Statement of Activities**For the Year Ended September 30, 2023*

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Net (Expense) Revenue and Changes in Net Position Primary Government Total Governmental Activities</u>
Governmental Activities:		
General government and administration	\$ 516,806	\$(516,806)
Contractual	1,075,000	(1,075,000)
Interest and fiscal charges	<u>7,369</u>	<u>(7,369)</u>
Total governmental activities	<u>\$ 1,599,175</u>	<u>(1,599,175)</u>
General Revenues:		
Property taxes		3,022,935
Investment income		304,239
Lease		<u>64,711</u>
Total general revenues		<u>3,391,885</u>
Change in net position		1,792,710
Net position - beginning		<u>6,845,394</u>
Net position - ending		<u>\$ 8,638,104</u>

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2

Exhibit C-1

*Balance Sheet - General Fund**September 30, 2023*

	<u>General Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 6,368,621
Receivables, net:	
Taxes	73,255
Lease receivable	273,542
Due from other government	<u>465</u>
Total assets	<u>\$ 6,715,883</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>	
<u>Liabilities:</u>	
Accounts payable	\$ 4,344
Due to other government	<u>40,158</u>
Total liabilities	<u>44,502</u>
<u>Deferred Inflows of Resources:</u>	
Property taxes	61,468
Lease	<u>266,967</u>
Total deferred inflows of resources	<u>328,435</u>
<u>Fund Balance:</u>	
Unassigned	<u>6,342,946</u>
Total fund balance	<u>6,342,946</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 6,715,883</u>

The notes to the financial statements are an integral part of this statement.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2

*Reconciliation of the General Fund Balance Sheet
to the Governmental Activities Statement of Net Position
September 30, 2023*

Fund balance - general fund balance sheet (C-1)	\$ 6,342,946
Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund. Capital assets include \$ 3,839,116 in assets less \$ 1,325,635 in accumulated depreciation.	2,513,481
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Deferred property tax revenues for the general fund amounted to \$ 61,468.	61,468
Payable for purchase financing notes is not reported in the funds.	(275,907)
Payable for accrued interest on purchase financing notes is not reported in the funds.	(<u>3,884</u>)
Net position of governmental activities - statement of net position (A-1)	\$ <u>8,638,104</u>

The notes to the financial statements are an integral part of this statement.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2

Exhibit C-2

*Statement of Revenues, Expenditures, and Change in Fund Balance - General Fund
For the Year Ended September 30, 2023*

	<u>General Fund</u>
Revenues:	
Property taxes	\$ 3,013,559
Investment income	304,239
Lease	<u>64,711</u>
Total revenues	<u>3,382,509</u>
Expenditures:	
Current:	
General Government and Administration:	
Brazoria County Appraisal District fees	17,405
Brazoria County Tax Assessor	14,018
Bookkeeping	9,900
Dispatching fee	49,682
Insurance and bonds	2,186
Member fee	1,100
Professional fees	44,558
Training and travel	40,000
Repairs and maintenance	22,541
Miscellaneous	8,263
Contractual	1,075,000
Capital outlay	907,195
Debt Service:	
Principal	71,734
Interest and fiscal charges	<u>8,572</u>
Total expenditures	<u>2,272,154</u>
Change in fund balance	1,110,355
Fund balance - beginning	<u>5,232,591</u>
Fund balance - ending	<u>\$ 6,342,946</u>

The notes to the financial statements are an integral part of this statement.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2

*Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance - General Fund to the Governmental Activities Statement of Activities
For the Year Ended September 30, 2023*

Change in fund balance - general fund (C-2) \$ 1,110,355

Amounts reported for governmental activities in the statement of activities (B-1) are different because:

Governmental fund reports capital outlay as expenditure. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which capital outlay \$ 907,195 less depreciation \$ 307,153 in the current period. 600,042

Repayment of purchase financing notes principal is an expenditure in the governmental fund, but the repayment reduces purchase financing notes liabilities in the governmental activities statement of net position. The amount of purchase financing note principal is in the amount of \$ 71,734. 71,734

Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the fund. Change of deferred property tax revenues for the general fund amounted to \$ 9,376. 9,376

Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental fund. This is the change in accrued interest on purchase financing notes. 1,203

Change in net position of governmental activities (B-1) \$ 1,792,710

The notes to the financial statements are an integral part of this statement.

