

CITY OF BRENHAM, TEXAS

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022



PREPARED BY THE FINANCE DIVISION

**CITY OF BRENHAM, TEXAS
ANNUAL FINANCIAL STATEMENTS**

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**CITY OF BRENHAM, TEXAS
ANNUAL FINANCIAL STATEMENTS**

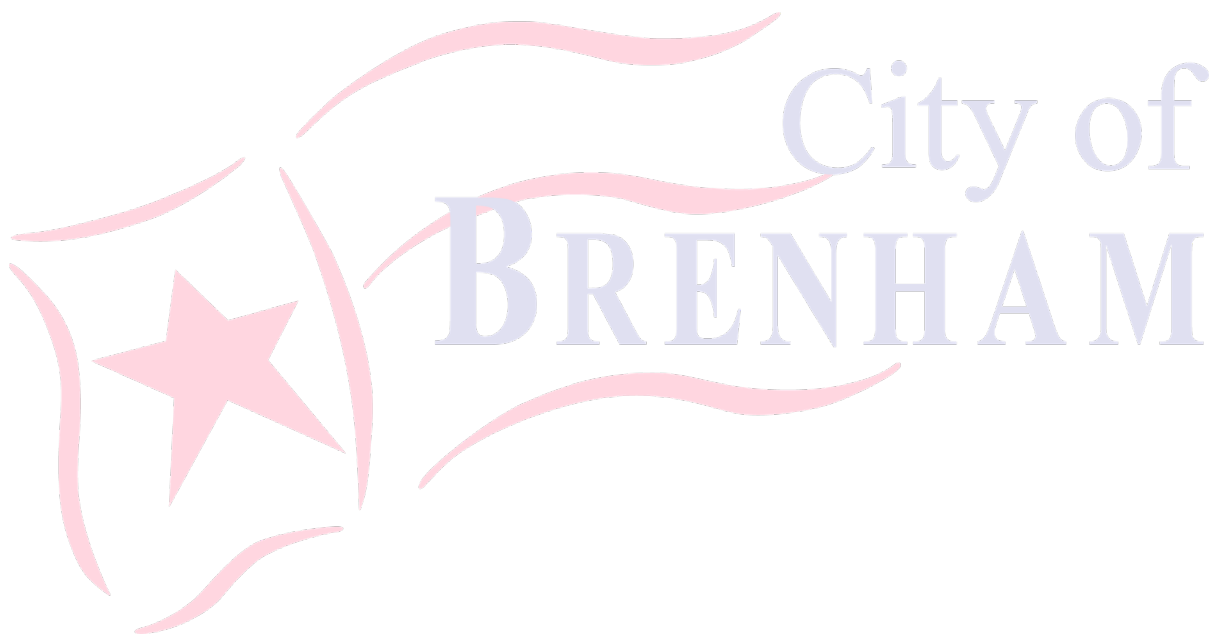
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CERTIFIED PUBLIC ACCOUNTANTS/BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Brenham, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brenham, Texas, (the "City"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal

control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 City'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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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 City'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 on pages 5 through 17 and the schedule of changes in total OPEB liability and related ratios, schedule of changes in net pension liability and related ratios-Texas Municipal Retirement System, schedule of contributions-Texas Municipal Retirement System, schedule of the city's proportionate share of the net pension liability-Texas Emergency Services Retirement System, and schedule of contributions-Texas Emergency Services Retirement System on pages 77 through 82, be presented to supplement the basic financial statements. Such information, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brenham, Texas' basic financial statements. The combining fund statements and schedules, and schedule of expenditures of federal and state awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund statements and schedules and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund statements and schedules and schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2023 on our consideration of the City of Brenham, Texas' 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Brenham, Texas
March 10, 2023



CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2022

The Management Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial activities of the City of Brenham for the fiscal year ended September 30, 2022. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

The following financial highlights summarize the City's financial position and operations as presented in more detail in the Basic Financial Statements (BFS).

- The assets and deferred outflows of the City of Brenham exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$113,472 (net position). Of this amount, \$11,237 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$3,230.
- As of the close of the current fiscal year, the City of Brenham's governmental funds reported combined ending fund balances of \$13,430 an increase of \$3,073 in comparison with the prior year. Approximately \$6,467 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, fund balance for the general fund was \$7,133 or 32% of total general fund expenditures.
- The City of Brenham's total bonded debt increased by \$6,597 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

Basic Financial Statements. The MD&A is intended to serve as an introduction to the City's BFS. The BFS are comprised of three components: 1) Government-Wide Financial Statements (GWFS), 2) Fund Financial Statements (FFS), and 3) Notes to the Basic Financial Statements (Notes).

Government-Wide Financial Statements. The GWFS, shown on pages 19-21, contain the Statement of Net Position and the Statement of Activities, which are described below, and are designed to provide readers with a broad overview of the City of Brenham's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City of Brenham's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Brenham is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the GWFS distinguish functions of the City of Brenham that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Brenham include general government, public safety, highways and streets, debt service, health and welfare, and culture and recreation. The business-type activities of the City of Brenham include drainage, water, wastewater, sanitation, gas and electric distribution operations.

Component Unit and Blended Component Unit. The GWFS include not only the City of Brenham itself (known as the *primary government*), but also a legally separate community development corporation (Brenham Community Development Corporation - BCDC) for which the City of Brenham is financially accountable. Financial information for this *Component Unit* is reported separately from the financial information presented for the primary government itself. The *Blended Component Unit* (City of Brenham Community Projects Fund, Inc.) is shown in the Special Revenue Funds section.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS – (Continued)

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 City of Brenham, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Brenham can be divided into two categories: *governmental funds* and *proprietary funds*.

Governmental FFS. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the GWFS. However, unlike the GWFS, governmental FFS focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City of Brenham maintains 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund which are major funds. Individual fund balance sheets and statements of revenues, expenditures, and changes in fund balance for the other 10 governmental funds are presented in the supplementary information section. The governmental FFS can be found on pages 22-26 of this report.

The City of Brenham adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary FFS. The City of Brenham maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the GWFS. The City of Brenham uses enterprise funds to account for its drainage, water, wastewater, sanitation, gas, and electric distribution operations. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the City of Brenham's various functions. The City of Brenham uses internal service funds to account for its worker's compensation, central fleet and vehicle and equipment replacements. At the government-wide level, the financial statements of the worker's compensation and vehicle and equipment replacement internal service funds are included in the governmental activities in the government-wide financial statements, while the fleet management internal service fund is presented in the business-type column.

Proprietary funds provide the same type of information as the GWFS, only in more detail. The proprietary FFS provide separate information for the drainage, water, wastewater, sanitation, gas, and electric distribution operations, which are considered major funds of the City of Brenham. The internal service funds are reported in a separate column in the proprietary fund financial statements. The proprietary FFS can be found on pages 27-31 of this report.

Notes to Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the GWFS and FFS. The notes can be found on pages 33-76 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required and additional supplementary information concerning the City of Brenham's operations. The combining statements referred to earlier in connection with nonmajor governmental funds are presented in these sections. Combining and individual fund statements can be found on pages 83-113 of this report. Information relating to federal and state grant awards begins on page 115 of this report.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position serves as a useful indicator of the City's financial position. Assets exceeded liabilities by \$113,472 (net position) at the close of the fiscal year, compared to assets exceeding liabilities by \$110,242 (net position) at the end of the prior fiscal year. The City's total net position increased by \$3,230 during the period.

City of Brenham, Texas						
Net Position						
(Amounts in Thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 16,307	\$ 14,554	\$ 28,189	\$ 19,574	\$ 44,496	\$ 34,128
Capital assets	66,746	66,896	64,563	64,873	131,309	131,769
Total assets	<u>83,053</u>	<u>81,450</u>	<u>92,752</u>	<u>84,447</u>	<u>175,805</u>	<u>165,897</u>
Deferred Outflows of Resources						
Deferred amount from refundings	17	36	227	302	244	338
Deferred outflows - TMRS Pension	1,773	842	585	278	2,358	1,120
Deferred outflows - TESRS Pension	39	49	-	-	39	49
Deferred outflows - Post Employment Benefits	678	816	275	330	953	1,146
Deferred outflows - Under Recovered Fuel Costs	-	-	87	-	87	-
Total Deferred Outflows of Resources	<u>2,507</u>	<u>1,743</u>	<u>1,174</u>	<u>910</u>	<u>3,681</u>	<u>2,653</u>
Liabilities						
Long-term debt outstanding	27,264	26,781	17,259	14,428	44,523	41,209
Other liabilities	3,634	5,404	10,326	7,178	13,960	12,582
Total liabilities	<u>30,898</u>	<u>32,185</u>	<u>27,585</u>	<u>21,606</u>	<u>58,483</u>	<u>53,791</u>
Deferred Inflows of Resources						
Deferred inflows - TMRS Pension	2,954	1,819	973	600	3,927	2,419
Deferred inflows - TESRS Pension	102	15	-	-	102	15
Deferred inflows - Post Employment Benefits	436	133	163	54	599	187
Deferred inflows - Leases	478	-	936	-	1,414	-
Deferred inflows - Over Recovered Fuel Costs	-	-	1,489	1,895	1,489	1,895
Total Deferred Inflows of Resources	<u>3,970</u>	<u>1,967</u>	<u>3,561</u>	<u>2,549</u>	<u>7,531</u>	<u>4,516</u>
Net Position						
Net invested in capital assets	50,372	50,898	51,060	53,447	101,432	104,345
Restricted	803	829	-	-	803	829
Unrestricted (deficit)	(483)	(2,687)	11,720	7,755	11,237	5,068
Total net position	<u>\$ 50,692</u>	<u>\$ 49,040</u>	<u>\$ 62,780</u>	<u>\$ 61,202</u>	<u>\$ 113,472</u>	<u>\$ 110,242</u>

By far the largest portion of the City of Brenham's net position, \$101,432 or 89.39%, reflects its net investment in capital assets e.g., land, buildings, machinery, and equipment, less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Brenham's net position of \$803, less than 1%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$11,237 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Brenham is able to report positive balances in all three categories of net position for the government as a whole. The same situation held true for the prior fiscal year.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

City of Brenham, Texas						
Changes in Net Position						
(Amounts in Thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 2,133	\$ 1,891	\$ 41,883	\$ 36,577	\$ 44,016	\$ 38,468
Operating grants and contributions	1,285	983	-	-	1,285	983
Capital grants and contributions	1,500	5,544	1,140	2,028	2,640	7,572
General revenues:						
Property taxes	7,956	7,652	-	-	7,956	7,652
Sales taxes	6,868	5,974	-	-	6,868	5,974
Franchise taxes	2,930	2,650	-	-	2,930	2,650
Hotel Occupancy taxes	853	665	-	-	853	665
Alcoholic Beverage taxes	68	55	-	-	68	55
Other	493	466	438	364	931	830
Total revenues	24,086	25,880	43,461	38,969	67,547	64,849
Expenses:						
General government	7,509	6,279	-	-	7,509	6,279
Public safety	7,831	8,332	-	-	7,831	8,332
Highway/streets	3,145	2,674	-	-	3,145	2,674
Interest on Long Term Debt	576	593	-	-	576	593
Culture and recreation	5,681	5,410	-	-	5,681	5,410
Health and welfare	653	675	-	-	653	675
Water	-	-	4,906	3,855	4,906	3,855
Wastewater	-	-	3,438	3,179	3,438	3,179
Electric	-	-	22,253	20,917	22,253	20,917
Gas	-	-	4,779	2,538	4,779	2,538
Sanitation	-	-	2,108	2,057	2,108	2,057
Drainage	-	-	553	307	553	307
Total Expenses	25,395	23,963	38,037	32,853	63,432	56,816
Increase (decrease) in net position before transfers	(1,309)	1,917	5,424	6,116	4,115	8,033
Special Items	-	(446)	(884)	446	(884)	-
Transfers	2,962	3,056	(2,962)	(3,056)	-	-
Increase (decrease) in net position	1,653	4,527	1,578	3,506	3,231	8,033
Net position - beginning	49,040	44,513	61,202	57,696	110,242	102,209
Net position - ending	\$ 50,693	\$ 49,040	\$ 62,780	\$ 61,202	\$ 113,473	\$ 110,242

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

Governmental activities. Governmental activities increased the City of Brenham's net position by \$1,653 compared to an increase of \$4,527 in the prior fiscal year. Key elements are noted below.

