EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2025 AND 2024

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EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025 AND 2024

Our discussion and analysis of El Paso County Emergency Services District #2's (the District) financial performance provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2025 and 2024. We encourage readers to consider this information in conjunction with the basic financial statements, which begins on Page 4.

Fund-based financial reporting and government-wide reporting are not viewed as being in conflict; however, they are not comparable. A significant portion of this analysis focuses on the changes in the government-wide statements, while still providing information on the District's fund-based comparative changes.

FINANCIAL HIGHLIGHTS

- **Total assets increased by approximately 23% due to an increase in cash.**
- **Total liabilities increased by 77% due primarily to a new note payable acquired by the District for the construction of a new fire station.**
- **Total net position of $32,599,398 increased by $2,731,687 which represents an increase of 9.1% for the year ended September 30, 2025, mainly as a result of general revenues from sales taxes and property taxes exceeding operating expenses.**
- **Amounts invested in capital assets, net of related debt, amounted to $24,095,029 this represents an increase of 7% for the year ended September 30, 2025 from the preceding year.**
- **Unrestricted, net position, available to meet the District's on-going obligations, totaled $2,364,033. This represents a decrease of 68% for the year ended September 30, 2025 from the preceding year, as a result of major purchases in capital assets in the previous year.**
- **At September 30, 2025, the District's governmental fund statements show an ending fund balance of $13,313,276, an increase of $6,681,709 or 101% as a result of issuance of debt.**
- **Program revenues amounted to $1,082,095, an increase of 21% from the prior year due primarily to the increase of building inspections and permits provided by the District during the year.**
- **General revenues amounted to $11,314,346, an increase of 10% from the prior year.**
- **Total revenues amounted to $12,396,441, an increase of 11% from the prior year.**
- **The District expended $3,824,564 in capital expenditures for construction in progress, building improvements, transportation equipment for public safety, and other equipment for the different fire departments.**
- **The District had $8,582,659 in net program expenses related to governmental activities. This represents a 12% increase from prior year due primarily to increase in insurance cost and training.**
- **Total expenses amounted to $9,664,754, an increase of 13% from the prior year.**
- **The District uses the general fund to maintain its financial records.**
- **Total deferred outflows amounted to $374,855, a increase of 11% from the prior year and were related to pensions.**
- **Total deferred inflows amounted to $69,251, a decrease of 25% from the prior year and were related to pensions.**

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

MANAGEMENT'S DISCUSSION AND ANALYSIS
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FINANCIAL HIGHLIGHTS (continued)

- Net pension asset was $170,702, which represents an increase of $45,322 from net pension asset reported in the previous year.
- The total revenue from the general fund amounted to $12,034,868. Total expenditures from the general fund amounted to $12,857,434 which was more than the final budgeted appropriations by 11%.
- Total budgeted appropriations for the year ended September 30, 2025 were $14,220,580. Actual expenses of $12,857,434 did not exceed budgeted appropriations.
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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 include:

- Government-wide financial statements on Pages 4-6.
- Fund financial statements on Pages 7-12.
- Notes to the financial statements on Pages 13-47.

This report also contains other supplementary information and related notes on pages 48-55.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025 AND 2024

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the financial position of the District, and are similar to private sector financial statements. The government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements appear on Pages 4 through 6 of this report. One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These two statements report the District's *net position* and changes in them. You can think of the District's net position, the difference between assets, what the District owns, and liabilities, what the District owes, as one way to measure the District's financial health, or *financial position.* Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, you will need to consider other non-financial factors, however, such as changes in the District's jurisdiction, the availability of capital projects, and continuing local government support to assess the *overall health* of the District.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the differences between the two reported as net position. Changes in net position over time may indicate an improving or deteriorating financial position. Net assets are shown in two categories: 1) invested in capital assets, net of related debt, and 2) unrestricted.

The Statement of Activities presents information showing how the District's net assets changed during the fiscal years ended September 30, 2025 and 2024. It provides a breakdown of revenues and expenses by function. All changes in net position are reported as soon as the underlying event which contributes 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 affect cash flows in future fiscal periods. Examples of such items include revenues earned and expenses incurred but not yet paid, all of which will produce changes in cash in a future fiscal period.

Both statements attempt to distinguish functions of the District that are principally supported by taxes (*governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees (*business-type activities)*. The governmental activities of the District include public safety (fire protection). The District does not engage in any business-type activities. The District's government-wide statements also intend to present information about the District's long-term liabilities resulting form employee benefit plans. The District participated in the Texas County and District Retirement System (TCDRS) during the years end September 30, 2025 and 2024.

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 only has governmental funds. The governmental funds financial statements are on Pages 7 through 12.

GOVERNMENTAL FUNDS

Governmental funds are used to account for essentially the same functions of those reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's operations and the services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The focus of governmental funds is narrower than that of government-wide financial statements. Therefore, it can be useful to compare the information presented for the 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. Reconciliations have been provided as a link between the governmental fund statements and the government-wide financial statements to assist in this comparison.

The District maintains its activities in the general fund.

The District has no proprietary funds or fiduciary funds.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in both the government-wide and governmental fund financial statements. The notes to the financial statements can be found on Pages 13 through 47 of this report.

OTHER INFORMATION

In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information concerning the District's budgetary comparison schedules for its General Fund, schedule of changes in net pension liability and related rations, and schedule of employer contributions. The required supplementary information can be found on Pages 48 through 55.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025 AND 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1
Net Position (In Thousands)
September 30,

	2025	2024	2023
Current and other assets	$ 14,924.8	$ 7,631.6	$ 10,534.9
Capital assets	31,274.9	29,829.2	25,962.5
Total assests	46,199.7	37,460.8	36,497.4
Deferred outflows of resources	374.9	336.9	343.5
Long-term obligations	11,567.2	7,358.9	9,020.2
Other liabilities	2,338.7	478.2	539.1
Total liabilities	13,905.9	7,837.1	9,559.3
Deferred inflows of resources	69.3	92.9	30.5
Net Position:			
Invested in capital assets, net of related debt	17,957.6	22,447.7	17,001.6
Unrestricted	14,641.8	7,420.0	10,249.5
Total Position	$ 32,599.4	$ 29,867.7	$ 27,251.1

Net position of the District's activities increased 9.1% or $2,731,687 from fiscal year ending 2024 and increased 9.6% or $2,616,541 from fiscal year ending 2023. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased from $7,420,025 to $2,364,033 at the end of fiscal year 2025 and decreased from $10,249,541 to $7,420,025 at the end of the fiscal year 2024.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025 AND 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Table 2 compares the fiscal year ended 2025 change in net position to the 2024 change in net assets, the fiscal year ended 2024 change in net position to the 2023 change in net assets.

Table 2
Changes in Net Position for 2025 Compared with 2024 Activity
(In Thousands)

	2025	2024	Change
Program Revenues:			
Charges for services	$ 977.7	$ 854.7	$ 123.0
Operating grants	104.4	40.4	64.0
General revenues:			
Property Taxes	5,614.8	5,176.3	438.5
Sales taxes	5,307.8	4,949.8	358.0
Interest earnings	252.6	81.2	171.4
Gain on sale of capital assets	28.2	10.0	18.2
Other	110.8	73.2	37.6
Total revenues	12,396.3	11,185.6	1,210.7
Program expenses:			
Public safety	9,332.2	8,260.4	1,071.8
Interest on long-term debt	261.9	308.7	(46.8)
Loan issuance costs	70.7	-	70.7
Total expenses	9,664.8	8,569.1	1,095.7
Changes in net position	$ 2,731.5	$ 2,616.5	$ 115.0

For the year ended September 30, 2025, property taxes increased due to an increase in property values. Sales taxes increased due to an increase in sales within the District and the collection of telecommunication sales tax. In addition, charges for services such as inspection fees increased as the area continues to grow and all buildings require Fire Marshall approval. The increase in public safety expenses is attributed to a increase in uniform, equipment cost/depreciation and insurace.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025 AND 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Table 2 (Continued)
Changes in Net Position for 2024 Compared with 2023 Activity (In Thousands)

	2024	2023	Change
Program Revenues:			
Operating grants	$ 854.7	$ 180.3	$ 674.4
Charges for services	40.4	319.2	(278.8)
General revenues:			
Property Taxes	5,176.3	4,857.1	319.2
Sales taxes	4,949.8	4,805.1	144.7
Interest earnings	81.2	-	81.2
Gain on sale of capital assets	10.0	99.1	(89.1)
Other	73.2	12.1	61.1
Total revenues	11,185.6	10,272.9	912.7
Program expenses:			
Public safety	8,260.4	6,592.8	1,667.6
Interest on long-term debt	308.7	260.6	48.1
Loan issuance costs	-	68.4	(68.4)
Total expenses	8,569.1	6,921.8	1,647.3

For the year ended September 30, 2024, property taxes increased due to an increase in property values. Sales taxes increased due to an increase in sales within the District and the collection of telecommunication sales tax. In addition, charges for services such as inspection fees increased as the area continues to grow and all buildings require Fire Marshall approval. The increase in public safety expenses is attributed to a increase in uniform and equipment cost.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025 AND 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Table 3 presents the total cost of each of the District's programs, as well as each program's net cost (total cost less revenues generated by activities). The net cost shows the financial burden that was placed on the District by each of these functions.

Table 3
Governmental Activities (In Thousands)
September 30,

	Total Cost of Services		
	2025	2024	2023
General government	$ 9,332.2	$ 8,260.4	$ 6,592.8
Interest on long-term debt	261.9	308.7	260.6
Loan issuance costs	70.7	-	68.4
Total Expenses	$ 9,664.8	$ 8,569.1	$ 6,921.8

	Net Cost of Services		
	2025	2024	2023
General government	$ 8,250.1	$ 7,365.3	$ 6,093.3
Interest on long-term debt	261.9	308.7	260.6
Loan issuance costs	70.7	-	68.4
Total Expenses	$ 8,582.7	$ 7,674.0	$ 6,422.3

For the year ending September 30, 2025 the increase in general government expense is attributed to the new stipend program that was implemented for volunteer firefighters. Additionally, a new loan was issued during the fiscal year in which closing costs of $70,725 were expensed by the District.