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BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2

Notes to the Financial Statements

For the Year Ended September 30, 2023

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BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The District was formed on February 13, 2001 under Article III, Section 48-d, of the Texas Constitution. The District's Board of Commissioners, a five-member group appointed by the Brazoria County Commissioners Court, is the level of government which serves to improve firefighting capabilities, promote fire prevention, provide funding and reduce insurance cost within the designated district boundaries.

In order to comply with Texas S.B. 1021, Brazoria County Rural Fire Prevention District No. 1 was changed to Brazoria County Emergency Service District No. 2. Brazoria County Emergency Service District No. 2 assumed all assets and obligations of the old Brazoria County Rural Fire Prevention District No. 1. This resolution was accepted and passed by majority vote on September 8, 2003.

The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The following is a summary of the most significant accounting policies.

Reporting Entity

The District is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the District's financial reporting entity. Based on these considerations, the District's basic financial statements do not include any other entities. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Although the Board of the District was appointed by the Brazoria County Commissioners Court; it has the authority to make decisions, appoint administrators and managers; significantly influence operations; and has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14. and No. 34". There are no component units included within the reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report financial information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The *governmental activities* are supported by tax revenues and investment earnings. The District has no *business-type activities* that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

Revenues from local sources consist primarily of property taxes. Property tax revenues are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Revenue from investments is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase.

The District reports the following major governmental fund:

The *general fund* is the government's sole operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. The major revenue source includes local property taxes and interest earnings. Expenditures include all costs associated with the daily operations of the District. The District has only one fund, the general fund.

Fund Balances

The District members meet on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The District's unassigned general fund balance is maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned general fund balance may only be appropriated by resolution of the Board of Trustees. Fund Balance of the District may be committed for a specific source by formal action of the District's Board of Trustees. Amendments or modifications of the committed fund balance must also be approved by formal action by the District's Board of Trustees. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The District implemented GASB Statement No. 54, "Fund Balance, Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on government's fund balance more transparent. The following classifications describe the relative strength of spending constraints:

Nonspendable Fund Balance - Includes amounts that cannot be spent because they are either not spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted Fund Balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions of enabling legislation).

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balances - Continued

Committed Fund Balance - Amounts that can only be used for specific purposes because of board resolution by the board of commissioners.

Assigned Fund Balance - Amounts that are constrained by the District'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 District members. With the exception of the general fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned Fund Balance - This is the residual classification of the general fund. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amount had been restricted, committed or assigned.

Cash and Investments

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Current investments have an original maturity of greater than three months but less than one year at the time of purchase. Non-current investments have an original maturity of greater than one year at the time of purchase.

Capital Assets

Capital assets which include Air Pack and Pumper Truck are reported in the total governmental activities column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated capital assets are recorded at acquisition value. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Air pack equipment	10 Years
Pumper truck and tanker	10 Years

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business property located in the district in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The appraisal and recording of all property within the District is the responsibility of the Brazoria County Appraisal District (BCAD), an independent governmental unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. BCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years.

Under certain circumstances taxpayers and taxing units, including the District, may challenge orders of the BCAD Review Board through various appeals and, if necessary, legal action.

The assessed value of the property tax roll, upon which the levy for the 2022-23 fiscal year was based, was \$ 3,991,750,217. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and Interest charges plus 20% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2023, to finance general fund operations was \$ 0.074932 per \$ 100 valuation.

Current tax collections for the year ended September 30, 2023 were 99.30% of the year-end adjusted tax levy. Allowances for uncollectible taxes within the general fund are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of September 30, 2023, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 73,255 for the general fund.

Deferred Outflows and Inflows of Resources

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, "Items Previously Reported as Assets and Liabilities", had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. The District has not recorded any bond premiums and discounts. Bond issuance costs are reported as expenditures or expenses in the current period.

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

Lease

The District is a lessor for noncancellable leases of trucks. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reporting amounts of assets and deferred outflows of resources, and, liabilities and deferred inflows of resources at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 2. NEW PRONOUNCEMENTS

GASB issues statements on a routine basis with the intent to provide authoritative guidance on the preparation of financial statements and to improve governmental accounting and financial reporting of governmental entities. Management reviews these statements to ensure that preparation of its financial statements are in conformity with generally accepted accounting principles and to anticipate changes in those requirements. The following recent GASB Statements reflect the action and consideration of management regarding these requirements:

GASB No. 91 "Conduit Debt Obligations" was issued in May 2019. The statement was implemented and did not to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

GASB No. 94 "Public-Private and Public-Public Partnerships and Availability Payment Arrangements" was issued in March 2020. The statement was implemented and did not to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB No. 96 "Subscription-Based Information Technology Arrangements" was issued in May 2020. The statement was implemented and did not to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB No. 99 "Omnibus 2022" was issued in April 2022. The statement was implemented and did not to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB No. 100 "Accounting Changes and Error Corrections - an amendment to GASB Statement No. 62" was issued in June 2022. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2023.