Revenues decreased to \$24,086 from \$25,880 or (\$1,794) during the year, which can be attributed primarily to a decrease in capital grants. Specific categories are discussed below.

Program Revenues

- The increase in *Charges for Services* is directly related to cultural arts ticketed events and increased usage of aquatic facilities.
- The increase in *Operating Grants and Contributions* is from reimbursements received in the current year for additional school resource officers, an increase in donations for the Animal Shelter, and public safety grants received for equipment.
- The significant decrease in *Capital Grants and Contributions* is due to acceptance of \$4,486 of new subdivision infrastructure improvements in the prior year compared to \$903 of infrastructure improvements accepted in the current year.

General Revenues

- The increase in *Property Taxes* is attributable to property valuation growth of 8%, offset by at 1-cent decrease in the overall tax rate.
- *Sales Taxes* increased over the prior year due to increased retail development and inflation.
- *Franchise Taxes* are received from the enterprise funds and are budgeted at 7% of revenue. The franchise taxes were higher than the prior year by 10.6% which is directly attributable to increased revenues in the Electric and Gas Funds from higher consumption and higher pass-through costs.
- *Hotel Occupancy Taxes*, which are derived from a 7% hotel occupancy tax, increased over 28% due to a strong travel and tourism industry.

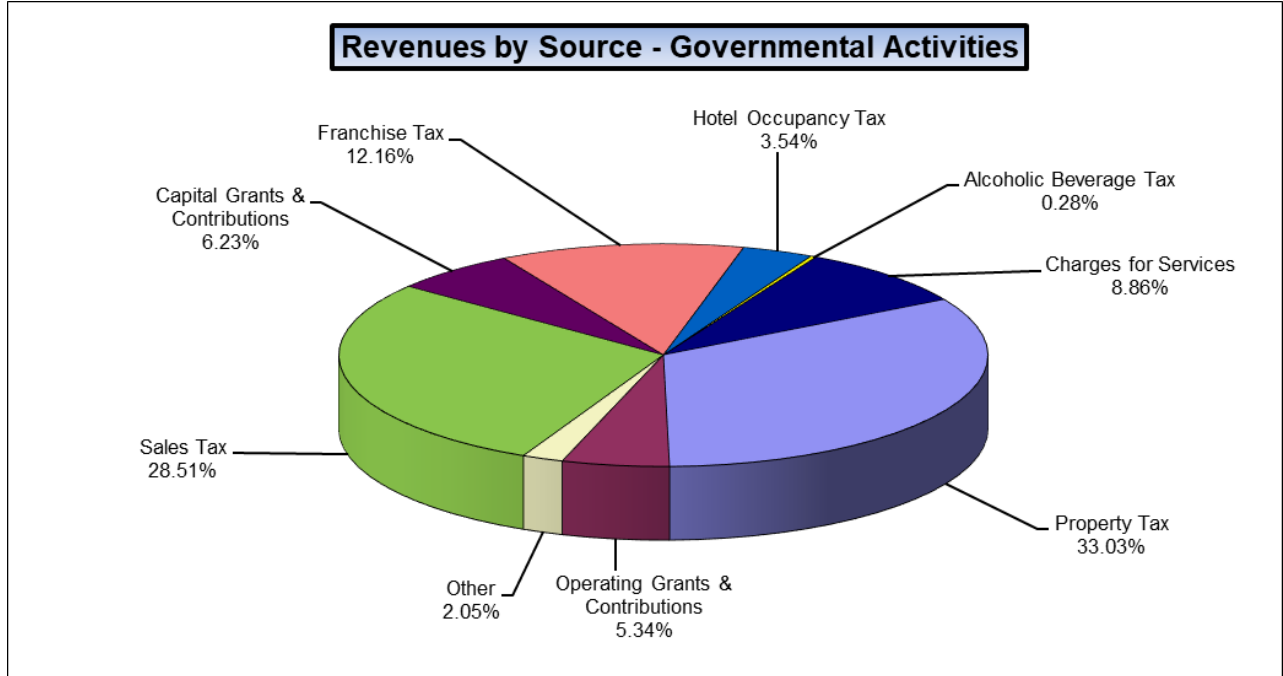
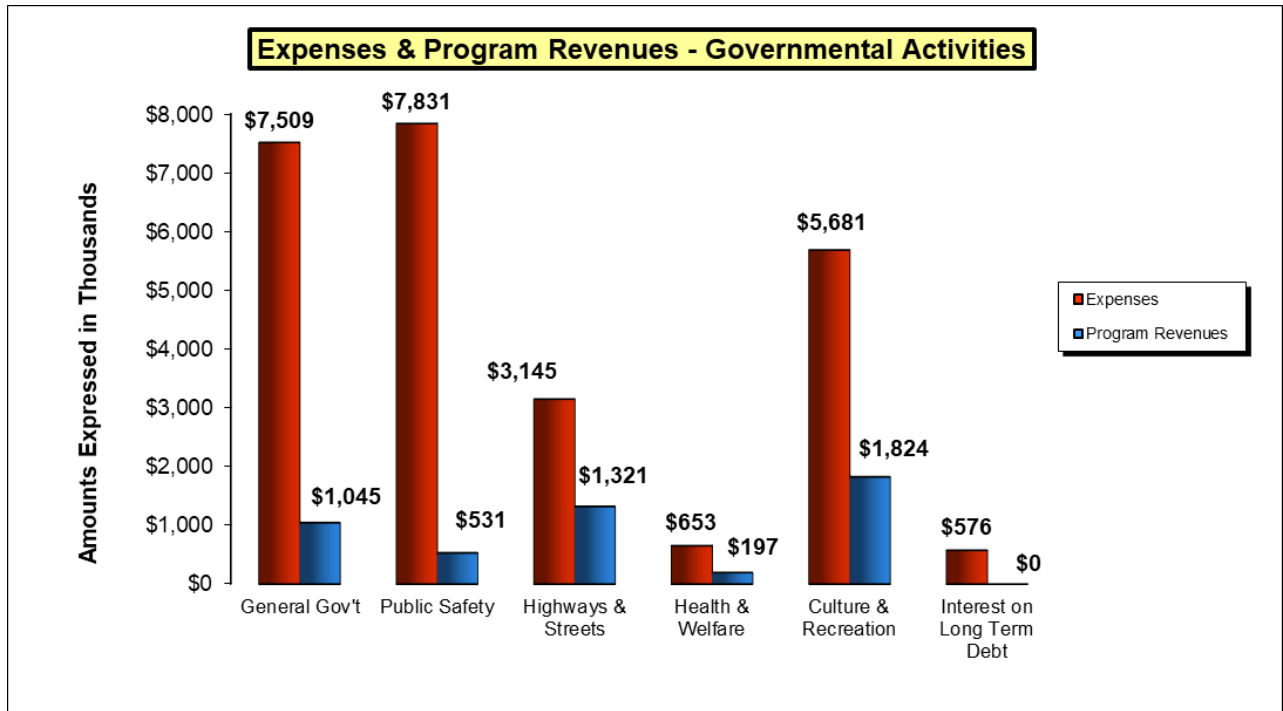
Expenses increased to \$25,395 from \$23,963 during the year. This increase is attributable to several factors.

- *General Government* expenses increased by \$1,230 due to several items: \$374 of the increase was due to economic development incentives paid per the terms of a 380 agreement with a developer. Another \$517 of increases were due to increased salary and benefits costs, \$89 for increased compensated absences, \$103 for bond issue costs, and \$151 for legal fees in FY22. These increases were offset by the lower TMRS pension expense under GASB 68 reporting requirements.
- *Public Safety* expenses increased due to large maintenance items at the fire station, a loss on asset retirement, and increased salary and benefit costs. These increases were offset by lower TMRS and TESRS pension expense resulting in an overall decrease of \$501 for this function.
- *Highway/Streets* expenses increased \$471 due to several items: \$252 of the increase was due to the street resurfacing program, \$139 was due to depreciation expense for newly constructed infrastructure, \$107 for work done on the preparation of an Airport Master Plan and \$48 due to the addition of airport personnel.
- *Culture and Recreation* expenses were \$271 higher primarily related to increased activity in the travel and tourism industry. Increased concerts, sports tournaments and pool programs resulted in \$212 of increased salary and benefit costs and \$87 in other costs all to support these operations. This increase was offset by lower TMRS pension expense under GASB 68 reporting requirements. Improvements to the Antique Carousel contributed \$67 to the overall increase.

Transfers decreased during the year by \$94 which is directly proportional to the overall decrease in actual expenses in the governmental indirect departments (Administration, Main Street, Maintenance, Finance, Purchasing/Central Warehouse, HR/Risk Management, and Information Technology) which are allocated to the business-type activities.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)



CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

Business-type activities. Business-type activities increased the City of Brenham's net position by \$1,578 compared to an increase of \$3,506 in the prior fiscal year. Key elements are noted below.

Revenues increased to \$43,461 from \$38,969 during the year. This increase is attributable to several factors.

- The *Charges for Services* in the Electric Fund increased \$1,539. Power pass-through revenues were higher due to rising energy costs. Also contributing to the increased revenue were electric rate increases implemented for FY22 combined with increased consumption. Actual kWh consumption in FY22 was 280.9 million compared to 265.8 million in FY21.
- Gas Fund *Charges for Services* experienced a \$2,266 increase. The majority of the increase can be attributed to commodity pass-through revenues due to rising gas supply costs. Although actual mcf consumption at 416,625 decreased from FY21 mcf consumption of 434,027, consumption revenues were higher due to gas rate increases which went into effect October 1, 2021. Rate increases were needed to cover increased cost of services for operations.
- Water Fund revenues increased \$1,357 during the year. An increase in consumption from 718.2 million in the prior fiscal year to 848.4 million gallons in the current year combined with water rate increases created the increase. The water rate increase implemented in FY22 was needed to cover increased operational expenses and additional debt service incurred for the Lake Somerville Water Intake reconstruction project.
- *Charges for Services* in the Wastewater Fund were higher by \$73 mainly due to increased gallons from commercial customers and waste haulers accepted at the plant in the current year.
- The Sanitation Fund *Charges for Services* were higher by \$62. Increases were seen in the residential and commercial collection categories due to new customer growth in these areas.
- Drainage Fund revenues increased by \$8 due to new growth within the City.
- *Capital Grants and Contributions* of \$1,140 were received in FY22, down from \$2,028 in FY21. In FY21, water and wastewater infrastructure improvements were accepted from developers of several subdivisions totaling \$1,163 whereas FY22 had water and wastewater infrastructure accepted in one subdivision totaling \$509. The Drainage Fund reported \$587 of *Capital Grants and Contributions* related to drainage projects funded by the Texas Community Development Block Grant Program.

Expenses increased to \$38,037 from \$32,853 or 15.8% during the year with specific changes noted below.