For the year ending September 30, 2024 the increase in general government expense is attributed to an increase in small equipment related purchases to fire services and stipends.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025 AND 2024

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

Governmental Funds

The focus of the District's governmental funds 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.

The General Fund is the chief operating fund of the District. For the year ending September 30, 2025, the District's governmental fund statements show an ending fund balance of $13,313,276, an increase of $6,681,709 in comparison with the prior year fund balance. Of the ending fund balance noted above, $13,308,651 constitutes unreserved, undesignated fund balance, which is available for spending at the District's discretion.

The General Fund is the chief operating fund of the District. For the year ending September 30, 2024, the District's governmental fund statements show an ending fund balance of $6,631,567, a decrease of $3,102,998 in comparison with the prior year fund balance. Of the ending fund balance noted above, $6,626,942 constitutes unreserved, undesignated fund balance, which is available for spending at the District's discretion.

Table 4 presents the fund balance of the general fund and an analysis of significant changes in the fund balance.

Table 4
Changes in Year-End Fund Balance (In Thousands)
September 30,

	2025	2024	Percent Change
General Fund	$ 13,313.3	$ 6,631.6	100.1%

The 100.1% increase in fund balance is primarily attributed to the issuance of debt in the fiscal year ended September 30, 2025.

	2024	2023	Percent Change
General Fund	$ 6,631.6	$ 9,734.6	-29.8%

The 29.8% decrease in fund balance is primarily attributed to debt principal payments and purchases of capital assets during the fiscal year ended September 30, 2024.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025 AND 2024

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

Table 5 presents a detail of the governmental fund revenues for the fiscal year ended September 30, 2025, 2024 and 2023, and a comparison with the governmental fund revenues for the prior fiscal year.

Table 5
Total Governmental Fund Revenues (In Thousands)
September 30,

Revenue Source	2025 Amount	Percent Total	Increase (Decrease) Over 2024	Percent Increase (Decrease)
Property Taxes	$ 5,614.8	45.29%	$ 561.9	10.10%
Sales Tax	5,307.8	42.82%	358.0	6.7%
Charges for Services	977.7	7.89%	123.0	12.6%
Grant Income	104.5	0.84%	64.1	61.4%
Interest income	252.6	2.04%	171.4	67.90%
Miscellaneous income	110.8	0.89%	37.5	33.8%
Gain on sale of assets	28.2	0.23%	18.2	64.5%
Total	$ 12,396.4	100.00%	$ 1,334.1	10.8%

For the year ended September 30, 2025, property taxes increased due to increases in property tax values. In addition, sales taxes increased because sales increased within the District. Charges for services increased due to new businesses opening in the area and needing Fire Marshall inspections and approvals to open the business to the public. Grant income has increased due to the use of ARPA funds being used during the fiscal year to purchase equipment for the District.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025 AND 2024

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

Table 5
Total Governmental Fund Revenues (In Thousands)
September 30,

Revenue Source	2024 Amount	Percent Total	Increase (Decrease) Over 2023	Percent Increase (Decrease)
Property Taxes	$ 5,052.9	45.68%	$ 148.1	3.03%
Sales Tax	4,949.8	44.75%	144.7	3.01%
Charges for Services	854.7	7.73%	535.6	167.85%
Grant Income	40.4	0.37%	(139.9)	-77.59%
Interst Income	81.2	0.73%	79.9	6146.15%
Miscellaneous income	73.2	0.66%	62.6	574.43%
Gain on sale of assets	10.0	0.09%	(89.1)	-89.91%
Total	$ 11,062.2	100%	$ 741.9	6736%

For the year ended September 30, 2024, property taxes increased due to increases in property tax values. In addition, sales taxes increased because sales increased within the District. Charges for services increased due to new businesses opening in the area and needing Fire Marshall inspections and approvals to open the business to the public. Grant income is down because most of it received in fiscal year 2024 has been deferred to be used in fiscal year 2025 for the purchase of equipment.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025 AND 2024

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

Table 5
Total Governmental Fund Revenues (In Thousands)
September 30,

Revenue Source	2023 Amount	Percent Total	Increase (Decrease) Over 2022	Percent Increase (Decrease)
Property Taxes	$ 4,904.8	47.52%	$ 417.1	3.20%
Sales Tax	4,805.1	46.56%	245.6	-2.970%
Charges for Services	319.1	3.09%	(93.1)	-31.04%
Grant Income	180.3	1.75%	137.1	1034.00%
Interst Income	1.3	0.01%	0.6	-20%
Miscellaneous income	10.9	0.11%	0.7	578.50%
Gain on sale of assets	99.1	0.96%	(409.6)	-1.20%
Total	$ 10,320.6	100.00%	$ 298.4	4.28%

For the year ended September 30, 2023, property taxes increased due to increase in property tax values. In addition, sales taxes increased because sales increased within the District. The decrease in charges for services is primarily due to services provided by in a special project in Socorro that were completed at the end of fiscal year 2022 and did not occur in fiscal year 2023. Proceeds from sale of capital assets decreased significantly since the District sold most of its old fleet during fiscal year 2022. Grant income increased due to federal grants that were previously classified as refundable advances being spent during the year on capital asset purchases.

GENERAL FUND BUDGETARY HIGHLIGHTS

Table 6 represents the general fund budget. There were differences between the original budget and final budget for fiscal year 2025. Table 6 discusses the variance between the final budget and the actual results for the fiscal year end 2025, 2024, and 2023.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025 AND 2024

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

Table 6
Final Budget Versus Actual Results (In Thousands)
General Fund

	2025		
	Final Budget	Actual	Variance
Revenues			
Property taxes	$ 5,556.1	$ 5,196.9	$ (359.2)
Sales taxes	5,254.1	5,307.8	53.7
Inspection earnings	966.7	977.7	11.0
Grant income	24.5	104.4	79.9
Interest earnings	236.7	252.6	15.9
Miscellaneous income	195.4	110.8	(84.6)
Reserve funds	1,247.9	-	(1,247.9)
Gain on sale of assets	-	84.6	84.6
Total revenues	$ 13,481.4	$ 12,034.8	$ (1,446.6)
Expenditures:			
Total general government	$ 14,220.6	$ 12,780.5	$ 1,440.1

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025 AND 2024

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

Table 6 (Continued)
Final Budget Versus Actual Results (In Thousands)
General Fund

	2024		
	Final Budget	Actual	Variance
Revenues			
Property taxes	$ 5,119.1	$ 5,052.9	$ (66.2)
Sales taxes	4,934.5	4,949.8	15.3
Inspection earnings	840.9	854.7	13.8
Grant income	71.2	40.4	(30.8)
Interest earnings	62.3	81.2	18.9
Miscellaneous income	-	73.2	73.2
Reserve funds	5,754.9	-	(5,754.9)
Gain on sale of assets	10.0	10.0	-
Total revenues	$ 16,792.9	$ 11,062.2	$ (5,730.7)
Expenditures:			
Total general government	$ 16,014.4	$ 14,299.1	$ 1,715.3

Table 6 (Continued)
Final Budget Versus Actual Results (In Thousands)
General Fund

	2023		
	Final Budget	Actual	Variance
Revenues			
Property taxes	$ 4,837.5	$ 4,805.1	$ (32.4)
Sales taxes	4,837.5	4,904.8	67.3
Inspection earnings	310.1	319.2	9.1
Grant income	200.4	180.3	(20.1)
Interest earnings	1.2	1.2	-
Miscellaneous income	15.9	10.9	(5.0)
Gain on sale of assets	275.2	99.1	(176.1)
Total revenues	$ 10,477.8	$ 10,320.6	$ (157.2)
Expenditures:			
Total general government	$ 13,442.6	$ 12,570.3	$ 872.3

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025 AND 2024

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2025, the District had $31,372,734 invested in capital assets, net of depreciation. This amount represents a net increase (including addition and deletions) of $1,543,521 or 5.2% compared to last year. The net increase is primarily due to an increase in additions of capital assets during 2025 totaling $3,732,524 less depreciation of total assets totaling $2,189,003.

The District's financial statements present capital assets in two categories: those assets subject to depreciation (such as buildings and equipment) and those not subject to depreciation (such as land and construction in progress). At September 2025, the District had $31,372,734 invested in capital assets, net of depreciation. There were purchases of transportation equipment and building improvements in fiscal year 2025 which contributed to the increase of 5.2% when compared to the previous year. The District purchased two new fire trucks and equipped them both with new equipment such as pumpers, ladders, and other fire safety equipment.

Capital assets held by the District at the end of the current year and prior years are summarized in Table 7 as follows:

Table 7
Capital Assets, Net of Accumulated Depreciation
September 30,

	Governmental Activities		
	2025	2024	2023
Land	$ 5,224,700	$ 5,224,700	$ 1,401,906
Construction in progress	21,029	-	4,562,829
Buildings and improvements	13,557,304	13,894,794	12,720,919
Transportaion equipment	8,532,299	8,176,881	4,336,173
Other equipment	3,939,604	2,409,528	2,882,330
Right-to-use office equipment	97,798	123,310	58,345
Total capital assets, net	$ 31,372,734	$ 29,829,213	$ 25,962,502

Additional information on the District's capital assets can be found on Page 25 of this report.

Debt Administration

At September 30, 2025, the District had $13,317,344 in outstanding notes and leases payable compared to $7,257,207 last year, an increase of 83.5%. The increase was mainly due to the District entering into a new loan agreement for the amount of $7,575,000. The loan proceeds are for the purchase of 2 fire trucks and construction of a new fire station.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025 AND 2024

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Table 8
Long-term Debt Oustanding at Year End
September 30,

	Governmental Activities		
	2025	2024	2023
Notes payable	$ 13,317,344	$ 7,258,217	$ 8,960,873
Lease liabilities	100,697	124,370	59,323
Net pension asset	(170,702)	(125,380)	(18,448)
Total capital assets, net	$ 13,247,339	$ 7,257,207	$ 9,001,748

More detailed information about the District's long-term liabilities is presented on Pages 26-30 of this report.