GASB No. 101 "Compensated Absences" was issued in June 2022. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2023.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 3. DEPOSITS AND INVESTMENTS

The District classifies deposits and investments for financial statement purposes as cash and cash equivalents, current investments, and non-current investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose an investment is considered a cash equivalent if when purchased it has maturity of three months or less. Investments are classified as either current investments or non-current investments. Current investments have maturity of one year or less and non-current investments are those that have a maturity of one year or more. See Note 1 for additional Governmental Accounting Standards Board Statement No. 31 disclosures.

Cash and cash equivalents, current investments, and non-current investments as reported on the statement of net position at September 30, 2023 are as follows:

	<u>Total</u>
Cash and cash equivalents:	
Demand deposits	\$ 65,796
Texpool	<u>6,302,825</u>
Total cash and cash equivalents	<u>\$ 6,368,621</u>

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to them. The District requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

Under Texas state law, a bank serving as the District's depository must have a bond or in lieu thereof, deposited or pledged securities with the District or an independent third party agent, an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC insurance.

At September 30, 2023, the carrying amount of the District's cash, savings, and time deposits was \$ 65,796. The financial institutions balances were \$ 94,856 at September 30, 2023. All deposits were insured by FDIC or collateralized with securities pledged in the name of the District and held by a third party financial institution's trust department.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 3. DEPOSITS AND INVESTMENTS - Continued

Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the District to invest its funds in areas that primarily emphasizes the safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel.

The following are authorized investments under chapter 2256 of the Texas Government Code.

- 1.) Obligations of, or Guaranteed by Governmental Entities
 - a.) obligations, including letters of credit, of the United States or its agencies and instrumentalities;
 - b.) direct obligations of this state or its agencies and instrumentalities;
 - c.) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
 - d.) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state, or the United States or their respective agencies and instrumentalities;
 - e.) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent and;
- 2.) Certificates of Deposit
 - a.) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor or the National Credit Union Share Insurance Fund or its successor;
- 3.) Repurchase Agreements
 - a.) a fully collateralized agreement that has a defined termination date, secured by obligations of the United States, and is placed through a primary government securities dealer, as defined by the Federal Reserve, or financial institution doing business in this state.
- 4.) Banker's Acceptances
 - a.) if the stated maturity of 270 days or fewer from the date of issuance;
 - b.) will be, in accordance with its terms, liquidated in full at maturity;
 - c.) is eligible for collateral for borrowing from a Federal Reserve Bank;

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 3. DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

- 5.) Obligations of, or Guaranteed by Governmental Entities
 - a.) obligations, including letters of credit, of the United States or its agencies and instrumentalities;
 - f.) direct obligations of this state or its agencies and instrumentalities;
 - g.) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
 - h.) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state, or the United States or their respective agencies and instrumentalities;
 - i.) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent and;
- 6.) Certificates of Deposit
 - a.) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor or the National Credit Union Share Insurance Fund or its successor;
- 7.) Repurchase Agreements
 - a.) a fully collateralized agreement that has a defined termination date, secured by obligations of the United States, and is placed through a primary government securities dealer, as defined by the Federal Reserve, or financial institution doing business in this state.
- 8.) Banker's Acceptances
 - a.) if the stated maturity of 270 days or fewer from the date of issuance;
 - b.) will be, in accordance with its terms, liquidated in full at maturity;
 - c.) is eligible for collateral for borrowing from a Federal Reserve Bank;
- 9.) Commercial Paper
 - a.) if the stated maturity of 270 days or fewer from the date of issuance; and
 - b.) is rated not less than A-1 or P-1, or an equivalent rating by at least two nationally recognized credit rating agencies; or one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.
- 10.) No-load Mutual Funds
 - a.) if registered with and regulated by the Securities and Exchange Commission;
 - b.) has an average weighted maturity of less than two years;
 - c.) is invested exclusively in obligations of, or guaranteed by governmental entities mentioned above;
 - d.) is continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 3. DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

- 11.) Guaranteed Investment Contacts
 - a.) if it has a defined termination date;
 - b.) is secured by obligations of, or guaranteed by governmental entities mentioned above, in an amount at least equal to the amount of bond proceeds invested under the contract;
 - c.) is pledged to the entity and deposited with the entity or with a third party selected and approved by the entity.
- 12.) Investment Pools
 - a.) Public funds investment pool meeting the requirements of Government Code 2256.016 - 2256.019.