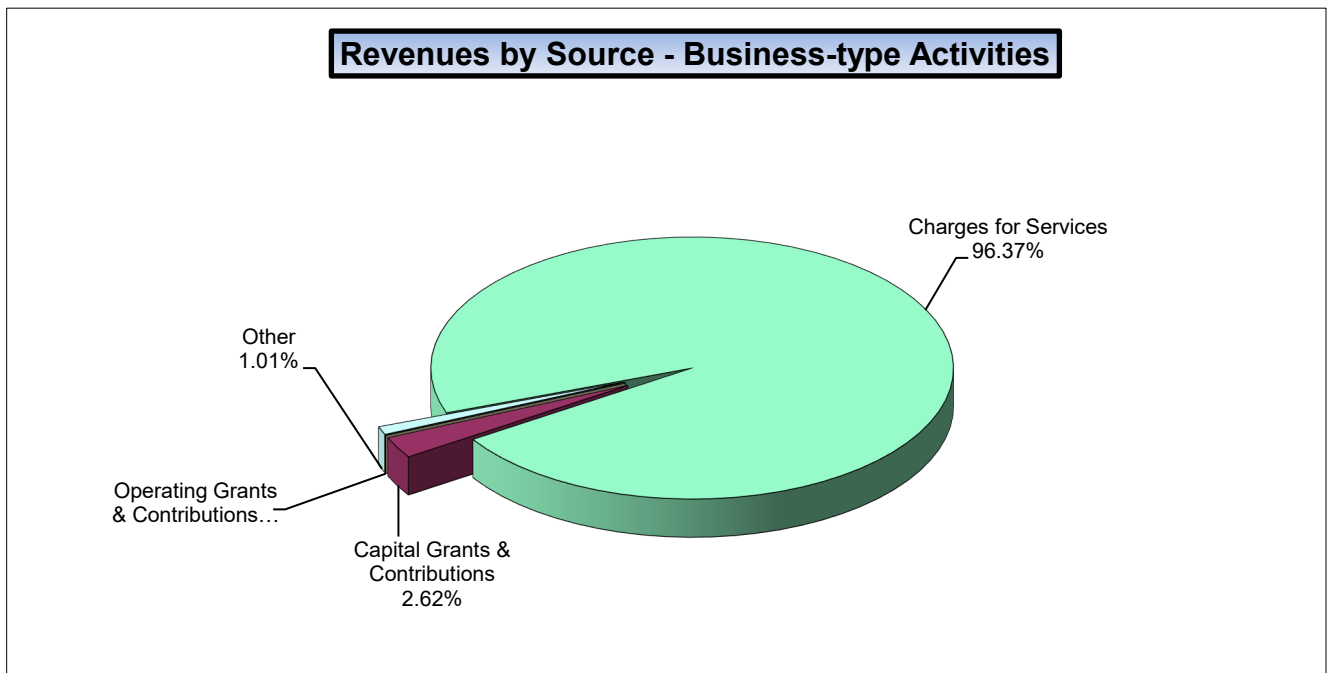
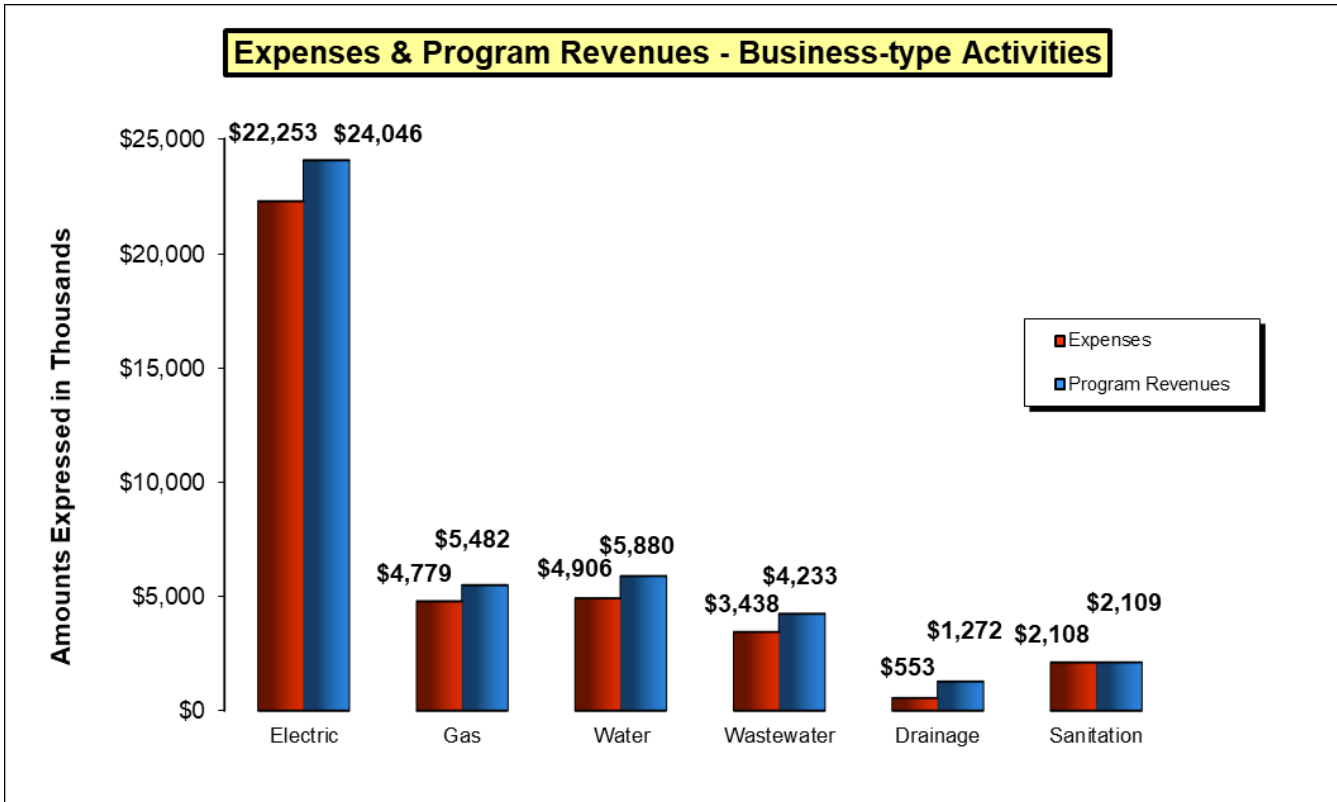
- Electric Fund expenses increased \$1,336 due to higher costs for wholesale power combined with higher franchise taxes.
- Gas Fund expenses increased by \$2,141 due to higher purchase costs per mcf. Legal fees related to Winter Storm Uri litigation and negotiation of a gas supply contract also contributed to the increase.
- Water Fund expenses increased by \$1,051 in the contractual services, depreciation and supplies categories. Contractual services included year two of a two year fire hydrant restoration project, a water system capacity study, a groundwater availability study, a water plant expansion plan and easement boundary surveys. Supplies saw a large increase due to higher water treatment chemical costs.
- Wastewater Fund expenses increased by \$259 due mainly to higher electric utility costs and maintenance and repair costs for the wastewater treatment plant.
- Drainage Fund expenses increased \$246 due to grant administration and engineering costs related to the Texas Community Development Block Grant Program. Costs for curb and gutter concrete work also increased.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

Transfers out decreased by \$94, as previously explained in the governmental activities section.

In FY22, grant revenues previously reported in business activities (Water Fund) were returned to the grantor after the project was determined to be ineligible by FEMA. The City is currently appealing this decision. The \$884 of expense for the returned funds is being reported as a Special Item.



CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2022

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City of Brenham's governmental funds reported combined ending fund balances of \$13,430 an increase of \$3,073 in comparison with the prior year. The General Fund highlights are discussed in the following section.

In Other Governmental Funds, the combined fund balance of \$5,597 increased by \$2,800. This increase is mainly attributable to activity in the General Government Capital Projects Fund and the Streets and Drainage Fund which are used to account for proceeds from bond issuances for capital equipment and infrastructure improvements. In FY22, \$365 of street department large equipment was purchased, \$929 of improvements to Old Chappell Hill Road were completed and \$535 of existing streets were reconstructed.

Proprietary funds. The City of Brenham's *proprietary funds* provide the same type of information found in the GWFS, but in more detail.

Unrestricted net position of the Electric Fund at the end of the year totaled to \$7,447; those of the Gas Fund were \$625; the Water Fund (\$237); the Wastewater Fund \$971; Sanitation Fund \$1,532; and the Drainage Fund \$833. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Brenham's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund is the chief operating fund of the City of Brenham. With the implementation of *GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions*, eight other governmental funds were combined with the General Fund. One of the eight other governmental funds is the FEMA Disaster Relief Fund which is used to track revenues and expenditures eligible for federal disaster assistance. In the prior fiscal year, all disaster relief projects were completed and closed out. In FY22, the balance of this fund was transferred to the General Fund. We also include the Tourism and Marketing Fund in this combined General Fund Statement. The Tourism and Marketing Fund was established for operation of the Destination Marketing Organization (DMO) which promotes Brenham and Washington County and for cultural arts programming at the Barnhill Center. Other significant funds which are combined are the Donations Fund and the Equipment Fund. The Donations Fund tracks donations to the City for downtown improvements, parks amenities, public safety support, animal shelter supplies, and library programming. The Equipment Fund was established to track capital purchases for general government vehicles and equipment.

Adjustments to Budget Basis column: adjustments of \$95 for intergovernmental revenue relate to grant revenue for public safety, adjustments of \$373 in charges for services and \$970 in culture and recreation are related to activity in the Tourism and Marketing Fund, and contributions adjustments are from mainly from downtown events, library and animal shelter donations. Adjustments in general government, public safety and health and welfare are related to activity in the Equipment Fund, Donations Fund and public safety grant funds.

Revenues Budgeted Amounts and Actual – the original revenue budget was \$16,716 and the final amended budget was \$16,901, and actual budget basis revenue was \$17,978. The increase of \$184 to the revenue budget was in the following categories:

- 1) Taxes increased by \$179 with additional sales tax collections.
- 2) Charges for Services increased by \$5 with the addition of rental income for the airport restaurant.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2022

GENERAL BUDGETARY HIGHLIGHTS - (continued)

Variance with Final Budget – the favorable budget to actual variance of \$1,077 is due to the following factors:

- Taxes were higher by \$917 due primarily from increased sales tax due to strong retail activity and inflation.
- Licenses and Permits revenue was higher by \$97 from robust residential and commercial development.
- Miscellaneous Income was higher by \$135 due to sales of equipment that was replaced in the current year.

Expenditures Budgeted Amounts and Actual – the original expenditure budget was \$19,725 compared to the final amended budget of \$20,290. Actual expenditures on a budget basis were \$20,187.

Variance with Final Budget – the General Fund's actual expenditures were favorable to budget by \$103 due primarily to lower personnel costs offset by higher legal fees.

Other Financing Sources Budgeted Amounts and Actual

Transfers-In – the original budget for transfers-in was \$3,068 while the final budget was \$3,628. The original budget did not include a transfer from the FEMA Disaster Relief Fund. Actual transfers-in of \$3,596 were lower than budget because of an overall decrease in the indirect departments' expenses included in the shared service allocations.

Transfers-Out – the original and final budget for transfers-out was \$1,095. Actual transfers out were lower than budget due to matching airport grant funds which were not needed in FY22.

Insurance Proceeds – the original budget for insurance proceeds was \$101 and the final amended budget was \$101. Actual insurance proceeds were lower than budget due to the overestimation of amounts received for repairs and damages to City property.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City of Brenham's investment in capital assets for its governmental and business- type activities as of September 30, 2022 totals \$131,309 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the City of Brenham's investment in capital assets for the current fiscal year was \$460.