Economic factors

The District's taxing jurisdiction consists of the surrounding areas of El Paso County, Texas, including the communities of Anthony, Canutillo, Clint, Fabens, Montana Vista, San Elizario, Socorro, Tornillo and Vinton. The total jurisdiction of the District spans under 600 square miles with an estimated population of 105,000. The largest growing areas of the District include Socorro, Clint, Canutillo and, Montana Vista.

The District consists of five members serving as the Board of Commissioners and 38 paid employees. The District normally maintains operating agreements with six volunteer fire departments: Fabens Fire Department, Socorro Fire Department, Clint Fire Department, Montana Vista Fire and Rescue, San Elizario Fire Rescue, and West Valley Fire Department. The agreements are renewed on an annual basis, or each time a department elects a Fire Chief. Each Volunteer Fire Department independently appoints a Fire Chief and maintains its own by-laws and tax-exempt status. Each department is responsible to:

Provide, procure, and maintain volunteer personnel,
Provide necessary training to fire prevention, firefighting, and medical assistance personnel,
Conduct annual workshops,
Submit required financial reports to the District, and
Safeguard and maintain District property.

The District utilizes 24/7 dispatching services in conjunction with Horizon City Police Department. This dispatching system utilizes the CAD system. On average, the Dispatching Center is staffed with three to four paid dispatchers every shift by the Horizon Police Department.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025 AND 2024

Economic factors (continued)

Training is also made available to firefighters to attend various seminars conducted in Texas and outside the State, as needed. The firefighters are required to attend a designated number of trainings in order to remain in good standing with each Department, Pension, and for the State Fireman's and Fire Marshal's Association.

The number of calls serviced by the District were 10,383 and 15,010 for the years ending September 30, 2025 and 2024, respectively.

Total calls for September 30, 2025 decreased by 31% in relation to the previous year.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Board of Commissioners, President, P.O. Box 265, Fabens, Texas 79838.

Adrian Santana
Board of Commissioners, President

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
El Paso County Emergency Services District #2

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities of El Paso County Emergency Services District #2, a discrete component unit of the County of El Paso, Texas, as of and for the years ended September 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the El Paso County Emergency Services District #2 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 of El Paso County Emergency Services District #2, as of September 30, 2025 and 2024, and the respective changes in financial position, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the El Paso County Emergency Services District #2 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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 El Paso County Emergency Service District #2's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- **Exercise professional judgment and maintain professional skepticism throughout the audit.**

- **Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.**

- **Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the El Paso County Emergency Services District #2'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 El Paso County Emergency Services District #2's ability to continue as a going concern for a reasonable period of time.**

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information schedule of changes in net pension liability and related ratios, and schedule of employer contributions on pages i through xvii and 48-55 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standard*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2026, on our consideration of the El Paso County Emergency Services District #2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the El Paso County Emergency Services District #2's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering El Paso County Emergency Services District #2's internal control over financial reporting and compliance.

Peña Briones McDaniel + Co

El Paso, TX
January 16, 2026

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

STATEMENTS OF NET POSITION
SEPTEMBER 30, 2025 AND 2024

	Governmental Activities	
ASSETS	**2025**	**2024**
Current assets		
Cash and cash equivalents	$ 6,941,991	$ 6,026,314
Restricted cash	6,140,336	
Receivable, net of allowance		
Taxes	1,569,330	1,475,313
Other assets	4,625	4,625
Total current assets	14,656,282	7,506,252
Net pension asset	170,702	125,380
Right-of-use asset, net	97,798	123,310
Capital assets, net of accumulated depreciation	31,274,936	29,705,903
TOTAL ASSETS	$ 46,199,718	$ 37,460,845
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 374,855	$ 336,987
LIABILITIES		
Current liabilities		
Accounts payable	$ 247,139	$ 238,217
Accrued liabilities	200,915	79,560
Accrued interest	39,188	56,271
Refundable advances	641	80,549
Lease payable - current portion	24,704	23,673
Notes payable - current portion	1,750,145	1,515,873
Long-term liabilities:		
Lease payable - long-term	75,993	100,697
Notes payable - long term	11,567,199	5,742,344
TOTAL LIABILITIES	$ 13,905,924	$ 7,837,184
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 69,251	$ 92,937
NET POSITION		
Investment in capital assets, net of related debt	24,095,029	22,447,686
Restricted for capital projects	6,140,336	-
Unrestricted	2,364,033	7,420,025
TOTAL NET POSITION	$ 32,599,398	$ 29,867,711

See accompanying notes to financial statements and independent auditor's report.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

		Program Revenues			Net Revenue (Expense) and Change in Net Position
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities					
Public safety	$ 9,332,173	977,657	$ 104,438	$ -	$ (8,250,078)
Interest on debt	261,856	-	-	-	(261,856)
Issuance of debt	70,725	-	-	-	(70,725)
Total primary government	$ 9,664,754	$ 977,657	$ 104,438	$ -	$ (8,582,659)
General Revenues:					
Taxes:					
Property taxes					5,614,843
Sales taxes					5,307,820
Interest earnings					252,642
Miscellaneous income					110,800
Gain (loss) on sale of assets					28,241
Total general revenues					11,314,346
Change in net position					2,731,687
Net position at beginning of year					29,867,711
Net position at end of year					$ 32,599,398

See accompanying notes to financial statements and independent auditor's report.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

		Program Revenues			Net Revenue (Expense) and Change in Net Assets
FUNCTIONS/PROGRAMS	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities					
Public safety	$ 8,260,355	$ 854,687	$ 40,400	$ -	$ (7,365,268)
Interest on debt	308,703	-	-	-	(308,703)
Total primary government	$ 8,569,058	$ 854,687	$ 40,400	$ -	$ (7,673,971)

General Revenues:	
Taxes:	
Property taxes	5,176,306
Sales taxes	4,949,804
Interest earnings	81,152
Miscellaneous income	73,250
Gain (loss) on sale of assets	10,000
Total general revenues	10,290,512
Change in net position	2,616,541
Net position at beginning of year	27,251,170
Net position at end of year	$ 29,867,711

See accompanying notes to financial statements and independent auditor's report.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

		General Fund
ASSETS		
Cash and cash equivalents	$	13,082,327
Receivables, net of allowance		
Taxes		1,569,330
Other assets		4,625
TOTAL ASSETS	$	14,656,282
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$	247,139
Accrued liabilities		200,915
Refundable advances		641
Total liabilities		448,695
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue - property taxes		894,311
Total deferred inflows of resources		894,311
FUND BALANCE		
Non-spendable		4,625
Unassigned		13,308,651
Total fund balance		13,313,276
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$	14,656,282

See accompanying notes to financial statements and independent auditor's report.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
SEPTEMBER 30, 2025

Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position:

Amounts presented for governmental activities in the Statement of Net Position are different because:		
Fund balance- governmental funds in the balance sheet	**$**	**13,313,276**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Governmental capital assets		**64,928,157**
Less accumulated depreciation and amortization		**(33,653,221)**
Right to use assets, net		**97,798**
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Accrued interest		**(39,188)**
Note payable		**(13,317,344)**
Leases		**(100,697)**
Taxes receivable not collected within 60 days of the end of the fiscal year are not considered available resources under the modified accrual basis and reported as deferred inflows of resources in the government funds. Unavailable taxes receivable are reported in the statement of net position on the full accrual basis.		**894,311**
Pension related assets, and deferred inflows and outflows are not due and payable in the current period, and are not available to pay current period expenditures, therefore, are not reported in the governmental funds:		
Net pension asset		**170,702**
Deferred outflows of resources related to pensions		**374,855**
Deferred inflows of resources related to pensions		**(69,251)**
Net position of governmental activities	**$**	**32,599,398**

See accompanying notes to financial statements and independent auditor's report.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

		General Fund
ASSETS		
Cash and cash equivalents	$	6,026,314
Receivables, net of allowance		
Taxes		1,475,313
Other assets		4,625
TOTAL ASSETS	$	7,506,252
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$	238,217
Accrued liabilities		79,560
Refundable advances		80,549
Total liabilities		398,326
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue - property taxes		476,359
Total deferred inflows of resources		476,359
FUND BALANCE		
Non-spendable		4,625
Unassigned		6,626,942
Total fund balance		6,631,567
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$	7,506,252

See accompanying notes to financial statements and independent auditor's report.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
SEPTEMBER 30, 2024

Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position:

Amounts presented for governmental activities in the Statement of Net Position are different because:		
Fund balance- governmental funds in the balance sheet	$	6,631,567
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Governmental capital assets		61,195,633
Less accumulated depreciation and amortization		(31,489,730)
Right to use assets, net		123,310
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Accrued interest		(56,271)
Note payable		(7,258,217)
Leases		(124,370)
Taxes receivable not collected within 60 days of the end of the fiscal year are not considered available resources under the modified accrual basis and reported as deferred inflows of resources in the government funds. Unavailable taxes receivable are reported in the statement of net position on the full accrual basis.		476,359
Pension related assets, and deferred inflows and outflows are not due and payable in the current period, and are not available to pay current period expenditures, therefore, are not reported in the governmental funds:		
Net pension asset		125,380
Deferred outflows of resources related to pensions		336,987
Deferred inflows of resources related to pensions		(92,937)
Net position of governmental activities	$	29,867,711

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	General Fund 2025	General Fund 2024
REVENUES		
Property and occupancy taxes	$ 5,196,907	$ 5,052,864
Sales taxes	5,307,820	4,949,804
Inspection revenue	977,657	854,687
Gain (loss) on sale of assets	84,604	10,000
Grants	104,438	40,400
Miscellaneous income	110,800	73,250
Interest income	252,642	81,152
Total revenues	12,034,868	11,062,157
EXPENDITURES		
Public safety	7,214,385	6,332,477
Capital outlays	3,824,564	5,901,455
Principal retirements	1,539,399	1,702,622
Interest	279,086	362,541
Total expenditures	12,857,434	14,299,095
EXCESS (DEFICIENCY) OF REVENUES UNDER EXPENDITURES	(822,566)	(3,236,938)
OTHER FINANCING SOURCES		
Net proceeds from new long term debt	7,504,275	-
Net proceeds from leases	-	133,940
Total other financing sources	7,504,275	133,940
Net change in fund balances	6,681,709	(3,102,998)
FUND BALANCES, Beginning	6,631,567	9,734,565
FUND BALANCES, Ending	$ 13,313,276	$ 6,631,567

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS (Continued) FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

Reconciliation of Statement of Revenues, Expenditures, and Change in Fund Balance to Statement of Activities:	2025	2024
Net change in fund balances - total governmental funds	$ 6,681,709	$ (3,102,998)
Amounts reported governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Expenditure for capital assets (net of deletions)	3,768,201	5,901,455
Less current year provision for depreciation and amortization	(2,224,664)	(1,965,907)
Repayment of debt principaland lease liability is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,539,399	1,702,622
Proceeds from new notes payable and capital lease are reported as other financial sources in the governmental funds, but the proceeds are reported as liabilities in the statement of net assets	(7,575,000)	(133,940)
Change in net pension liability from year to year that is recorded through the statement of activities and the amortization of the deferred outflow (inflow) of resources related to the pension liability	106,876	37,937
Property taxes are reported as income in the governmental funds on the modified accrual basis, but are reported as income in the statement of net assets on the full accrual basis	417,936	123,535
Interest expense is reported as an expense in the governmental funds on the modified accrual basis, but is reported as an expense in the statement of net assets on the full accrual basis	17,230	53,837
Change in net position of governmental activities	$ 2,731,687	$ 2,616,541

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the El Paso County Emergency Services District #2 (the District) is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America as applicable to governments and have been consistently applied in the preparation of the financial statements.