The District participates in one Local Government Investment Pools (LGIPs): Texpool. The State Comptroller of Public Accounts oversees Texpool. Federated Investors is the full service provider to the pools managing the assets, providing participant services, and arranging for all custody and other functions in support of the pool's operations under a contract with the Comptroller.

The District invests in Texpool to provide its liquidity needs. Texpool is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. Texpool is a 2(a)7 like fund, meaning that it is structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. Texpool is rated AAA and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit. At September 30, 2023 Texpool had a weighted average maturity of 28 days. Although Texpool portfolio had a weighted average maturity of 28 days, the District considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

The following table includes the portfolio balance of all investment types of the District at September 30, 2023:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Texpool	\$ 6,302,825	28

Credit Risk - As of September 30, 2023, the LGIPs (which represent 100% of the District's portfolio) are rated AAAM by Standard and Poor's.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 3. DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, investment maturities shall not exceed the lesser of a dollar weighted average maturity of 270 days or the anticipated cash flow requirements of the funds. Quality short-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the District's cash flow requirements.

Fair Value - The District implemented its fair value measurements within the fair value hierarchy established by GASB No 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The District holds no investments as of September 30, 2023.

NOTE 4. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Taxes

Property taxes receivable are reserved based on historical experience and evaluation of collectivity as the lesser of a percentage of the original levy or the current receivable for each levy year. The allowance for uncollectible taxes for year ended September 30, 2023 was \$ 86,070.

NOTE 5. DEFERRED INFLOWS OF RESOURCES/UNEARNED REVENUE

Governmental funds defer the recognition of revenue in connection with receivables that are considered to be unavailable to liquidate liabilities of the current period and report these amounts as deferred inflows of resources. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue). There is no unearned revenue as of September 30, 2023.

As of September 30, 2023, deferred inflows of resources were reported in the governmental fund as follows:

	<u>Amount</u>
Delinquent property taxes receivable	\$ 61,468
Lease	<u>266,967</u>
Total deferred inflows of resources	<u>\$ 328,435</u>

As of September 30, 2023, \$ 266,967 deferred inflows of resources were reported in the governmental activities for leases.

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023, was as follows:

	<u>Balance</u> <u>10/01/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/23</u>
Governmental Activities:				
Depreciated Capital Assets:				
Air pack equipment	\$ 310,447	\$ 34,135	\$ -	\$ 344,582
Pumper truck and tanker	<u>2,621,474</u>	<u>873,060</u>	<u>-</u>	<u>3,494,534</u>
Total capital assets being depreciated	<u>2,931,921</u>	<u>907,195</u>	<u>-</u>	<u>3,839,116</u>
Accumulated Depreciation:				
Air pack equipment	229,872	32,751	-	262,623
Pumper truck and tanker	<u>788,610</u>	<u>274,402</u>	<u>-</u>	<u>1,063,012</u>
Total accumulated depreciation	<u>1,018,482</u>	<u>\$ 307,153</u>	<u>\$ -</u>	<u>1,325,635</u>
Net depreciated capital assets	<u>\$ 1,913,439</u>			<u>\$ 2,513,481</u>
Total depreciation expense-governmental activities				<u>\$ 307,153</u>

NOTE 7. PURCHASE FINANCING NOTES

On September 21, 2016, the District entered into a Master Governmental Purchase Agreement with Wells Fargo in the amount of \$ 413,666 for financing a Pumper Fire Truck purchased. The interest rate related to the obligation is 2.71% and the maturity date is October 3, 2025. During the year ended September 30, 2023, \$ 41,799 of principal and \$ 4,719 in interest expenses related to the note were paid. Accrued interest expense was \$ 3,586 at September 30, 2023.

On September 21, 2017, the District entered into a Master Governmental Purchase Agreement with Branch Banking & Trust Company in the amount of \$ 300,000 for financing of a Pumper Fire Truck purchased. The interest rate related to the obligation is 2.32% and the maturity date is September 1, 2027. During the year ended September 30, 2023, \$ 29,935 of principal and \$ 3,853 in interest expenses related to the note were paid. Accrued interest expense was \$ 298 at September 30, 2023.