City of Brenham, Texas Capital Assets (Amounts in Thousands) (net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land and Improvements	\$ 4,642	\$ 4,624	\$ 571	\$ 571	\$ 5,213	\$ 5,195
Buildings	17,334	18,234	306	328	17,640	18,562
Improvements other than buildings	5,276	5,469	24,083	19,478	29,359	24,947
Furniture, fixtures, and equipment	1,022	1,069	471	597	1,493	1,666
Machinery	230	206	-	-	230	206
Vehicles	3,181	3,015	2,095	2,204	5,276	5,219
Intangibles	98	98	85	101	183	199
Infrastructure	34,608	33,547	36,109	33,985	70,717	67,532
Construction in progress	355	634	843	7,609	1,198	8,243
Total	\$ 66,746	\$ 66,896	\$ 64,563	\$ 64,873	\$ 131,309	\$ 131,769

Changes in major capital asset expenditures during the current fiscal year included the following.

- Governmental Activities capital assets showed a net decrease of \$150 with major changes in the following categories: Buildings decreased \$900 due to annual depreciation while Construction in Progress decreased \$279 mainly due to the completion of the Old Chappell Hill Road street improvement project which began in the prior year. Offsetting these decreases was Infrastructure which increased \$1,061 due to street and drainage improvements, street reconstruction and acceptance of developer improvements in the Liberty Village subdivision. Land also increased by \$18 due to land deeded to the City for park use.
- Business-type capital assets showed an overall decrease of \$310 with major changes in the following categories: Construction in Progress decreased \$6,766 due to the completion of the Lake Somerville Water Intake reconstruction project and completed infrastructure projects. Infrastructure increased \$2,124 mainly due to developer improvements to water and wastewater utility lines, but also from the completion of projects which included new utility lines, lift stations, meters, and transformers. Improvements showed an increase of \$4,605 due to the Water Intake project mentioned previously.

Additional information on the City of Brenham's capital assets can be found in note III.F on pages 44-45 of this report.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-term debt. At the end of the current fiscal year, the City of Brenham had total bonded debt outstanding, net of unamortized charges, of \$33,769. Of this amount, \$18,690 is tax-supported debt backed by the full faith and credit of the government. The remaining \$15,079 is self-supported debt that is to be repaid from system revenues.

City of Brenham, Texas
Outstanding Debt
General Obligation Bonds and Certificates of Obligation
(Amounts in Thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
General Obligation Bonds	\$ 211	\$ 415	\$ 3,949	\$ 4,900	\$ 4,160	\$ 5,315
Certificates of Obligation	17,880	15,112	10,465	5,813	28,345	20,925
Unamortized Credits/Charges	599	453	665	478	1,264	931
Total	\$ 18,690	\$ 15,980	\$ 15,079	\$ 11,191	\$ 33,769	\$ 27,171

The City of Brenham's total bonded debt increased by \$6,598 or 24.28% during the current fiscal, with an increase of \$2,710 in governmental activities and an increase of \$3,888 in business-type activities.

The City of Brenham maintained its strong bond rating of AA- from the Standard and Poor's rating agency. The ratings reflect the City's strong financial position bolstered by the maintenance of healthy financial reserves. The Fitch bond rating remained at an "A" rating level.

State statutes limit the amount of general obligation debt a governmental entity may issue to 2.5% of its total assessed valuation. Additionally, the City's charter allows a rate not exceeding \$1.65 per \$100 valuation for any one year. The tax rate of \$.4940 for the year ended September 30, 2022 is significantly below the \$1.65 allowed by the City's charter.

Additional information about the City's long-term debt can be found in note III.H through I on pages 56-62 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The economic backdrop for Brenham's FY22-23 Budget is favorable. The following factors were considered in preparing the City of Brenham's Budget for the 2023 fiscal year:

- Sales tax, which is the City's largest revenue source is expected to increase 6% over the prior year's budget. This is a decline from FY22 actual collections, but a conservative estimate was used for FY23 based on indicators that may signify a slowing economy.
- Higher fuel prices and lingering inflation continue to drive prices of goods and services higher. Long lead times on vehicles, equipment and parts are also a current issue effecting business operations.
- The unemployment rate for Washington County in September 2022 was 3.8%, which was lower than the rate of 4.7% one year ago and is the same as the State's average unemployment rate of 3.8%. The FY22-23 budget anticipates a continued downward trend in the unemployment rate as labor shortages are being felt locally and nation-wide.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2022

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES – (continued)

- Continued growth in residential and commercial development will result in higher taxable property values but will place more demand on the City's current utility systems and infrastructure.
- A 5.5% water rate increase was needed to cover rising water treatment chemical costs. All other utility rates remained the same as the prior year.

The City experienced a 27% increase in certified taxable property values for FY23 and lowered its overall tax rate by \$0.0203. Components are shown below:

- Overall tax rate reduced from \$0.4940 from \$0.4737
- M&O tax rate decreased from \$0.3500 to \$0.3297
- I&S tax rate remained the same at \$0.1440

The City's FY22-23 Budget is balanced as required by law. It reflects economic strength with a watchful eye on a potentially slowing economy. The budget addresses the demand placed on City services to keep pace with the continued growth of the city.

Requests for Information

This financial report is designed to present users with a general overview of the City of Brenham's finances and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, P.O. Box 1059, Brenham, Texas, 77834.

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**City of Brenham
Statement of Net Position
September 30, 2022**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Equivalents	\$ 6,019,418	\$ 10,550,300	\$ 16,569,718	\$ 2,893,187
Investments	3,000,000	2,000,000	5,000,000	500,000
Receivables - Property Tax (net)	305,374	-	305,374	-
Receivables - Sales Tax	1,178,522	-	1,178,522	392,841
Receivables - Occupancy Taxes	90,381	-	90,381	-
Receivables - Account (net)	335,920	5,247,792	5,583,712	-
Receivables - Interest	18,996	85,743	104,739	209
Lease Receivable, Current	18,947	151,402	170,349	-
Internal Balances	(1,909,632)	1,909,632	-	-
Due from Other Governments	249,717	316,554	566,271	-
Inventory at Cost	185,053	1,782,110	1,967,163	-
Notes Receivable, Current	-	147,278	147,278	-
Prepaid Water Agreement	-	401,236	401,236	-
Other Current Assets	1,050	-	1,050	-
Restricted Cash	6,314,220	2,909,001	9,223,221	-
Restricted Investments	-	1,000,000	1,000,000	-
Notes Receivable, Long Term	-	585,859	585,859	-
Lease Receivable, Noncurrent	456,746	790,920	1,247,666	-
Accrued Interest, Noncurrent	-	290,426	290,426	-
Right to Use Leased Asset, Net of Amortization	42,115	20,477	62,592	-
Capital Assets, Not Being Depreciated	5,007,348	1,448,153	6,455,501	3,775,435
Other Capital Assets, Net	61,738,798	63,115,055	124,853,853	10,357
Total assets	<u>83,052,973</u>	<u>92,751,938</u>	<u>175,804,911</u>	<u>7,572,029</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amount from Refundings	16,840	226,982	243,822	-
Deferred Outflows - TMRS Pension	1,773,310	585,100	2,358,410	-
Deferred Outflows - TESRS Pension	39,060	-	39,060	-
Deferred Outflows - Post Employment Benefits	678,277	274,962	953,239	-
Deferred Outflows - Under Recovered Fuel Costs	-	86,657	86,657	-
Total deferred outflows	<u>2,507,487</u>	<u>1,173,701</u>	<u>3,681,188</u>	<u>-</u>
LIABILITIES				
Accounts Payable and Other Current Liabilities	1,140,209	2,550,509	3,690,718	38,642
Other Liabilities	-	4,303	4,303	-
Accrued Interest	88,390	62,610	151,000	361,188
Due to Other Governments	2,655	-	2,655	-
Unearned Revenue	57,303	4,405,128	4,462,431	114,479
Consumer Deposits	-	1,551,397	1,551,397	-
Noncurrent Liabilities, due within one year				
Compensated Absences, Current	265,417	129,150	394,567	8,694
Other Long Term Payable, Current	21,533	-	21,533	-
Bonds Payable, Current	1,637,192	-	1,637,192	-
Finance Lease Liability, Current	42,113	16,237	58,350	-
Revenue Bonds Payable, Current	-	1,447,807	1,447,807	-
Lease Purchase, Current	141,915	53,981	195,896	-
Notes Payable, Current	177,472	103,644	281,116	147,278
Noncurrent Liabilities, due in more than one year				
Compensated Absences, Long Term	269,173	80,034	349,207	4,666
Post Employment Benefits	1,896,162	734,100	2,630,262	-
Net Pension Liability - TMRS	7,055,592	2,345,383	9,400,975	-
Net Pension Liability - TESRS	104,356	-	104,356	-
Finance Lease Liability, Long Term	-	4,072	4,072	-
Long Term Debt, Net	17,998,321	14,096,804	32,095,125	585,859
Total liabilities	<u>30,897,803</u>	<u>27,585,159</u>	<u>58,482,962</u>	<u>1,260,806</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - TMRS Pension	2,954,303	973,268	3,927,571	-
Deferred Inflows - TESRS Pension	101,991	-	101,991	-
Deferred Inflows - Post Employment Benefits	435,495	162,748	598,243	-
Deferred Inflows - Leases	478,286	935,420	1,413,706	683
Deferred Inflows - Over Recovered Fuel Costs	-	1,489,402	1,489,402	-
Total deferred inflows	<u>3,970,075</u>	<u>3,560,838</u>	<u>7,530,913</u>	<u>683</u>
NET POSITION				
Net Investment in Capital Assets	50,371,886	51,059,631	101,431,517	3,052,655
Restricted for Debt Service	803,137	-	803,137	-
Restricted for Economic Development	-	-	-	848,892
Restricted for Recreation	-	-	-	2,408,993
Unrestricted (deficit)	(482,441)	11,720,011	11,237,570	-
Total net position	<u>\$ 50,692,582</u>	<u>\$ 62,779,642</u>	<u>\$ 113,472,224</u>	<u>\$ 6,310,540</u>

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

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City of Brenham
Statement of Activities
For the Year Ended September 30, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General Government	\$ 7,509,489	\$ 1,039,149	\$ 5,387	\$ -	\$ (6,464,953)	\$ -	\$ (6,464,953)	\$ -
Public Safety	7,831,007	18,226	513,045	-	(7,299,736)	-	(7,299,736)	-
Highways and Streets	3,144,987	182,418	50,000	1,088,973	(1,823,596)	-	(1,823,596)	-
Health and Welfare	653,449	52,956	144,037	-	(456,456)	-	(456,456)	-
Culture and Recreation	5,680,952	840,390	572,833	410,983	(3,856,746)	-	(3,856,746)	-
Interest on Long Term Debt	575,668	-	-	-	(575,668)	-	(575,668)	-
Total governmental activities	25,395,552	2,133,139	1,285,302	1,499,956	(20,477,155)	-	(20,477,155)	-
Business-type activities:								
Electric	22,253,491	24,046,226	-	-	-	1,792,735	1,792,735	-
Gas	4,778,790	5,481,697	-	-	-	702,907	702,907	-
Sanitation	2,108,412	2,109,233	-	-	-	821	821	-
Wastewater	3,438,038	3,965,993	-	267,052	-	795,007	795,007	-
Water	4,906,259	5,594,627	-	285,619	-	973,987	973,987	-
Drainage	553,406	685,054	-	587,385	-	719,033	719,033	-
Total business-type activities	38,038,396	41,882,830	-	1,140,056	-	4,984,490	4,984,490	-
Total primary government	\$ 63,433,948	\$ 44,015,969	\$ 1,285,302	\$ 2,640,012	\$ (20,477,155)	\$ 4,984,490	\$ (15,492,665)	\$ -
Component unit:								
Brenham Community Devel Corp	\$ 1,300,527	\$ -	\$ 100,000	\$ 81,867				\$ (1,118,660)
Total component unit	\$ 1,300,527	\$ -	\$ -	\$ 81,867				\$ (1,118,660)
General Revenues:								
Property Taxes					7,955,878	-	7,955,878	-
Sales Taxes					6,867,658	-	6,867,658	2,289,219
Franchise Taxes					2,929,989	-	2,929,989	-
Hotel Occupancy Taxes					852,593	-	852,593	-
Alcoholic Beverage Taxes					68,367	-	68,367	-
Investment Income not Restricted					150,376	219,596	369,972	18,156
Miscellaneous					232,472	218,456	450,928	26,047
Gain on Sale of Capital Assets					111,021	-	111,021	399,069
Special Items					-	(883,575)	(883,575)	-
Transfers					2,961,667	(2,961,667)	-	-
Total general revenues, payments to/from component unit and transfers					22,130,021	(3,407,190)	18,722,831	2,732,491
Change in net position					1,652,866	1,577,300	3,230,166	1,613,831
Net position - beginning					49,039,716	61,202,342	110,242,058	4,696,709
Net position - ending					\$ 50,692,582	\$ 62,779,642	\$ 113,472,224	\$ 6,310,540