El Paso County Emergency Services District #2 was created for the purpose of saving lives, the protection of property endangered by fires and other emergencies, and to promote the teaching and practices of fire and accident prevention. The District is a taxing entity and is a political subdivision of the State of Texas. The District was formed as provided by Article III, Section 48-e of the Texas Constitution. The District is administered by a Board of Commissioners appointed by the Commissioners of the County of El Paso, Texas that acts as the authoritative and legislative body of the entity.

Reporting Entity

As required by generally accepted accounting principles, these financial statements present the activities of the District and any component units. All activities of the District are governmental in nature and are financed through taxes and other non-exchange transactions. Component units are legally separate organizations for which the District is financially accountable or other organizations whose nature and significant relationship with the District are such that exclusion would cause the District's financial statements to be misleading. Financial accountability is defined as the appointment of a voting majority of the component unit's Board, and (i) either the District's ability to direct the Organization or (ii) the potential for the Organization to provide a financial benefit to or impose a financial burden on the District.

Blended component units, although legally separate entities are, in substance, part of the District's operations. Accordingly, data from these units are combined with data of the primary government. The discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Based on the application of these criteria, the District does not have any component units required to be reported under GASB Statements No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61 and No. 80.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Relationships with Other Governmental Entities

The County of El Paso, Texas

As amended by the Texas 83rd Legislature, Section 775.301 of the Texas Health and Safety Code grants certain control provisions to the Commissioners Court of Counties that border the United States and Mexico and have a population of more than 800,000. Under the statute, the County of El Paso has certain control provisions over the District, which includes the responsibility of appointing a Board of Commissioners, establishing operating policies and procedures for the District, and approving the District's annual budget and tax rate. Based on the application of the criteria set forth by the Government Accounting Standards Board, management has determined the District to be a discrete component unit of the County of El Paso, Texas.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the District as a whole. There are no fiduciary or business-type activities conducted by the District. All activities of the District are governmental in nature and are supported by taxes and other non-exchange transactions.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Basis of Accounting

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (continued)

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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

Grants and entitlements and interest associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Fund Types and Major Funds

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to governmental funds according to the purpose for which they will be used. Current liabilities are assigned to governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Types and Major Funds (Continued)

The District reports the following major fund:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Texas and the by-laws of the District.

Revenues – Exchange and Non-Exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end. Under the modified accrual basis, interest and charges for services are considered to be both measurable and available at fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving value in return, includes grants and donations. On an accrual basis, revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Expenses/Expenditures

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Cash and Cash Equivalents

For purposes of reporting cash flows, the District considers all short-term investments with an original maturity of three months or less to be cash equivalents.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Delinquent Taxes Receivable

Delinquent taxes receivable are evaluated by management throughout the year. The District performs ongoing evaluations and maintains allowances for uncollectible delinquent taxes based on factors surrounding the credit risk, historical trends and other information of the outstanding amount for each tax levy. The allowance for uncollectible delinquent taxes was $271,246 and $253,112 for the years ended September 30, 2025 and 2024, respectively.

Capital Assets

The District's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated capital assets are recorded at estimated fair market value at the date of the donation. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Depreciation is determined using the straight-line method over the following estimated useful lives of the capital assets:

Buildings and improvements	40
Transportation equipment	5-10
Equipment	5-10

Leases

Effective October 1, 2021, the District adopted GASB No. 87, Leases, (GASB 87). The standard requires recognition of certain lease assets and liabilities for leases that were previously classified as operating eases and recognized as inflows and outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the principle that leases are financing of the right-of-use an asset.

The District is not a lessor; however, for leases where the District is a lessee, the District recognizes a lease liability and a right-to-use asset at the commencement date of the lease term. Lease assets in excess of the capitalization threshold are capitalized as a right-to-use assets. The lease liability is measured at the present value of payment expected to be made during the lease term lease and lease incentives. The right-to-use asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The cost of all leased assets is amortized over the shorter of the lease term or the useful life of the underlying asset.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (continued)

The District uses estimates and judgments to determine the lease term and the discount rate it uses to discount the expected lease payments and lease receipts to present value. The District uses the risk-free rate as the discount rate. The lease term includes the noncancelable period of the lease and extensions the District is reasonable certain to exercise. The District continually monitors change in circumstances that are expected to significantly affect the amount of a lease liability that may require a remeasurement of its lease.

Long-Term Debt

In government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Long-term issuance costs are recognized as debt service expenditures in the current period in both the government-wide financial statements and the governmental financial statements.

Refundable Advances

The District records unexpended conditional grant awards as unearned revenue until they are spent for the purpose of the grant, at which time they are recognized as revenue. Any amount remaining in excess of the final billing is required to be refunded to the granting agency. As of September 30, 2025 and 2024, unearned revenue totaled $641 and $80,549, respectively, which is required to be expended prior to December 31, 2025.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for *deferred outflows of resources*. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one type of item, which arises only under an accrual basis of accounting and it relates to pensions. See footnote 8, Employee's Retirement Plans for additional information.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of financial position may report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents and acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The taxes arise only under the modified accrual basis of accounting and is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also recognizes deferred inflows of resources related to pensions on its statement of net position, see footnote 8, Employee's Retirement Plan for additional information.

Net Position and Fund Balance - Governmental Activities Financial Statements

When the District incurs an expense for which it may use either restricted or unrestricted net position, it uses restricted net position first unless unrestricted net position will have to be returned because they were not used. Net position on the Statement of Net Position includes the following:

Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted for capital projects- loan proceeds that will be used for capital projects. The District expects to use the funds for the construction of a new fire station.

Unrestricted net position – all other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

GASB 54 "Fund Balance Reporting and Governmental Type Definitions"

In accordance with GASB Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions, the District classifies governmental fund balances as follows:

Unassigned – Unassigned fund balance is the residual classification for the general funds. This classification represents fund balance that has not been assigned to other funds and does not have a specific purpose. In the government funds, other than the general funds, if expenditures incurred exceeded the amounts restricted, committed or assigned, the fund may report a negative fund balance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position and Fund Balance - Governmental Activities Financial Statements (continued)

Nonspendable – The nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, and prepaid expenses.

Generally, the District would first apply restricted resources, then committed, assigned and unassigned resources when an expense is incurred for purposes for which more than are classification of fund balance are available.

Use of Estimates

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

Budgets and Budgetary Accounting

The District is required by the Texas Constitution and the Texas Health and Safety Code to adopt an annual balanced budget for its general fund. The District's Board of Commissioners officially adopts the annual budget and any amendments. As established by the Texas 83rd Legislature, the Texas Health and Safety code grants authority and responsibility to the County of El Paso, Texas for reviewing and approving the District's annual budget and amendments before adoption by the Board of Commissioners. All budgets are prepared on the budgetary basis of accounting as required by Texas law.

New Pronouncements

Effective 2025, the District implemented the following pronouncements:

Compensated Absences

The objective of GASB 101, is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. Based on the District's payroll policy no reporting changes were required for the implementation of GASB 101.

2. CASH AND CASH EQUIVALENTS

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Deposits which are insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 – Uncollaterized, this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name.

Statutes require the classification of funds held by the District into three categories.

Category 1 consists of "active" funds – those funds required to be kept in "cash" or "near cash" status for immediate use by the District. Such funds must be maintained as cash, withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds – those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds – those funds not needed for immediate use, but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

1. Commercial paper;
2. Bankers' acceptances;
3. Repurchase agreements; and
4. Certificates of deposit.

The following is a summary of the District's cash deposits by level of risk:

2. CASH AND CASH EQUIVALENTS (Continued)

	2025				
	Category 1	Category 2	Category 3	Total Bank Balance	Total Carrying Value
Government activities	$ -	$ -	$ 13,082,327	$ 13,082,327	$ 13,082,327

	2024				
	Category 1	Category 2	Category 3	Total Bank Balance	Total Carrying Value
Government activities	$ -	$ -	$ 6,026,314	$ 6,026,314	$ 6,026,314

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments to the types described above. However, the District has no investment policy that would further limit its investment choices.

Custodial Credit Risk - Deposits

The District places no limit on the amount the District may invest in any one issuer.

At September 30, 2025 and 2024, the District had cash deposits in one banking institutions with a bank carrying amount of $13,327,738 and $6,261,428. Of this balance, $250,000 is covered by Federal Depository Insurance Corporation (FDIC) at each banking institution. In addition, the balance is covered by pledged securities with a market value of $13,390,944 and $12,916,517 as of September 30, 2025 and 2024, respectively.