The following is a schedule showing the future minimum note payments:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 89,149	\$ 8,051	\$ 97,200
2025	75,807	4,499	80,306
2026	77,742	2,564	80,306
2027	<u>33,209</u>	<u>579</u>	<u>33,788</u>
	<u>\$ 275,907</u>	<u>\$ 15,693</u>	<u>\$ 291,600</u>

BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 2

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 7. PURCHASE FINANCING NOTES - Continued

Transactions for the year ended September 30, 2023 are summarized as follows:

	<u>Balance 10/01/22</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance 09/30/23</u>	<u>Due Within One Year</u>
Governmental Type Activities:					
Purchase financing notes	\$ 347,641	\$ -	\$ 71,734	\$ 275,907	\$ 89,149
Total governmental activities	<u>\$ 347,641</u>	<u>\$ -</u>	<u>\$ 71,734</u>	<u>\$ 275,907</u>	<u>\$ 89,149</u>

NOTE 8. LEASES

Lease Receivable

In 2020, the District entered into various lease agreements with three fire departments to use the District’s trucks. The leases expire in various years through 2030. The District is receiving quarterly payments. The District recognized \$ 56,886 in lease revenue and \$ 7,825 in interest revenue during the current fiscal year related to these leases. As of September 30, 2023, the District’s receivable for lease payments was \$ 273,542. Also, the District has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. As of September 30, 2023, the balance of the deferred inflow of resources was \$ 266,967. The future lease receivable as of September 30, 2023 was as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 55,648	\$ 6,357	\$ 62,005
2025	45,347	4,981	50,328
2026	34,638	4,015	38,653
2027	35,518	3,135	38,653
2028	36,419	2,234	38,653
2029-2030	<u>65,972</u>	<u>1,670</u>	<u>67,642</u>
	<u>\$ 273,542</u>	<u>\$ 22,392</u>	<u>\$ 295,934</u>

NOTE 9. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended September 30, 2023, the District incurred expenditures in excess of appropriations in the general fund of \$296,748.

NOTE 10. EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated subsequent events through February 13, 2024, the date which the financial statements were available to be issued.

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REQUIRED SUPPLEMENTAL INFORMATION

BRAZORIA COUNTY EMERGENCY DISTRICT NO. 2

Exhibit D-1

*Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual -
General Fund
For the Year Ended September 30, 2023*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 2,978,793	\$ 2,978,793	\$ 3,013,559	\$ 34,766
Investment income	30,000	30,000	304,239	274,239
Lease	<u>65,500</u>	<u>65,500</u>	<u>64,711</u>	<u>(789)</u>
Total revenues	<u>3,074,293</u>	<u>3,074,293</u>	<u>3,382,509</u>	<u>308,216</u>
Expenditures:				
Current:				
General Government and Administration:				
Brazoria County Appraisal District fees	16,500	16,500	17,405	(905)
Brazoria County Tax Assessor	12,500	12,500	14,018	(1,518)
Bookkeeping	13,200	13,200	9,900	3,300
Dispatching fee	28,500	28,500	49,682	(21,182)
Insurance and bonds	2,500	2,500	2,186	314
Member fee	1,100	1,100	1,100	-
Professional fees	62,500	62,500	44,558	17,942
Training and Travel	58,000	58,000	40,000	18,000
Repairs & maintenance	100,000	100,000	22,541	77,459
Miscellaneous	20,300	20,300	8,263	12,037
Contractual	1,075,000	1,075,000	1,075,000	-
Capital outlay	500,000	500,000	907,195	(407,195)
Debt Service:				
Principal	80,306	80,306	71,734	8,572
Interest and fiscal charges	<u>5,000</u>	<u>5,000</u>	<u>8,572</u>	<u>(3,572)</u>
Total expenditures	<u>1,975,406</u>	<u>1,975,406</u>	<u>2,272,154</u>	<u>(296,748)</u>
Change in fund balance	1,098,887	1,098,887	1,110,355	11,468
Fund balance - beginning	<u>5,232,591</u>	<u>5,232,591</u>	<u>5,232,591</u>	<u>-</u>
Fund balance - ending	<u>\$ 6,331,478</u>	<u>\$ 6,331,478</u>	<u>\$ 6,342,946</u>	<u>\$ 11,468</u>