City of Brenham
Balance Sheet
Governmental Funds
September 30, 2022

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and Equivalents	\$ 5,156,678	\$ -	\$ 328,706	\$ 5,485,384
Investments	3,000,000	-	-	3,000,000
Interest Receivable	13,171	-	-	13,171
Receivables (Net)				
Property Taxes	198,664	106,710	-	305,374
Sales Tax	1,178,522	-	-	1,178,522
Occupancy Tax	-	-	90,381	90,381
Accounts	335,920	-	-	335,920
Lease Receivable	475,693	-	-	475,693
Due from Other Governments	245,016	4,702	-	249,718
Inventory at Cost	185,053	-	-	185,053
Other Current Assets	1,000	-	-	1,000
Restricted Cash	-	694,725	5,216,189	5,910,914
Total Assets	<u>\$ 10,789,717</u>	<u>\$ 806,137</u>	<u>\$ 5,635,276</u>	<u>\$ 17,231,130</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts Payable & Other Current Liabilities	\$ 1,103,902	\$ -	\$ 35,335	\$ 1,139,237
Due to Other Funds	1,527,851	-	-	1,527,851
Unearned Revenues	57,303	-	-	57,303
Due to Other Governments	-	-	2,655	2,655
Total Liabilities	<u>2,689,056</u>	<u>-</u>	<u>37,990</u>	<u>2,727,046</u>
Deferred Inflows of Resources:				
Deferred Inflows Related to Leases	478,286	-	-	478,286
Unavailable Revenues	489,468	106,710	-	596,178
Total Deferred Inflows of Resources	<u>967,754</u>	<u>106,710</u>	<u>-</u>	<u>1,074,464</u>
Total Liabilities and Deferred Inflows of Resources	<u>3,656,810</u>	<u>106,710</u>	<u>37,990</u>	<u>3,801,510</u>
Fund Balances:				
Nonspendable	186,053	-	-	186,053
Restricted	479,881	699,427	5,344,854	6,524,162
Committed	-	-	229,020	229,020
Assigned	-	-	23,412	23,412
Unassigned	6,466,973	-	-	6,466,973
Total Fund Balances	<u>7,132,907</u>	<u>699,427</u>	<u>5,597,286</u>	<u>13,429,620</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 10,789,717</u>	<u>\$ 806,137</u>	<u>\$ 5,635,276</u>	

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

City of Brenham
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
September 30, 2022

Total fund balances - total governmental funds \$ 13,429,620

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. 65,537,674

Gross capital assets	128,904,051	
Accumulated depreciation	(63,366,377)	
	65,537,674	

Leased assets and liabilities are not current financial resources. 5,811

Certain deferred inflows and outflows of resources are not reported in the governmental funds: (984,302)

Deferred charges on debt refundings	(16,840)	
Deferred outflows - TMRS Pension	(1,773,310)	
Deferred outflows - TESRS Pension	(39,060)	
Deferred outflows - Post Employment Benefits	(678,277)	
Deferred inflows - TMRS Pension	2,954,303	
Deferred inflows - TESRS Pension	101,991	
Deferred inflows - Post Employment Benefits	435,495	
	984,302	

Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. (28,996,430)

Bonds payable	18,091,098	
Add: Issuance premium	615,500	
Accrued interest payable	78,537	
Financing lease purchase payable	287,165	
Note payable	252,502	
Other long term payable	80,928	
Compensated absences	534,590	
Post employment benefits	1,896,162	
Net pension liability - TMRS	7,055,592	
Net pension liability - TESRS	104,356	
	28,996,430	

Internal service funds are used by management to charge the costs of risk management services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 1,104,034

Other long term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds. 596,175

Net position of governmental activities \$ 50,692,582

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

City of Brenham
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2022

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 15,279,708	\$ 2,329,793	\$ 1,075,650	\$ 18,685,151
Licenses and Permits	400,342	-	-	400,342
Intergovernmental	611,488	-	186,301	797,789
Charges for Services	1,042,301	-	41,033	1,083,334
Fines and Forfeitures	575,776	-	-	575,776
Investment Income	82,599	17,168	40,779	140,546
Payment from Component Unit	108,169	-	706,876	815,045
Contributions and Donations	219,896	-	13,913	233,809
Miscellaneous	345,669	-	39,210	384,879
Total revenues	18,665,948	2,346,961	2,103,762	23,116,671
Expenditures				
Current:				
Culture and Recreation	4,624,176	-	315,611	4,939,787
General Government	7,302,871	-	23,034	7,325,905
Health and Welfare	597,603	-	-	597,603
Highways and Streets	1,400,034	-	167,045	1,567,079
Public Safety	7,801,890	-	1,320	7,803,210
Debt service:				
Interest & Fiscal Charges	309	584,900	-	585,209
Principal Retirement	42,279	1,774,653	-	1,816,932
Issuance Costs	-	-	103,001	103,001
Capital Outlay	311,897	-	2,210,220	2,522,117
Total expenditures	22,081,059	2,359,553	2,820,231	27,260,843
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,415,111)	(12,592)	(716,469)	(4,144,172)
Other Financing Sources (Uses)				
Transfers In	3,808,274	-	-	3,808,274
Transfers Out	(557,206)	-	(846,607)	(1,403,813)
Issuance of Note Payable	252,502	-	-	252,502
Issuance of Bonds	-	-	4,200,000	4,200,000
Premium on Bonds Issued	-	-	163,001	163,001
Proceeds from Other Liabilities	80,928	-	-	80,928
Proceeds of Financing Lease	84,392	-	-	84,392
Insurance Proceeds	31,444	-	-	31,444
Total other financing sources and (uses)	3,700,334	-	3,516,394	7,216,728
Net change in Fund Balances	285,223	(12,592)	2,799,925	3,072,556
Fund balances - beginning	6,847,684	712,019	2,797,361	10,357,064
Fund balances - ending	\$ 7,132,907	\$ 699,427	\$ 5,597,286	\$ 13,429,620

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

City of Brenham
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2022

Net change in fund balances - total governmental funds \$ 3,072,556

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. (388,430)

Capital outlay	2,522,117
Depreciation expense	(3,663,985)
Donation of capital assets	920,672
Proceeds from sale	(111,021)
Loss on disposal	(167,234)
Gain on disposal	111,021
	(388,430)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. 13,961

Bond and note payable proceeds provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net position. Bond and note payable principal payments are expenditures in the governmental funds, but they reduce long term liabilities in the statement of net position. (2,988,959)

Debt issued:	
2022 Certificates of Obligation	(4,200,000)
Bond premium on new debt	(163,001)
Note Payable	(252,502)
Leases	(84,392)
Other Liabilities	(80,928)
Repayments:	
To bond, certificate, and note holders	1,774,653
Principal payments on leases	42,279
Amortization:	
Bond premiums, discounts, & charges	17,209
Lease assets	(42,277)
	(2,988,959)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 1,140,735

Compensated absences	(16,681)
Accrued interest payable	(7,667)
Post retirement benefits	(189,428)
Pension Costs - TMRS, Net	1,261,763
Pension Costs - TESRS, Net	92,748
	1,140,735

An internal service fund is used by management to charge the costs of risk management services to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities. 803,003

Change in net position of governmental activities \$ 1,652,866

**City of Brenham
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2022**

	Budgeted Amounts		Actual	Adjustments to Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Revenues						
Taxes	\$ 14,183,607	\$ 14,362,751	\$ 15,279,708	\$ -	\$ 15,279,708	\$ 916,957
Licenses and Permits	303,603	303,603	400,342	-	400,342	96,739
Intergovernmental	479,930	479,930	611,488	(94,787)	516,701	36,771
Charges for Services	632,219	637,219	1,042,301	(373,065)	669,236	32,017
Fines and Forfeitures	656,482	656,482	575,776	-	575,776	(80,706)
Investment Income	98,200	98,200	82,599	-	82,599	(15,601)
Payment from Component Unit	152,045	152,045	108,169	-	108,169	(43,876)
Contributions and Donations	-	-	219,896	(219,896)	-	-
Miscellaneous	210,328	210,328	345,669	(531)	345,138	134,810
Total revenues	16,716,414	16,900,558	18,665,948	(688,279)	17,977,669	1,077,111
Expenditures						
Current:						
Culture and Recreation	3,739,504	3,706,798	4,624,176	(1,026,277)	3,597,899	108,899
General Government	6,132,091	6,563,616	7,302,871	(247,904)	7,054,967	(491,351)
Health and Welfare	612,732	612,732	597,603	(69,464)	528,139	84,593
Highways and Streets	1,422,793	1,468,459	1,400,034	(10,500)	1,389,534	78,925
Public Safety	7,818,354	7,938,826	7,801,890	(185,265)	7,616,625	322,201
Debt Service:						
Interest and Fiscal Charges	-	-	309	(309)	-	-
Principal Retirement	-	-	42,279	(42,279)	-	-
	<u>19,725,474</u>	<u>20,290,431</u>	<u>21,769,162</u>	<u>(1,581,998)</u>	<u>20,187,164</u>	<u>103,267</u>
Capital Outlay	54,540	83,106	311,897	(151,498)	160,399	(77,293)
Total Expenditures	19,780,014	20,373,537	22,081,059	(1,733,496)	20,347,563	25,974
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,063,600)	(3,472,979)	(3,415,111)	1,045,217	(2,369,894)	1,103,085
Other Financing Sources (Uses)						
Transfers In	3,068,046	3,627,813	3,808,274	(212,233)	3,596,041	(31,772)
Transfers Out	(1,095,585)	(1,095,585)	(557,206)	(433,378)	(990,584)	105,001
Issuance of Note Payable	-	-	252,502	(252,502)	-	-
Proceeds from Other Liabilities	-	-	80,928	-	80,928	80,928
Proceeds of Financing Lease	-	-	84,392	(84,392)	-	-
Insurance Proceeds	100,554	100,554	31,444	-	31,444	(69,110)
Total other financing sources and (uses)	2,073,015	2,632,782	3,700,334	(982,505)	2,717,829	85,047
Net change in fund balance	(990,585)	(840,197)	285,223	62,712	347,935	1,188,132
Fund balance - beginning	5,885,153	5,885,153	6,847,684	(962,531)	5,885,153	-
Fund balance - ending	\$ 4,894,568	\$ 5,044,956	\$ 7,132,907	\$ (899,819)	\$ 6,233,088	\$ 1,188,132

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

City of Brenham, Texas
Statement of Net Position
Proprietary Funds
September 30, 2022