3. PROPERTY TAXES

The District is responsible for the assessment, collection, and apportionment of property taxes. The Board of Commissioners levies property taxes on September 1. The certified tax roll from the El Paso Central Appraisal District reflected a taxable value of $6,987,453,504 and $5,887,417,670 for the years ended September 30, 2025 and 2024, respectively. Taxes are due upon receipt of the tax bill and are delinquent if not paid by January 31, of the year following in which levied. On January 1, of each year, a tax lien attaches to property to secure the payment of tax revenues, penalties and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable in the current period. The District's 2024-2025 and 2023-2024 tax rates were $.078856 and $.086457 per $100 of assessed valuation, respectively. The District incurred expenditures of $78,885 and $72,371 for the services provided by El Paso Central Appraisal District for the years ended September 30, 2025 and 2024, respectively.

Allowances for uncollectible taxes are based upon historical experience in collecting property taxes.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024

4. RECEIVABLES

Receivables consist of the following at September 30:

	2025		
	Gross	Alowance for Uncollectible Accounts	Net
Governmental Activities			
Sales taxes	$ 909,311	$ -	$ 909,311
Property taxes, current	251,982		251,982
Property taxes, delinquent	679,128	(271,246)	407,882
Taxes receivable, net	1,840,421	(271,246)	1,569,175
Other	155	-	155
Total Governmental Activities	$ 1,840,576	$ (271,246)	$ 1,569,330

	2024		
	Gross	Alowance for Uncollectible Accounts	Net
Governmental Activities			
Sales taxes	$ 855,631	$ -	$ 855,631
Property taxes, current	228,646	-	228,646
Property taxes, delinquent	643,725	(253,112)	390,613
Taxes receivable, net	1,728,002	(253,112)	1,474,890
Other	423	-	423
Total Governmental Activities	$ 1,728,425	$ (253,112)	$ 1,475,313

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024

5. CAPITAL ASSETS

A summary of changes in capital assets for governmental activities is listed as follows:

	Balance October 1, 2024	Increases	Decreases	Transfers	Balance September 30, 2025
Capital assets not being depreciated:					
Land	$ 5,224,700	$ -	$ -	$ -	$ 5,224,700
Construction in progress	-	21,029	-	-	21,029
Capital assets being depreciated:					
Buildings and improvements	20,743,517	184,360	-	-	20,927,877
Transportation equipment	27,014,225	1,546,132	(92,048)	-	28,468,309
Other equipment	8,213,191	2,073,051	-	-	10,286,242
Right-to-use asset	133,940	-	-	-	133,940
Total Capital Assets	61,329,573	3,824,572	(92,048)	-	65,062,097
Less accumulated depreciation and amortization					
Buildings and improvements	6,848,723	521,850	-	-	7,370,573
Transportation equipment	18,837,344	1,134,327	(35,661)	-	19,936,010
Other equipment	5,803,663	542,975	-	-	6,346,638
Right-to-use asset	10,630	25,512	-	-	36,142
Total accumulated depreciation and amortization	31,500,360	2,224,664	(35,661)	-	33,689,363
Governmental Activities Capital Assets, net	$ 29,829,213	$ 1,599,908	$ (56,387)	$ -	$ 31,372,734

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024

5. CAPITAL ASSETS (Continued)

	Balance October 1, 2023	Increases	Decreases	Transfers	Balance September 30, 2024
Capital assets not being depreciated:					
Land	$ 1,401,906	$ 3,822,794	$ -	$ -	$ 5,224,700
Construction in progress	4,562,829	-	-	(4,562,829)	-
Capital assets being depreciated:					
Buildings and improvements	19,072,062	1,671,455	-	-	20,743,517
Transportation equipment	22,215,985	259,266	(23,855)	4,562,829	27,014,225
Other equipment	8,199,191	14,000	-	-	8,213,191
Right-to-use asset	83,251	133,940	(83,251)	-	133,940
Total Capital Assets	55,535,224	5,901,455	(107,106)	-	61,329,573
Less accumulated depreciation and amortization					
Buildings and improvements	6,351,143	497,580	-	-	6,848,723
Transportation equipment	17,879,812	981,387	(23,855)	-	18,837,344
Other equipment	5,316,861	486,802	-	-	5,803,663
Right-to-use asset	24,906	25,159	(39,435)	-	10,630
Total accumulated depreciation and amortization	29,572,722	1,990,928	(63,290)	-	31,500,360
Governmental Activities Capital Assets, net	$ 25,962,502	$ 3,910,527	$ (43,816)	$ -	$ 29,829,213

Total provision for depreciation and amortization of $2,224,664 and $1,990,928 for the years ending September 30, 2025 and 2024, respectively, was charged to public safety.

6. UNEARNED REVENUE

Unearned revenue in the amount of $894,311 and $476,359 at September 30, 2025 and 2024, respectively, consisted of property tax revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unearned revenue received after 60 days is fully recognized as revenue on the government-wide statements. Unearned revenue at the government-wide level arise only when the District receives resources before it has a legal claim to them.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024

7. LONG TERM DEBT

Long-term debt of the governmental activities consists of the following obligations under capital leases entered into for the acquisition of land and buildings, transportation and other equipment for the year ended September 30, 2025:

	Balance October 1, 2024	Additions	Payments/ Retirements/ Refinanced	Balance September 30, 2025	Due within one year
Note agreement secured by vehicles, with semi annual payments of $409,597, including interest at 4.56%, maturing in March 2033.	$ 3,200,000	$ -	$ 295,000	$ 2,905,000	$ 310,000
Note agreement secured by vehicles, with annual payments of $590,057, including interest at 1.590%, maturing in August 2027.	1,722,973	-	565,253	1,157,720	574,276
Note agreement secured by property, with annual payments of $135,414, including interest at 5.75%, maturing in March 2029.	574,062	-	102,222	471,840	108,260
Note agreement secured by fire truck, with annual payments of $126,423, including interest at 4.1%, maturing in March 2028.	470,000	-	110,000	360,000	115,000
Note agreement secured by real property with annual payments of $106,194, including interest at 5.793%, maturing in March 2028.	369,724	-	84,776	284,948	89,687
Note agreement secured by radio equipment, with annual payments of $113,436, including interest at 5.793%, maturing in March 2027.	321,669	-	104,204	217,465	107,195
Note agreement secured by real property, with annual payments of $71,072, including interest at 5.793%, maturing in March 2028.	242,878	-	56,737	186,141	55,460

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024

7. LONG TERM DEBT (continued)

	Balance October 1, 2024	Additions	Payments/ Retirements/ Refinanced	Balance September 30, 2025	Due within one year
Note agreement secured by fire station, with annual payments of $158,468, including interest at 5.731%, maturing in March 2025.	$ 149,879	$ -	$ 149,879	$ -	$ -
Note agreement secured by a vehicle, with annual payments of $30,385, including interest at 5.38%, maturing in April 2028.	106,795	-	24,638	82,157	25,964
Note agreement secured by equipment, with annual payments of $28,619, including interest at 5.49%, maturing in March 2028.	100,090	-	23,017	77,073	24,305
Note agreement secured by fire station, with annual payments of $727,914 including interest at 3.89%, maturing in March 2040.	-	7,575,000	-	7,575,000	340,000
Total notes payable	$ 7,258,217	$ 7,575,000	$ 1,515,726	13,317,344	$ 1,750,145
Less current portion				1,750,145	
Long-term debt less current portion				$ 11,567,199	

7. LONG TERM DEBT (continued)

Long-term debt of the governmental activities consists of the following obligations under capital leases entered into for the acquisition of land and buildings, transportation and other equipment for the year ended September 30, 2024:

	Balance October 1, 2023	Additions	Payments/ Retirements/ Refinanced	Balance September 30, 2024	Due within one year
Note agreement secured by vehicles, with semi annual payments of $409,597, including interest at 4.56%, maturing in March 2033.	$ 3,445,000	$ -	$ 245,000	$ 3,200,000	$ 295,000
Note agreement secured by vehicles, with annual payments of $590,057, including interest at 1.590%, maturing in August 2027.	2,279,345	-	556,372	1,722,973	565,253
Note agreement secured by property, with annual payments of $135,414, including interest at 5.75%, maturing in March 2029.	671,040	-	96,978	574,062	102,369
Note agreement secured by fire truck, with annual payments of $126,423, including interest at 4.1%, maturing in March 2028.	575,000	-	105,000	470,000	110,000
Note agreement secured by real property with annual payments of $106,194, including interest at 5.793%, maturing in March 2028.	449,858	-	80,134	369,724	84,776
Note agreement secured by radio equipment, with annual payments of $113,436, including interest at 5.793%, maturing in March 2027.	422,966	-	101,297	321,669	104,204
Note agreement secured by real property, with annual payments of $71,072, including interest at 5.793%, maturing in March 2028.	296,509	-	53,631	242,878	56,737

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024

7. LONG TERM DEBT (continued)

	Balance October 1, 2023	Additions	Payments/ Retirements/ Refinanced	Balance September 30, 2024	Due within one year
Note agreement secured by fire station, with annual payments of $158,468, including interest at 5.731%, maturing in March 2025.	$ 291,634	$ -	$ 141,755	$ 149,879	$ 149,879
Note agreement secured by a vehicle, with annual payments of $30,385, including interest at 5.38%, maturing in April 2028.	130,174	-	23,379	106,795	24,638
Note agreement secured by equipment, with annual payments of $28,619, including interest at 5.49%, maturing in March 2028.	121,887	-	21,797	100,090	23,017
Note agreement secured by real property, with annual payments of $126,398.51, including interest at 5.593%, maturing in March 2024.	119,703	-	119,703	-	-
Note agreement secured by property, with annual payments of $120,526, including interest at 5.793%, maturing in March 2024.	114,142	-	114,142	-	-
Note agreement secured by fire station, with annual payments of $46,053, including interest at 5.593%, maturing in March 2024.	43,615	-	43,615	-	-
Total notes payable	$ 8,960,873	$ -	$ 1,702,622	7,258,217	$ 1,515,873
Less current portion				1,515,873	
Long-term debt less current portion				$ 5,742,344	

7. LONG TERM DEBT (continued)

The following represents future minimum lease payments as of September 30, 2025:

Year ended September 30,	Principal	Interest	Total
2026	$ 1,750,145	$ 611,535	$ 2,361,680
2027	1,914,583	447,128	2,361,711
2028	1,274,571	380,376	1,654,947
2029	973,045	323,667	1,296,712
2030	880,000	280,318	1,160,318
2031-2035	4,070,000	848,630	4,918,630
2036-2040	2,455,000	246,137	2,701,137
Total	$ 13,317,344	$ 3,137,791	$ 16,455,135

The District currently has no line of credit with a financial institution.

8. EMPLOYEES' RETIREMENT PLANS

DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description

The District participates in an agent multiple-employer defined benefit pension plan. The plan is administrated by the Texas County & District System (TCDRS). TCDRS was created in 1967 by the Texas counties and districts to provide their employees with retirement, disability and survivor benefits. TCDRS is governed by the Texas Legislature and overseen by an Independent board of trustees, which is responsible for the administration of the system. TCDRS does not receive state funding. Each plan is funded independently by the county or district, its employees and by investment earnings. The plan provides pensions for all regular full time employees of the District.

Pension Plan Fiduciary Net Position

Detailed information about the District's Texas County & District Retirement System (TCDRS)'s fiduciary net position is available and can be obtained at www.tcdrs.org or by writing to TCDRS at 901 MoPac Expwy South Barton Oaks Bldg. #4, Ste. 500, Austin, TX 78746 or P.O. Box 2034, Austin, TX 78768-2034 or by calling 800-651-3848.

8. EMPLOYEES' RETIREMENT PLANS (continued)

Plan Description (continued)

The District participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.

A brief description of the benefit terms includes the following:

- **All full and part-time non-temporary employees participate in the Plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.**

- **The Plan provides retirement, disability, and survivor benefits.**

- **TCDRS is a savings-based plan. For the District's Plan, 7% of each employee's pay is deposited into his or her TCDRS account per year. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 250%) and is then converted to an annuity.**

- **There are no automatic cost of living adjustments ("COLAs"). Each year, the District may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.**

- **Benefit terms are established under the TCDRS Act. The terms may be amended as of January 1 each year but remain in conformity with the Act.**

The District's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The District contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the District and are currently 7%. Contributions to the pension plan from the District for 2024 and 2023 are shown in the Schedule of Employer Contributions.

The most recent comprehensive annual financial report for TCDRS can be found at www.tcdrs.org/Employer. Membership information is shown in the charts below.

8. EMPLOYEES' RETIREMENT PLANS (Continued)

General Information About the Pension Plan (Continued)

	December 31, 2024	December 31, 2023
Members:		
Inactive employees entitled but not yet receiving benefits:	25	19
Number of active employees	38	33
Average monthly salary:	$ 4,441	$ 4,202
Average age:	40.63	42.61
Average length of service in years*:	5.77	5.80

*Averages reported for active employees

Inactive employees (or their beneficiaries) receiving benefits:		
Number of benefit recipients:	1	1
Average monthly benefit:	$ 361	$ 361

Total contributions payable to the Plan at September 30, 2025 and 2024 amounted to $38,706 and $29,740, respectively.

Benefits Provided

TCDRS is not a one-size-fits-all system. Each employer maintains its own customized plan of retirement benefits. A percentage of each employee's paycheck is deposited into his or her TCDRS account on monthly basis. The employee's savings grow, by law, at a rate of 7%, compounded annually. The employer contribution, based on the elected matching, is also deposited in each employee's account. At retirement, the employee's account balance is combined with employer matching and converted into a lifetime monthly benefit.

Contributions

TCDRS is a model for responsible, disciplined funding. TCDRS does not receive any state funding, as an agent, multiple-employer plan, each participating employer in the system funds its plan independently. A combination of three elements funds each employer's plan; employee deposits, employer contributions and investment income.

- The deposit rate for employees is 4%, 5%, 6% or 7% of compensation, as adopted by employer's governing body.
- Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustee.

8. EMPLOYEES' RETIREMENT PLANS (Continued)

General Information About the Pension Plan (Continued)

Contributions (Continued)

- **Investment income funds a large part of the benefits employees earn.**

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

In addition, employers annually review their plans and may adjust benefits and costs based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs. For the years ended September 30, 2025 and 2024, all employees contributed 7.00% of compensation and the District made monthly contributions, as annually determined by TCDRS's actuary report, of 11.37% for the period of October 1, 2024 through December 31, 2024, and 11.15% for the period January 1, 2025 through the fiscal year ended September 30, 2025.

The District agreed to make monthly contributions to TCDRS at a rate that equals or exceeds the required rate annually determined by an independent actuarial firm hired by TCDRS. At retirement, the District will match 250% of employees' final account balance.

Employees will receive service time for the years worked prior to the District's participation in TCDRS. In addition to service time, the District can provide monetary prior service credit. Monetary prior service credit shall be computed at 0%. The District's employees must work 8 years to be vested. Once vested, an employee has earned the right to receive a lifetime monthly retirement benefit and is eligible to retire at age 60. The District also adopts the Rule of 75, which gives all vested employees the right to retire and receive a lifetime monthly benefit when the employee's age plus years or service equal 75 or greater. Additionally, any employee with 20 years of service, regardless of age, will also have the right to retire and receive a lifetime monthly benefit.

8. EMPLOYEES' RETIREMENT PLANS (Continued)

Net Pension Liability (continued)

Net Pension Liability

The "Net Pension Liability" ("NPL") is the difference between the "Total Pension Liability" (TPL) and the Plan's Fiduciary Net Position" ("FNP"). The TPL is the present value of pension benefits that are allocated to current members due to past service by the entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service, and automatic COLAs. In addition, ad-hoc COLA's are adjusted in the TPL to the extent they are substantially automatic. The FNP is determined on the same basis as the pension plans. The District's net position was measured as of December 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The reported FNP as of December 31, 2024 does not reflect changes to plan investments that occurred subsequent to December 31, 2024.

Net Pension Liability/ (Asset)	December 31, 2024	December 31, 2023
Total pension liability	$ 2,732,183	$ 2,175,648
Fiduciary net position	2,902,885	2,301,028
Net pension liability/(asset)	$ (170,702)	$ (125,380)
Fiduciary net position as a percentage of total pension liability	106.25%	105.76%
Pensionable covered payroll (1)	$ 1,915,788	$ 1,582,379
Net pension asset as a percentage of covered payroll	(8.91%)	(7.92%)
Discount rate (2)	7.60%	7.60%
Long-term expected rate of return, net of investment expense	7.60%	7.60%
Municipal bond rate (3)	Does not apply	

1) Payroll is calculated based on contributions as reported to TCDRS.

2) This rate reflects the long-term rate of return funding valuation assumption of 7.50%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68.

8. EMPLOYEES' RETIREMENT PLANS (Continued)

Net Pension Liability (continued)

Net Pension Liability

3) **The Plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.**

Actuarial Assumptions

The actuarial assumptions that determined the total pension asset as of December 31, 2024 were based on the results of an actuarial experience study for the period January 1, 2017 through December 31, 2020, except where required to be different by GASB 68. The economic assumptions were reviewed at the March 2021 TCDRS Board of Trustees meeting and revised assumptions were adopted. These revisions included reductions in the investment return, wage growth, and maximum payroll growth assumptions. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice. All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2024 funding valuation.

8. EMPLOYEES' RETIREMENT PLANS (Continued)

Actuarial Assumptions

Actuarial Cost Method	**Entry Age Normal**
Amortization Method	**Straight-Line amortization over Expected Working Life**
Asset Valuation Method	
Smoothing period	**5 years**
Recognition method	**Non-asymptotic**
Corridor	**None**
Inflation	**2.50%**
Salary Increases	**Varies by age and service. 4.7% average over career including inflation**
Investment Rate of Return	**7.6% (Gross of administrative expenses)**
Cost-of-Living Adjustments	**Cost-of-Living Adjustments for El Paso County Emergency Services District #2 are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustmentsis included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.**
Retirement Age	**Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.**
Turnover	**The rates vary by length of service, entry-age group (age at hire) and gender. No termination after eligibility for retirement is assumed.**
Mortality	
Depositing members	**135% of the Pub-2010 Active Employee Mortality Table for males and 120% of the Pub-2010 Active Employee Mortality Table for females, projected with 100% of the MP-2021 Ultimate scale after 2010.**
Service retirees, beneficiaries and non-depositing members	**135% of the Pub-2010 Healthy Annuitant Mortality Table for males and 120% of the Pub-2010 Healthy Annuitant Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.**
Disabled retirees	**160% of the Pub-2010 Disabled Annuitant Mortality Table for males and 125% of the Pub-2010 Disabled Annuitant Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010**

8. EMPLOYEES' RETIREMENT PLANS (Continued)

Net Pension Liability (Continued)

Economic Assumptions

TCDRS system-wide economic assumptions:

Real rate of return	5.00%
Inflation	2.50%
Long-term investment return	7.50%

The assumed long-term investment returns of is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 7.5% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3% (made up of 2.5% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.7% per year for a career employee.

Long Term Expectation Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2024 information for a 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a long-term time horizon.

8. EMPLOYEES' RETIREMENT PLANS (Continued)

Net Pension Liability (Continued)

Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Geometric Real Rate of Return*
US Equities	13.00%	5.35%
Private Equity	25.00%	8.15%
Global Equities	4.00%	5.15%
International Equities-Developed	6.00%	4.75%
International Equities- Emerging	0.00%	4.75%
Investment-Grade Bonds	3.00%	2.55%
Strategic Credit	9.00%	3.70%
Direct Lending	16.00%	6.85%
Distressed Debt	4.00%	6.80%
REIT Equities	2.00%	3.95%
Master Limited Partnerships	2.00%	4.95%
Private Real Estate Partnerships	6.00%	5.75%
Hedge Funds	6.00%	3.60%
Cash equivalents	2.00%	1.10%
	98.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

> The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.