Business-type Activities - Enterprise Funds

	Electric Fund	Gas Fund	Water Fund	Wastewater Fund	Sanitation Fund	Drainage Fund	Total Proprietary	Internal Service Funds
Assets								
Current assets:								
Cash and Equivalents	\$ 3,597,904	\$ 895,913	\$ 1,484,363	\$ 3,388,422	\$ 511,123	\$ 506,147	\$ 10,383,872	\$ 700,462
Investments	2,000,000	-	-	-	-	-	2,000,000	-
Interest Receivable, Current	82,934	-	-	-	2,809	-	85,743	-
Receivables - Accounts, Net	2,990,491	466,652	885,550	533,435	291,550	80,114	5,247,792	-
Receivables - Interfund	1,527,851	-	-	206,292	95,000	-	1,829,143	-
Lease Receivable, Current	13,616	-	-	-	137,786	-	151,402	-
Due from Other Governments	24,399	-	-	-	-	292,155	316,554	-
Inventory at Cost	1,144,392	136,809	444,281	55,352	-	-	1,780,834	1,275
Prepaid Water Agreement	-	-	401,236	-	-	-	401,236	-
Other Current Assets	-	-	-	-	-	-	-	50
Notes Receivable, Net	147,278	-	-	-	-	-	147,278	-
Restricted Cash	787,811	-	21,371	2,099,819	-	-	2,909,001	403,306
Restricted Investments	1,000,000	-	-	-	-	-	1,000,000	-
Total current assets	<u>13,316,676</u>	<u>1,499,374</u>	<u>3,236,801</u>	<u>6,283,320</u>	<u>1,038,268</u>	<u>878,416</u>	<u>26,252,855</u>	<u>1,105,093</u>
Noncurrent assets:								
Interest Receivable, Noncurrent	290,426	-	-	-	-	-	290,426	-
Lease Receivable, Noncurrent	-	-	-	-	790,920	-	790,920	-
Advances to Other Funds	-	-	-	-	815,000	-	815,000	-
Right to Use Leased Asset, Net of Amortization	20,477	-	-	-	-	-	20,477	-
Capital Assets, Net	15,703,296	2,460,812	25,863,725	19,051,616	258,996	889,173	64,227,618	1,544,063
Notes Receivable, Long Term	585,859	-	-	-	-	-	585,859	-
Total noncurrent assets	<u>16,600,058</u>	<u>2,460,812</u>	<u>25,863,725</u>	<u>19,051,616</u>	<u>1,864,916</u>	<u>889,173</u>	<u>66,730,300</u>	<u>1,544,063</u>
Total assets	<u>29,916,734</u>	<u>3,960,186</u>	<u>29,100,526</u>	<u>25,334,936</u>	<u>2,903,184</u>	<u>1,767,589</u>	<u>92,983,155</u>	<u>2,649,156</u>
Deferred Outflows of Resources								
Deferred Amount from Refundings	-	-	189,430	37,552	-	-	226,982	-
Deferred Outflows - TMRS Pension	311,172	62,574	119,319	84,400	-	7,635	585,100	-
Deferred Outflows - OPEB	137,643	31,408	57,139	40,903	-	7,869	274,962	-
Deferred Outflows - Under Recovered Fuel Costs	-	86,657	-	-	-	-	86,657	-
Total deferred outflows	<u>448,815</u>	<u>180,639</u>	<u>365,888</u>	<u>162,855</u>	<u>-</u>	<u>15,504</u>	<u>1,173,701</u>	<u>-</u>
Liabilities								
Current liabilities:								
Accounts Payable & Other Current Liabilities	\$ 1,742,767	\$ 362,380	\$ 166,154	\$ 69,034	\$ 186,054	\$ 23,814	\$ 2,550,203	\$ 1,277
Other Liabilities	-	900	2,353	1,050	-	-	4,303	-
Accrued Interest	7,322	-	37,932	14,882	-	1,724	61,860	10,586
Unearned Revenue	-	-	1,670,370	2,734,758	-	-	4,405,128	-
Interfund Payable	-	206,292	95,000	-	-	-	301,292	-
Compensated Absences, Current	74,624	18,024	21,347	11,577	-	3,578	129,150	-
Finance Lease Liability, Current	16,237	-	-	-	-	-	16,237	-
Revenue Bonds Payable, Current	78,471	-	745,000	624,336	-	-	1,447,807	-
Lease Purchase, Current	-	-	-	24,875	-	-	24,875	29,106
Note Payable, Current	-	-	35,851	-	-	67,793	103,644	145,008
Consumer Deposits	1,551,397	-	-	-	-	-	1,551,397	-
Total current liabilities	<u>3,470,818</u>	<u>587,596</u>	<u>2,774,007</u>	<u>3,480,512</u>	<u>186,054</u>	<u>96,909</u>	<u>10,595,896</u>	<u>185,977</u>
Noncurrent liabilities:								
Compensated Absences	27,297	18,377	24,851	8,837	-	672	80,034	-
Post Employment Benefits	387,165	83,146	146,145	102,073	-	15,571	734,100	-
Net Pension Liability - TMRS	1,303,643	241,449	437,576	362,715	-	-	2,345,383	-
Finance Lease Liability, Long Term	4,072	-	-	-	-	-	4,072	-
Advances from Other Funds	-	-	815,000	-	-	-	815,000	-
Long Term Debt, Net	1,567,193	-	8,544,094	3,772,053	-	183,675	14,067,015	534,020
Total noncurrent liabilities	<u>3,289,370</u>	<u>342,972</u>	<u>9,967,666</u>	<u>4,245,678</u>	<u>-</u>	<u>199,918</u>	<u>18,045,604</u>	<u>534,020</u>
Total liabilities	<u>6,760,188</u>	<u>930,568</u>	<u>12,741,673</u>	<u>7,726,190</u>	<u>186,054</u>	<u>296,827</u>	<u>28,641,500</u>	<u>719,997</u>
Deferred Inflows of Resources								
Deferred Inflows - Leases	9,089	-	-	-	926,331	-	935,420	-
Deferred Inflows - TMRS Pension	521,511	103,557	197,845	139,875	-	10,480	973,268	-
Deferred Inflows - OPEB	80,553	20,418	34,574	21,778	-	5,425	162,748	-
Deferred Inflows - Over Recovered Fuel Costs	1,489,402	-	-	-	-	-	1,489,402	-
Total deferred inflows	<u>2,100,555</u>	<u>123,975</u>	<u>232,419</u>	<u>161,653</u>	<u>926,331</u>	<u>15,905</u>	<u>3,560,838</u>	<u>-</u>
Net Position								
Net Investment in Capital Assets	14,057,632	2,460,812	16,729,061	16,638,729	258,996	637,705	50,782,935	836,226
Unrestricted	7,447,174	625,470	(236,739)	971,219	1,531,803	832,656	11,171,583	1,092,933
Total net position	<u>\$ 21,504,806</u>	<u>\$ 3,086,282</u>	<u>\$ 16,492,322</u>	<u>\$ 17,609,948</u>	<u>\$ 1,790,799</u>	<u>\$ 1,470,361</u>	<u>\$ 61,954,518</u>	<u>\$ 1,929,159</u>

Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue(expense) of certain internal service funds are reported with business-type activities.

Net Position of business-type activities

825,124
\$ 62,779,642

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City of Brenham, Texas
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year ended September 30, 2022

Business-type Activities - Enterprise Funds

	Electric Fund	Gas Fund	Water Fund	Wastewater Fund	Sanitation Fund	Drainage Fund	Total Proprietary	Internal Service Funds
Operating revenues:								
Charges for Services	\$ 24,046,226	\$ 5,481,697	\$ 5,594,627	\$ 3,965,993	\$ 2,109,233	\$ 685,054	\$ 41,882,830	\$ 664,690
Total Operating Revenues	<u>24,046,226</u>	<u>5,481,697</u>	<u>5,594,627</u>	<u>3,965,993</u>	<u>2,109,233</u>	<u>685,054</u>	<u>41,882,830</u>	<u>664,690</u>
Operating expenses:								
Cost of Sales and Services	16,634,805	3,416,088	414,915	-	-	-	20,465,808	-
Salaries	1,990,495	355,997	789,650	536,321	-	110,704	3,783,167	-
Supplies	249,870	39,150	865,016	236,199	-	18,830	1,409,065	57
Maintenance	97,387	2,422	275,204	320,188	-	173,265	868,466	8,798
Contractual Services	499,613	573,311	542,491	794,842	2,092,581	198,202	4,701,040	101,898
Amortization	16,025	-	-	-	-	-	16,025	-
Depreciation	870,119	147,318	1,194,427	1,047,835	17,339	46,109	3,323,147	267,088
Gross Revenue Tax	1,603,662	220,440	377,609	255,216	-	-	2,456,927	-
Miscellaneous	<u>246,997</u>	<u>14,464</u>	<u>14,123</u>	<u>51,716</u>	<u>548</u>	<u>2,062</u>	<u>329,910</u>	<u>7,279</u>
Total operating expenses	<u>22,208,973</u>	<u>4,769,190</u>	<u>4,473,435</u>	<u>3,242,317</u>	<u>2,110,468</u>	<u>549,172</u>	<u>37,353,555</u>	<u>385,120</u>
Operating Income (loss)	<u>1,837,253</u>	<u>712,507</u>	<u>1,121,192</u>	<u>723,676</u>	<u>(1,235)</u>	<u>135,882</u>	<u>4,529,275</u>	<u>279,570</u>
Nonoperating revenues (expenses):								
Investment Income	123,623	7,288	16,035	33,688	31,479	5,573	217,686	5,917
Interest Expense & Fiscal Charges	(53,774)	(12,500)	(329,055)	(198,037)	-	(5,583)	(598,949)	(17,290)
Miscellaneous, Net	<u>50,569</u>	<u>12,270</u>	<u>(98,430)</u>	<u>8,708</u>	<u>139,776</u>	<u>(2,099)</u>	<u>110,794</u>	<u>1,284</u>
Total non operating revenue (expenses)	<u>120,418</u>	<u>7,058</u>	<u>(411,450)</u>	<u>(155,641)</u>	<u>171,255</u>	<u>(2,109)</u>	<u>(270,469)</u>	<u>(10,089)</u>
Income (loss) before contributions and transfers	<u>1,957,671</u>	<u>719,565</u>	<u>709,742</u>	<u>568,035</u>	<u>170,020</u>	<u>133,773</u>	<u>4,258,806</u>	<u>269,481</u>
Capital Contributions	-	-	285,619	267,052	-	587,385	1,140,056	-
Special Items	-	-	(883,575)	-	-	-	(883,575)	-
Transfers In	598,147	-	-	-	-	-	598,147	557,206
Transfers Out	<u>(1,847,156)</u>	<u>(493,088)</u>	<u>(532,712)</u>	<u>(379,987)</u>	<u>(306,871)</u>	<u>-</u>	<u>(3,559,814)</u>	<u>-</u>
Total Transfers In/(Out)	<u>(1,249,009)</u>	<u>(493,088)</u>	<u>(532,712)</u>	<u>(379,987)</u>	<u>(306,871)</u>	<u>-</u>	<u>(2,961,667)</u>	<u>557,206</u>
Change in net position	708,662	226,477	(420,926)	455,100	(136,851)	721,158	1,553,620	826,687
Total net position - beginning	20,796,144	2,859,805	16,913,248	17,154,848	1,927,650	749,203		1,102,472
Total net position - ending	<u>\$ 21,504,806</u>	<u>\$ 3,086,282</u>	<u>\$ 16,492,322</u>	<u>\$ 17,609,948</u>	<u>\$ 1,790,799</u>	<u>\$ 1,470,361</u>		<u>\$ 1,929,159</u>

Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue (expense) of certain internal service funds are reported with business-type activities

Change in net position of business-type activities

23,680
\$ 1,577,300

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2022

	Electric Fund	Gas Fund	Water Fund	Wastewater Fund	Sanitation Fund	Drainage Fund	Total Proprietary	Internal Service Funds
Cash Flows from Operating Activities								
Receipts from customers and users	\$ 24,252,135	\$ 5,335,837	\$ 5,843,826	\$ 4,282,239	\$ 2,091,937	\$ 390,894	\$ 42,196,868	\$ -
Receipts from interfund services provided	-	-	-	-	-	-	-	665,973
Gross revenue tax paid to General Fund	(1,603,662)	(220,440)	(377,609)	(255,216)	-	-	(2,456,927)	-
Payments to suppliers	(16,881,473)	(3,880,424)	(2,979,787)	(1,382,503)	(2,082,618)	(428,692)	(27,635,497)	(117,891)
Payments to employees	(2,185,466)	(379,892)	(860,828)	(579,750)	-	(109,390)	(4,115,326)	-
Net cash provided (used) by operating activities	<u>3,581,534</u>	<u>855,081</u>	<u>1,625,602</u>	<u>2,064,770</u>	<u>9,319</u>	<u>(147,188)</u>	<u>7,989,118</u>	<u>548,082</u>
Cash Flows from Non Capital Financing Activities								
Transfers in	598,147	-	-	-	-	-	598,147	557,206
Transfers out	(1,847,156)	(493,088)	(532,712)	(379,987)	(306,871)	-	(3,559,814)	-
Interest paid on consumer deposits	(6,603)	-	-	-	-	-	(6,603)	-
Net cash provided (used) by noncapital financing activities	<u>(1,255,612)</u>	<u>(493,088)</u>	<u>(532,712)</u>	<u>(379,987)</u>	<u>(306,871)</u>	<u>-</u>	<u>(2,968,270)</u>	<u>557,206</u>
Cash Flows from Capital and Related Financing Activities								
Acquisition and construction of capital assets	(877,850)	(353,648)	(590,988)	(464,080)	-	(398,985)	(2,685,551)	(515,805)
Capital Contributions	-	-	801,705	2,749,668	-	587,385	4,138,758	-
Proceeds from issuance of bonds	-	-	3,000,000	2,245,000	-	-	5,245,000	-
Principal paid on interfund advance	-	-	(90,000)	-	-	-	(90,000)	-
Repayment of interfund payable	-	-	(2,619,646)	(730,128)	-	-	(3,349,774)	-
Principal paid on bonds, finance leases and notes payable	(78,639)	-	(789,988)	(664,836)	-	(66,471)	(1,599,934)	(298,908)
Insurance proceeds	7,644	-	-	4,932	-	-	12,576	-
Interest and fees paid on bonds, finance leases and notes payable	(76,880)	(12,500)	(284,717)	(104,237)	-	(6,115)	(484,449)	(15,091)
Net cash provided (used) by capital and related financing activities	<u>(1,025,725)</u>	<u>(366,148)</u>	<u>(573,634)</u>	<u>3,036,319</u>	<u>-</u>	<u>115,814</u>	<u>1,186,626</u>	<u>(829,804)</u>
Cash Flows from Investing Activities								
Principal received on notes receivable	146,233	-	-	-	-	-	146,233	-
Principal received on interfund advance	-	-	-	-	90,000	-	90,000	-
Proceeds from lease receivable	13,651	-	-	-	131,608	-	145,259	-
Investment income received	146,904	7,288	16,037	33,687	33,063	5,573	242,552	5,917
Net cash provided (used) by investing activities	<u>306,788</u>	<u>7,288</u>	<u>16,037</u>	<u>33,687</u>	<u>254,671</u>	<u>5,573</u>	<u>624,044</u>	<u>5,917</u>
Net increase (decrease) in cash and cash equivalents	1,606,985	3,133	535,293	4,754,789	(42,881)	(25,801)	6,831,518	281,401
Cash and cash equivalents, beginning of year	<u>2,778,730</u>	<u>892,780</u>	<u>970,441</u>	<u>733,452</u>	<u>554,004</u>	<u>531,948</u>	<u>6,461,355</u>	<u>822,367</u>
Cash and cash equivalents, end of year	<u>\$ 4,385,715</u>	<u>\$ 895,913</u>	<u>\$ 1,505,734</u>	<u>\$ 5,488,241</u>	<u>\$ 511,123</u>	<u>\$ 506,147</u>	<u>\$ 13,292,873</u>	<u>\$ 1,103,768</u>
Reconciliation of cash and cash equivalents to statement of net position								
Cash and equivalents	\$ 3,597,904	\$ 895,913	\$ 1,484,363	\$ 3,388,422	\$ 511,123	\$ 506,147	\$ 10,383,872	\$ 700,462
Restricted cash and equivalents	787,811	-	21,371	2,099,819	-	-	2,909,001	403,306
Cash and cash equivalents, end of year	<u>\$ 4,385,715</u>	<u>\$ 895,913</u>	<u>\$ 1,505,734</u>	<u>\$ 5,488,241</u>	<u>\$ 511,123</u>	<u>\$ 506,147</u>	<u>\$ 13,292,873</u>	<u>\$ 1,103,768</u>

**Reconciliation of operating income to net cash provided
(used) by operating activities**

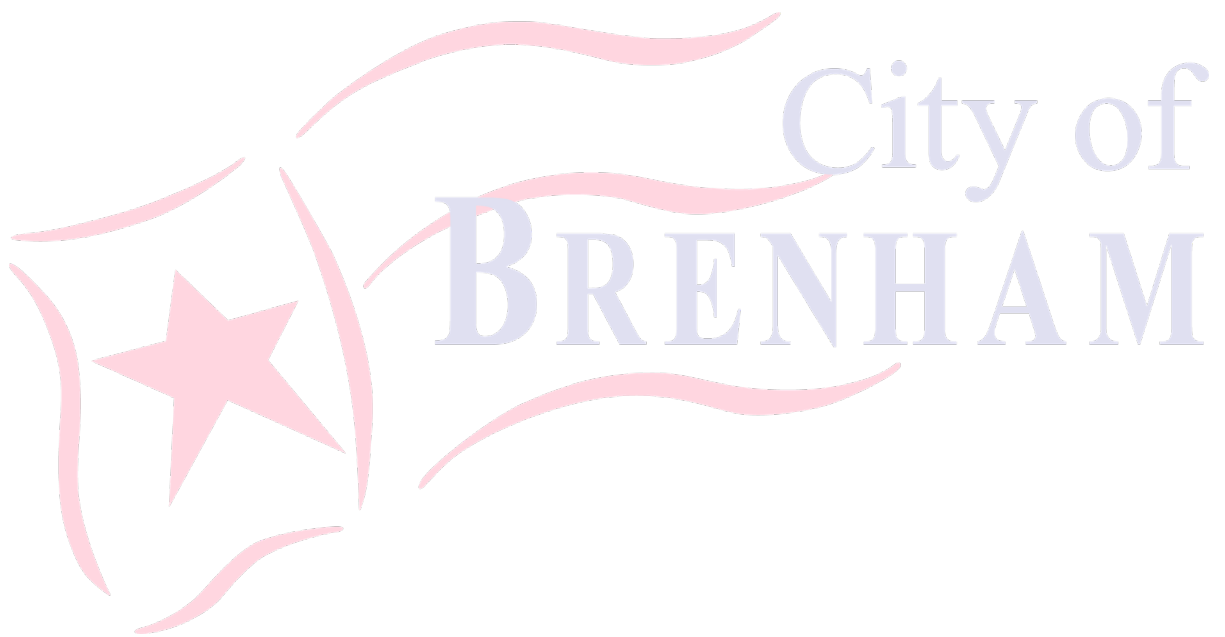
Operating income (loss)	\$ 1,837,253	\$ 712,507	\$ 1,121,192	\$ 723,676	\$ (1,235)	\$ 135,882	\$ 4,529,275	\$ 279,570
Adjustments to reconcile net cash provided (used) by operating activities								
Depreciation and amortization	886,144	147,318	1,194,427	1,047,835	17,339	46,109	3,339,172	267,088
Provision for uncollectible accounts	26,933	13,083	23,589	20,827	3,556	824	88,812	-
Other income (expense)	24,750	12,268	23,128	3,777	5,791	(2,099)	67,615	1,283
Changes in assets and liabilities affecting cash provided by operations:								
(Increase) decrease in accounts receivable	98,738	(171,211)	(169,750)	(33,559)	(26,643)	(730)	(303,155)	-
(Increase) decrease in inventory	(400,693)	(17,954)	(45,294)	(6,194)	-	-	(470,135)	374
(Increase) decrease in interfund receivables	1,615,630	-	-	-	-	-	1,615,630	-
(Increase) decrease in intergovernmental receivables	(3,765)	-	372,232	325,201	-	(292,155)	401,513	-
Increase (decrease) in interfund payables	-	206,292	-	-	-	-	206,292	-
(Increase) decrease in other assets	-	-	(22,798)	-	-	-	(22,798)	-
Increase (decrease) in accounts payable and other current liabilities	33,236	67,611	(799,946)	26,636	10,511	(36,333)	(698,285)	(233)
Increase (decrease) in over-recovered fuel costs	(400,974)	(90,938)	-	-	-	-	(491,912)	-
Increase (decrease) in salaries & benefits payable	(5,485)	5,294	5,957	3,264	-	648	9,678	-
Increase (decrease) in compensated absences	570	6,800	(7,993)	2,533	-	609	2,519	-
Increase (decrease) in postemployment benefits	36,368	8,832	15,338	10,293	-	2,287	73,118	-
Increase (decrease) in pension benefits	(226,424)	(44,821)	(84,480)	(59,519)	-	(2,230)	(417,474)	-
Increase (decrease) in consumer deposits	59,253	-	-	-	-	-	59,253	-
Net cash provided (used) by operating activities	<u>\$ 3,581,534</u>	<u>\$ 855,081</u>	<u>\$ 1,625,602</u>	<u>\$ 2,064,770</u>	<u>\$ 9,319</u>	<u>\$ (147,188)</u>	<u>\$ 7,989,118</u>	<u>\$ 548,082</u>

Noncash investing, capital and financing activities

Contribution of capital assets	-	-	256,809	252,142	-	-	508,951	-
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The notes to the financial statements are an integral part of this statement.

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City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

A. Reporting Entity

The City of Brenham is a home-rule municipality governed by an elected mayor and six-member council. The City operates under a Council-Manager form of government, established by City charter. The accompanying financial statements present the financial operations of the City as the primary government and those component units for which the primary government is considered to be financially accountable. The following discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

1. Discretely presented component unit

The City has included the Brenham Community Development Corporation (BCDC) in its financial statements as a discretely presented component unit since the City is financially accountable for the entity and a financial benefit or burden relationship exists between the City and the BCDC. The BCDC is a legally separate entity from the City and is governed by a board appointed by City Council. The BCDC was formed to oversee revenues and expenditures of a special three-eighth cent sales tax for economic development and community recreational development. The City's council approves the BCDC budget and the City Manager serves as its Chief Executive Officer. For financial reporting purposes, the BCDC is reported as a governmental fund. The component unit has a single general fund which is discretely presented in the financial statements. Complete financial statements can be obtained from the City Secretary's Office, 200 West Vulcan Street, Brenham, Texas 77833.