8. EMPLOYEES' RETIREMENT PLANS (Continued)

Net Pension Liability (Continued)

Actuarial Assumptions (Continued)

Discount Rate (Continued)

The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Changes in the Net Pension Liability / (Asset)

Changes in Net Pension Liability/(Asset)

Changes in Net Pension Liability / (Asset)	Increase (Decrease) Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2023	$ 2,175,649	$ 2,301,029	$ (125,380)
Changes for the year:			
Service cost	284,165	-	284,165
Interest on total pension liability	186,580	-	186,580
Effect of plan changes	-	-	-
Effect of economic/demographic gains and losses	95,593	-	95,593
Effect of assumptions changes or input	-	-	-
Refund of contributions	(5,470)	(5,470)	-
Benefit payments	(4,333)	(4,333)	-
Administrative expenses	-	(1,580)	1,580
Member contributions	-	134,104	(134,104)
Net investment income	-	241,799	(241,799)
Employees contribution	-	217,825	(217,825)
Other	-	19,512	(19,512)
Balance as of December 31, 2024	$ 2,732,184	$ 2,902,886	$ (170,702)

8. EMPLOYEES' RETIREMENT PLANS (Continued)

Changes in the Net Pension Liability / (Asset)

Changes in Net Pension Liability/(Asset)

	Increase (Decrease)		
Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2022	$ 1,844,206	$ 1,862,654	$ (18,448)
Changes for the year:			
Service cost	248,165	-	248,165
Interest on total pension liability	156,475	-	156,475
Effect of plan changes	-	-	-
Effect of economic/demographic gains and losses	(4,975)	-	(4,975)
Effect of assumptions changes or input	-	-	-
Refund of contributions	(65,335)	(65,335)	-
Administrative expenses	-	(1,202)	1,202
Member contributions	-	110,767	(110,767)
Net investment income	-	206,893	(206,893)
Employees contribution	-	178,334	(178,334)
Other	-	11,805	(11,805)
Balance as of December 31, 2023	$ 2,175,648	$ 2,301,028	$ (125,380)

Discount Rate Sensitivity Analysis

The following presents the net pension liability of the District, calculated using the discount rate of 7.60%, as well as what the El Paso County Emergency Services District #2 net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024

8. EMPLOYEES' RETIREMENT PLANS (Continued)

Changes in the Net Pension Liability / (Asset) (Continued)

	2024		
	1% Decrease 6.60%	Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	$ 3,250,158	$ 2,732,183	$ 2,308,362
Fiduciary net position	2,902,885	2,902,885	2,902,885
Net pension liability/(asset)	$ 347,273	$ (170,702)	$ (594,523)

	2023		
	1% Decrease 6.60%	Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	$2,603,450	$2,175,649	$1,827,289
Fiduciary net position	2,301,028	2,301,029	2,301,028
Net pension liability/(asset)	$ 302,422	$ (125,380)	$ (473,739)

8. EMPLOYEES' RETIREMENT PLANS (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2025 and 2024, the District reported its deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025	
	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 13,285	$ 92,868
Changes in assumptions	1,196	31,057
Net difference between projected and actual earnings	54,770	52,027
Contributions made subsequent to measurement date	-	198,903
	$ 69,251	$ 374,855

	2024	
	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 19,683	$35,099
Changes in assumptions	1,792	46,679
Net difference between projected and actual earnings	71,462	104,043
Contributions made subsequent to measurement date	-	151,166
	$ 92,937	$ 336,987

8. EMPLOYEES' RETIREMENT PLANS (Continued)

Changes in the Net Pension Liability / (Asset) (Continued)

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31,	Amount
2026	$ 62,326
2027	10,293
2028	7,471
2029	12,947
2030	13,664
	$ 106,701

At September 30, 2025 and 2024, $168,066 and $155,587 was recognized as pension expense, respectively.

Payable to the Pension Plan

At September 30, 2025 and 2024, the District reported a payable of $38,706 and $29,740 for the outstanding amount of contributions to the pension plan required for the years ended, respectively.

9. LEASES

Lease agreements are summarized as follows:

Lease Agreement	Maturity Date	Remaining Term	Payment Amount	Interest Rate	Total Lease Liability	Balance September 30, 2025
Copy machines - FDs	7/25/2029	4.83 years	$ 2,377	4.27%	$ 133,940	$ 100,697
Total lease agreements						$ 100,697

9. LEASES (continued)

The District leases copy machines for its administrative operations at each fire department. At the initial measurement, no interest rate was specified in the original lease agreements, and therefore, the District used the risk-free rate at the initial measurement. The weighted average discount rate for the lease liability was 4.27% which was used to discount the monthly lease payments to recognize the right-to-use of these assets and the lease liability as of September 30, 2025. The leases renew automatically on a month-to-month basis at the end of lease terms if the equipment is not returned; however, the District anticipates returning the equipment at the end of the lease terms.

As of September 30, 2025, the value of the lease liability for the lease was $100,697. They are required to make monthly principal and interest payments of $2,377 related to these lease agreements. The leases have interest rate of 4.27%. The value of the right-to-use assets as of September 30, 2025 and 2024 was $97,798 and $123,310, respectively. The present value of the future principal and interest lease payments as of September 30, 2025, were as follows:

Year Ended September 30,	Principal	Interest	Total
2026	$ 24,704	$ 3,820	$ 28,524
2027	25,780	2,744	28,524
2028	26,902	1,622	28,524
2029	23,311	459	23,770
Total	$ 100,697	$ 8,645	$ 109,342

10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to volunteer firefighters and natural disaster, for which commercial insurance is carried. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amounts of loss can be reasonably estimated. During fiscal year ended 2025, the District contracted with the VFIS of Texas, Inc. for liability, property, and crime damage. Coverage's provided by the Company are as follows:

Business Auto Coverage Liability Combined (Each Accident)	$	1,000,000
Commercial General Liability (Per Occurrence)	$	1,000,000
Commercial Property (Building and Contents)	$	25,954,972
Public Official Errors (Per Occurrence)	$	1,000,000
Fair Labor Standards Act (Per Occurrence)	$	100,000
Blanker Portable Equipment	$	546,875
Employee Dishonesty (Per employee)	$	100,000

10. RISK MANAGEMENT (continued)

Workers' compensation coverage is maintained by paying premiums to VFIS of Texas, Inc. The premium is calculated based upon accident history and administrative costs.

The District had no changes in insurance coverage from the prior year and there were no settlements that exceeded insurance coverage in the last ten years.

11. COMMITMENTS AND CONTINGENCIES

The District does not have any claims, pending litigation, long-term commitments, or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

12. LITIGATION

The District is subject to potential litigation in the normal course of its operations. In management's opinion, the District is adequately insured to cover the cost, if any, of such potential litigation. Management does not believe that any current pending litigation will result in a significant financial impact on the District.

13. SUBSEQUENT EVENTS

Subsequent events were evaluated through January 16, 2026, which is the date the financial statement were available to be issued and no items were noted.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			
	Original	Final	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES				
Taxes:				
Property	$ 5,444,675	$ 5,556,104	$ 5,196,907	$ (359,197)
Sales	4,820,940	5,254,140	5,307,820	53,680
Sale of assets	-	-	84,604	84,604
Grant income	-	24,530	104,438	79,908
Inspection revenues	350,000	966,703	977,657	10,954
Miscellaneous	-	195,423	110,800	(84,623)
Release of (increase of) reserve funds	1,247,979	1,247,979	-	(1,247,979)
Interest earnings	-	236,741	252,642	15,901
Total revenues	11,863,594	13,481,620	12,034,868	(1,446,752)
EXPENDITURES				
Public safety:				
Fire control and EMS:				
Administration and salaries	2,711,518	2,711,518	2,534,600	176,918
Pension contribution	281,867	281,867	255,492	26,375
Stipend program	1,040,000	703,629	453,050	250,579
Insurance	1,108,487	1,110,999	839,327	271,672
Professional services	960,146	1,056,108	987,650	68,458
Dispatch services	6,000	6,000	3,469	2,531
Service fees	36,000	36,000	20,250	15,750
Bank charges	5,200	17,461	17,461	-
Legal	45,000	45,000	15,861	29,139
New equipment purchases	1,436,738	3,865,129	3,824,564	40,565
Electric	156,200	156,200	125,891	30,309
Cable	10,850	10,850	8,845	2,005
Gas	45,450	45,450	36,914	8,536
Water	23,190	23,190	21,169	2,021
Trash	18,480	23,110	23,110	-
Fuel	201,000	201,000	186,377	14,623
Communication	95,350	96,741	77,157	19,584
Dues & subscriptions	80,300	114,261	114,261	-
Building and grounds	108,840	112,614	112,614	-
Equipment maintenance and repair	157,900	198,000	191,759	6,241
Vehicle maintenance	171,000	241,839	347,351	(105,512)
Volunteer clearance	94,700	95,769	86,529	9,240
Training and travel	175,000	175,000	127,806	47,194
Uniforms and bunker gear	394,200	394,200	317,487	76,713
Supplies	45,000	56,393	56,393	-
Fire fighting supplies	72,500	72,500	35,073	37,427
Medical supplies	50,000	52,956	52,953	3
Contingencies	100,000	28,591	-	28,591
Printing	30,100	33,543	33,543	-
Furniture & equipment (less 5k)	82,500	131,894	131,894	-
Reserve improvements	286,371	286,371	-	286,371
Miscellaneous	38,500	41,190	5,638	35,552
Bad debt expense	-	-	18,134	(18,134)
Principal payments	1,515,872	1,515,872	1,515,873	(1)
Interest payments	279,335	279,335	278,939	396
Total expenditures	11,863,594	14,220,580	12,857,434	1,363,146

See accompanying notes to financial statements.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			
	Original	Final	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
EXCESS (DEIFCIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ -	$ (738,960)	$ (822,566)	$ (83,606)
OTHER FINANCING SOURCES				
Net proceeds from new long term debt	-	7,504,275	7,504,275	-
Proceeds from new leases	-	-	-	-
Total other financing sources	-	7,504,275	7,504,275	-
NET CHANGE IN FUND BALANCE	-	6,765,315	6,681,709	(83,606)
Fund balance, beginning of year	5,748,973	852,523	6,631,567	6,631,567
Fund balance, end of year	$ 5,748,973	$ 113,563	$ 13,313,276	$ 6,547,961
Budget basis excess			6,681,709	
Non-budgeted funds			-	
GAAP basis excess			6,681,709	
Fund balance, beginning of year			6,631,567	
Fund balance, end of year			$ 13,313,276	

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts			
	Original	Final	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES				
Taxes:				
Property	$ 4,991,738	$ 5,119,086	$ 5,052,864	$ (66,222)
Sales	4,934,518	4,934,518	4,949,804	15,286
Sale of assets	-	10,000	10,000	-
Grant income		71,195	40,400	(30,795)
Inspection revenues	250,560	840,962	854,687	13,725
Dividends	-	59,980	-	(59,980)
Reserve funds	5,754,973	5,754,973	-	(5,754,973)
Miscellaneous	-	73,253	73,250	(3)
Interest earnings	-	2,932	81,152	78,220
Total revenues	15,931,789	16,866,899	11,062,157	(5,804,742)
EXPENDITURES				
Public safety:				
Fire control and EMS:				
Administration and salaries	3,406,696	2,960,933	2,012,686	948,247
Pension contribution	397,721	397,721	162,911	234,810
Insurance	956,737	1,009,329	838,601	170,728
Professional services	439,271	467,195	455,180	12,015
Dispatch services	457,019	457,019	454,496	2,523
Service fees	36,000	36,000	36,000	-
Bank charges	1,250	5,611	5,611	-
Legal	45,000	45,000	18,506	26,494
New equipment purchases	251,161	6,088,721	5,901,455	187,266
Electric	152,700	166,323	149,609	16,714
Cable	13,750	11,734	11,639	95
Gas	45,500	39,024	30,237	8,787
Water	23,100	23,645	18,157	5,488
Trash	17,760	19,324	20,985	(1,661)
Fuel	202,000	193,930	191,746	2,184
Communication	100,650	99,510	90,103	9,407
Dues & subscriptions	73,900	81,919	79,767	2,152
Building and grounds	103,600	102,733	103,725	(992)
Equipment maintenance and repair	117,900	142,340	122,520	19,820
Vehicle maintenance	156,000	203,395	309,974	(106,579)
Volunteer clearance	82,700	117,216	115,824	1,392
Training and travel	162,000	218,487	184,897	33,590
Uniforms and bunker gear	343,825	331,275	284,656	46,619
Supplies	45,000	56,830	56,830	-
Fire fighting supplies	72,000	78,219	44,236	33,983
Medical supplies	50,000	50,000	40,771	9,229
Contingencies	100,000	100,000	-	100,000
Printing	32,200	32,870	2,417	30,453
Furniture & equipment (less 5k)	77,500	267,700	264,503	3,197
Reserve improvements	112,881	112,881	-	112,881
Miscellaneous	44,000	34,497	25,887	8,610
Bad debt expense	-	-	200,000	(200,000)
Principal payments	1,702,621	1,702,621	1,702,625	(4)
Interest payments	360,374	360,374	362,541	(2,167)
Total expenditures	10,182,816	16,014,376	14,299,095	1,715,281

See accompanying notes to financial statements.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts			
	Original	Final	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
EXCESS (DEIFCIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ 5,748,973	$ 852,523	$ (3,236,938)	$ (4,089,461)
OTHER FINANCING SOURCES				
Proceeds from new leases	-	-	133,940	133,940
Total other financing sources	-	-	133,940	133,940
NET CHANGE IN FUND BALANCE	5,748,973	852,523	(3,102,998)	(3,955,521)
Fund balance, beginning of year	-	-	9,734,565	9,734,565
Fund balance, end of year	$ 5,748,973	$ 852,523	$ 6,631,567	$ 5,779,044
Budget basis excess			(3,102,998)	
Non-budgeted funds			-	
GAAP basis excess			(3,102,998)	
Fund balance, beginning of year			9,734,565	
Fund balance, end of year			$ 6,631,567	

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS YEAR ENDED DECEMBER 31, 2015 THROUGH 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	$ 284,165	$ 248,165	$ 232,642	$ 215,776	$ 178,402	$ 164,947	$ 161,666	$ 145,296	$ 127,824	$ 99,145
Interest on total pension liability	186,580	156,475	128,975	106,458	83,665	64,374	49,084	31,188	13,433	3,595
Effect of plan changes	-	-	-	-	-	-	-	-	-	(9,664)
Effect of assumption changes or input	-	-	-	18,585	102,979	-	-	(6,560)	-	1,049
Effect of economic/demographic (gains) or losses	95,593	(4,975)	36,549	(21,896)	(1,242)	7,190	(19,372)	40,311	(4,688)	9,046
Benefit payments/refunds of contributions	(9,803)	(68,223)	(36,055)	(42,858)	(24,084)	-	(11,554)	-	-	-
Net change in total pension liability	556,535	331,442	362,111	276,065	339,720	236,511	179,824	210,235	136,569	103,171
Total pension liability, beginning	2,175,648	1,844,206	1,482,095	1,206,030	866,310	629,799	449,975	239,740	103,171	-
Total pension liability, ending (a)	2,732,183	2,175,648	1,844,206	1,482,095	1,206,030	866,310	629,799	449,975	239,740	103,171
Fiduciary Net Position										
Employer contributions	217,825	178,334	192,078	127,408	119,575	110,261	102,461	98,641	86,150	62,894
Member contributions	134,104	110,767	113,752	91,944	86,291	79,570	73,941	69,676	54,427	39,735
Investment income net of investment expenses	241,799	206,893	(121,246)	285,857	96,095	102,924	(6,830)	39,961	7,762	(872)
Benefit payment/refunds of contributions	(9,803)	(68,223)	(36,055)	(42,858)	(24,084)	-	(11,554)	-	-	-
Administrative expenses	(1,580)	(1,202)	(1,092)	(907)	(885)	(705)	(504)	(310)	(84)	(38)
Other	19,512	11,805	39,383	5,333	5,470	6,628	4,957	2,253	5,255	(4)
Net change in fiduciary net position	601,857	438,374	186,820	466,777	282,462	298,678	162,471	210,221	153,510	101,715
Fiduciary net position, beginning	2,301,028	1,862,654	1,675,834	1,209,057	926,595	627,917	465,446	255,225	101,715	-
Fiduciary net position, ending (b)	2,902,885	2,301,028	1,862,654	1,675,834	1,209,057	926,595	627,917	465,446	255,225	101,715
Net pension liability/(asset), ending =(a) - (b)	$ (170,702)	$ (125,380)	$ (18,448)	$ (193,739)	$ (3,027)	$ (60,285)	$ 1,882	$ (15,471)	$ (15,485)	$ 1,456
Fiduciary net position as a % of total pension liability	106.25%	105.76%	101.00%	113.07%	100.25%	106.96%	99.70%	103.44%	106.46%	98.59%
Pensionable covered payroll	$ 1,915,788	$ 1,582,379	$ 1,625,027	$ 1,313,487	$ 1,232,729	$ 1,136,718	$ 1,056,299	$ 995,368	$ 777,533	$ 567,640
Net pension liability as a % of covered payroll	-8.91%	-7.92%	-1.14%	-14.75%	-0.25%	-5.30%	0.18%	-1.55%	-1.99%	0.26%

* The amounts presented above are as of the measurement date of the net pension liability (NPL),

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

SCHEDULE OF EMPLOYER CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2015 THROUGH 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	$ 217,825	$ 178,334	$ 192,078	$ 125,044	$ 115,383	$ 108,216	$ 102,461	$ 98,641	$ 86,150	$ 62,894
Actual employer contribution	217,825	178,334	192,078	127,408	119,575	108,216	102,461	98,641	86,150	62,894
Contribution deficiency (excess)	$ -	$ -	$ -	$ (2,364)	$ (4,192)	$ -	$ -	$ -	$ -	$ -
Pensionable covered payroll	1,915,788	1,582,379	1,625,027	1,313,487	1,232,729	1,136,718	1,056,299	995,368	777,533	567,640
Contributions as a percentage of Covered-employee payroll	11.4%	11.3%	11.8%	9.7%	9.7%	9.5%	9.7%	9.9%	11.1%	11.1%

* The amounts presented above are as of the measurement date of the net pension liability (NPL),

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

*** Payroll is calculated based on contributions as reported to TCDRS.

REQUIRED SUPPLEMENTARY INFORMATION

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

1. BUDGETARY INFORMATION

Budgetary Process

The budgetary process is prescribed by provisions of Title 4, Chapter 102, of the Local Government Code of the Texas Legislature and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriation resolution, both of which are prepared on the budgetary basis of accounting.

The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified by resolution of the District Board. All funds are required to be budgeted and appropriated. The level of budgetary control is at the object level for the District. Any budgetary modifications at this level may only be made by resolution of the District Board.

Under the District's by-laws, revenues not specifically related to a particular fund shall be deposited into the District's General Fund. Monies can only be transferred from the General Fund by resolution of the District Board.

Estimated Resources

As part of the District's budgetary process, the Board approves the official estimated resources. The official estimated resources state the projected revenue of the General Fund. Prior to September 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the official estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about October 1, the estimated resources are amended to include any unencumbered balances from the preceding year. The estimated resources may be further amended during the year if the Board determines that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year ended 2025.

1. BUDGETARY INFORMATION (Continued)

Appropriations

An annual appropriation resolution must be passed by September 15 of the preceding year for the period October 1 to September 30. The appropriation resolution fixes spending authority at the fund and object level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among funds and objects within a fund may be modified during the year only by a resolution of the Board. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriations in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as final budgeted amounts in the schedules of budgetary comparison represent the final appropriation amounts, including all supplemental appropriations.

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the General Fund and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be appropriated.

Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements.

2. CHANGES OF BENEFITS TERMS

No changes in plan provisions for the years ended December 31, 2024 and 2023.

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

To the Board of Commissioners
El Paso County Emergency Services District #2

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of El Paso County Emergency Services District #2, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise El Paso County Emergency Services District #2's basic financial statements, and have issued our report thereon dated January 16, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered El Paso County Emergency Services District #2's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of El Paso County Emergency Services District #2's internal control. Accordingly, we do not express an opinion on the effectiveness of El Paso County Emergency Services District #2's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether El Paso County Emergency Services District #2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Peña Briones McDaniel & Co

El Paso, TX
January 16, 2026

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #2

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	**Unmodified**	
Internal control over financial reporting:		
Material weakness(es) identified?	____ **Yes**	**X** **No**
Significant deficiency(es) identified not considered to be material weaknesses?	____ **Yes**	**X** **none reported**
Noncompliance material to financial statements noted?	____ **Yes**	**X** **No**

Section II – Financial Statement Findings

Current Year

None

Prior Year Findings

None