2. Blended component unit

In 2016, the City of Brenham Community Projects Fund, Inc.(BCPF) a non-profit organization was formed. The Corporation is a 501(c)(3) organization that supports the City of Brenham in implementing and conducting its charitable and educational projects designed to expand areas of service to citizens and visitors. The corporation is governed by a Board of Directors appointed by the City Council. Since the elected officials of the City are financially accountable for BCPF, and the primary purpose of the entity is to provide a service to the City, BCPF is considered a blended component unit. For financial reporting purposes, the City of Brenham Community Projects Fund is reported in the governmental funds.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities* which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate BCDC *component unit* for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns with composite columns for non-major funds in the fund financial statements.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Property taxes, investment earnings and charges for services are recognized as revenue when earned. Licenses and permits, intergovernmental revenues, fines and miscellaneous items are recorded as revenue when cash is received because they are generally not measurable until actually received.

The government reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt obligations of governmental funds.

The government reports the following major proprietary funds:

- The *Electric Fund* accounts for the activities of the City's electric distribution operations.
- The *Gas Fund* accounts for the activities of the City's gas distribution operations.
- The *Water Fund* accounts for the activities of the City's water distribution and water treatment facilities.
- The *Wastewater Fund* accounts for the activities of the City's wastewater treatment plant and wastewater collection systems.
- The *Sanitation Fund* accounts for the activities of the billings and collections of the City's sanitation collection, recycling and transfer station operations.
- The *Drainage Fund* accounts for the activities of the City's storm water drainage improvement operations.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Additionally, the government reports the following fund types:

Internal Service Funds provide a zero-deductible plan for workers' compensation, a vehicle and equipment and fleet replacement financing program, and fleet management services to other funds of the City on a cost reimbursement basis. These funds are presented in detail in the Supplementary Information Section and in summary form as part of the proprietary fund financial statements. At the government-wide level, the financial statements of the workers' compensation Internal Service Fund, and the Vehicle Equipment Replacement Fund (VERF) are included in the governmental activities column while the fleet management Internal Service Fund is presented in the business-type column.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are franchise tax payments and other charges between the City's proprietary fund functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, wastewater, electric, gas, sanitation, and drainage funds and of the government's internal service fund are charges to customers for sales and services. The gas, electric, and water funds include in their operating revenue the recovery of source costs from customers. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, operating and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities, and Net Position

1. Deposits and investments

The City's cash and equivalents are considered to be cash on hand and demand deposits.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, collateralized mortgage obligations, repurchase agreements, certificates of deposit and investment pools.

Investments include certificates of deposit, a state money pool and another public investment pool. The City invests in no form of joint venture with other entities. Investments in government pools are recorded at amortized cost or net asset value. All other investments are recorded at fair value based on quoted market prices.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e., the current portion of inter-fund loans) or "advances to / from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to / from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Trade accounts and property taxes receivable are shown net of an allowance for uncollectibles.

Property taxes are levied on October 1 on property values assessed as of January 1 of each year, in conformity with Subtitle E of the Texas Property Tax Code. Taxes are due upon receipt of the bill; however, are not considered delinquent until February 1 of the following year. Delinquent uncollected taxes are included in the general fund assets and debt service fund assets with offsetting amounts which will not be collected within sixty days after the end of the fiscal year shown as unavailable revenues in the deferred inflows of resources section of the balance sheet.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories are recognized as expenditures of governmental funds and as expenses in proprietary funds when used, in accordance with the consumption method of accounting.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain resources are set aside for the repayment of outstanding bond debt. Unexpended resources from proceeds of bond issuances have also been set aside. These amounts are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure is defined by the government as long-lived and stationary in nature and includes streets, curbs, gutters, drainage systems, airport runways and taxiways, utility lines and utility plants. Infrastructure assets include all new construction with an estimated useful life of 20 - 50 years. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$15,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings (New structure)	40
Buildings (Used structure)	20
Building improvements	7-20
Improvements Other than Buildings	10-20
Machinery and Equipment	5-10
Vehicles	5-20
Infrastructure	20-50

6. Compensated absences

City employees are entitled to certain compensated absences based on their length of employment in accordance with official policy adopted by the City council. Vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. The liability for these amounts is recorded as a liability of the funds. There is no liability for unpaid accumulated sick leave since the City does not pay any amounts when employees separate from service.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

8. Fund equity

Fund balance for governmental funds is reported in classifications (non-spendable, restricted, committed, assigned, and unassigned) that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the City to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the City that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

9. Over/Under-Recovered Fuel Costs

Supply costs for electric and gas commodities (including transmission costs) are paid monthly by the City. The City collects (reimburses itself) for supply costs by charging customers on their monthly bills. Market fluctuations, unplanned refunds or charges, and cycle billing timing create over/(under) collection balances. The City tries to maintain an excess reserve balance to mitigate risks associated by market pricing anomalies as it is easier to absorb such infrequent anomalies using available balances. Because it is the City's practice to use over collections to mitigate market fluctuations and stabilize customers' rates, over-recovered fuel cost balances are reported as deferred inflows of resources on the proprietary fund level and government-wide statement so that revenues are deferred until related costs are incurred. When an excess reserve balance does not exist, under-recovered fuel cost balances are reported as deferred outflows of resources on the proprietary fund level and government-wide statement.

10. Asset Retirement Obligations

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform maintenance and monitoring functions at the site for five years after closure. The City stopped accepting waste at its landfill in November 1990. In 2009, TCEQ inspected the facility and determined that all post-closure care maintenance requirements had been satisfied and the site has completed the post-closure care maintenance period.

The City operates a waste transfer station for which it has demonstrated financial assurance of \$77,735 by meeting the financial assurance test. Estimated closure cost is \$25,000.

The City operates water and wastewater treatment plants for which Governmental Accounting Standards Board (GASB) Statement No. 83, "Certain Asset Retirement Obligations", applies. This statement addresses obligations that represent legally enforceable liabilities associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The City has no intention of closing or replacing the water and wastewater plants themselves or any of their significant components in the foreseeable future. The cost of asset retirement obligations relating to these facilities cannot be reasonably estimated.

11. Post-employment benefits

The City provides the availability of post-retirement health care for certain retirees. Retirees whose sum of age and years of service was equal to or greater than 75 at the time of retirement may purchase group health until they and their covered spouses reach Medicare eligibility. As of September 30, 2022, 9 retirees/covered spouses meet those eligibility requirements and have elected to receive this benefit. The retiree/covered spouse pay the entire premium for group health coverage and claims are paid through the City's third-party provider.

Employees who terminate employment because of a disability may qualify for life insurance and long-term disability benefits until reaching age 65 or the end of the disability eligibility, whichever comes first. Premiums for those qualifying are waived and there is no further cost to the City or the former employee. Currently, the city does not have any persons who qualify for the long-term disability benefit.

12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and the Texas Emergency Services Retirement System ((TESRS) and additions to/deductions from TMRS's and TESRS's Fiduciary Net Position have been

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

determined on the same basis as they are reported by TMRS and TESRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The budget process of the City complies with the Texas Uniform Budget Law. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance. The City Manager, as chief executive officer, has ultimate responsibility for the budget. The City Manager formulates the budget goals for the City under the direction of the City Council.

The departmental budget is the basic unit of measurement for the City's budget. In addition to the Chief of Police, Fire Chief, General Manager of Public Utilities and City Secretary, seven other director positions report to the City Manager. These positions include: HR and Risk Management & Technology, Public Works, Finance, Development Services, Budget, Economic Development, and Tourism & Marketing. All directors oversee the individual department budgets within their area of responsibility.

1. Basis of accounting

With the exception of General Fund, all budgets are prepared and adopted on a basis consistent with generally accepted accounting principles which is the same basis of accounting used for financial reporting in these financial statements. The General Fund budget, as shown in the financial statements, is prepared and adopted on a different basis. In accordance with GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions, eight other governmental funds are contained with the General Fund for financial reporting purposes. The revenue and expense of these funds are shown in the adjustments to budget basis column.

2. Budgeted funds

Annual appropriated budgets are adopted for all governmental fund types.

For the year ended September 30, 2022, annual appropriated budgets were adopted by passage of a budget ordinance for the General Fund, Electric Fund, Gas Fund, Water Fund, Wastewater Fund, Sanitation Fund, Drainage Fund and Debt Service Fund. Non major governmental funds for which budgets were adopted include the Hotel/Motel Tax, PD Criminal Law Enforcement Fund, Courts Technology/Security, Brenham Community Projects Fund, Airport Capital Improvements Fund, TIRZ #1 Fund, 2017 Capital Projects Fund, General Government Capital Projects Fund, Streets and Drainage Improvements Fund and Parks Capital Improvements Fund. Internal Service funds with budgets adopted include the Workers' Compensation Fund, Vehicle Equipment Replacement Fund and the Central Fleet Fund. All annual budget appropriations lapse at the end of the fiscal year.

The by-laws of the Brenham Community Development Corporation require that an annual budget be prepared by the corporation's board and approved by City Council.

3. Legal level of control

The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

4. Budget amendments

The budget is originally enacted by ordinance; therefore, any amendments to the budget must also be made by ordinance. The initial step in amending the budget is to present the proposed amendments and the justification thereof during a City Council meeting. The proposed ordinance amending the budget is presented for approval during this meeting and during the formal session at a subsequent meeting of the Council.

5. Encumbrances

Encumbrance accounting is a system under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. The City does not employ encumbrance accounting as it feels its current system is adequate to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

B. Compliance with Finance Related Legal and Contractual Provisions

The City had no material violations of finance related legal and contractual provisions.

C. Excess of Expenditures Over Appropriations

For fiscal year end September 30, 2022, all expenditures of the General Fund were within appropriations at the legal level of budgetary control.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2022, the City had an investment in a State Money Pool (TexPool) which had a balance of \$3,569,764 which was included in cash and cash equivalents and restricted cash at September 30, 2022. "TexPool" is a local government investment pool created and managed by the Texas State Treasurer to invest funds on behalf of Texas political subdivisions. The pool seeks to maintain a \$1.00 value per share as required by the Texas Public Fund Investment Act. Its fair value approximates carrying value, and the City's net asset value in the pool at fiscal year-end was \$0.99941 per share. The weighted average maturities of the pools cannot exceed 60 days, with the maximum maturity of any investment is limited to 13 months. TexPool was rated AAAM by Standard & Poor's. Authorized investments for TexPool funds include government securities, repurchase and reverse repurchase agreements and no-load money market mutual funds.

The City also had an investment in TexSTAR, another public funds investment pool, which had a balance of \$14,071,908 and was included in cash and cash equivalents and restricted cash at September 30, 2022. "TexSTAR" is a local government investment pool created and jointly managed by Hilltop Securities, Inc. and JP Morgan Investment Management, Inc. with the purpose of investing funds on behalf of Texas political subdivisions. Its fair value approximates carrying value, and the City's net asset value in the pool at fiscal year-end was \$0.99951 per share. The stated objective of TexSTAR is to maintain a stable \$1.00 net asset value per unit, and immediate action must be taken if the net asset value of the units of any fund falls below \$0.997 or rises above \$1.004. The fund maintains a weighted average maturity of 60 days or less and was rated AAAM by Standard and Poor's. Authorized investments for TexSTAR funds include government securities, repurchase and reverse repurchase agreements and no-load money market mutual funds.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

III. DETAILED NOTES ON ALL FUNDS (Continued)

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by concentrating its investment portfolio in shorter term securities.

Credit risk. The City minimizes credit risk, the risk of loss due to the failure of the issuer or backer of the investment, by: limiting investments to the highest credit quality investments, pre-qualifying the financial institutions and broker/dealers with which the City of Brenham transacts business, and perfecting the City ownership by delivery versus payment settlement.

Concentration of credit risk. The government's investment policy limits investments to avoid over concentration in investments from a specific insurer or business sector.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. It's the policy of the City to require full collateralization of all City funds on deposit with a depository bank.

At year end, the government's carrying amount of deposits (including certificates of deposit) for the primary government and BCDC component unit was \$17,537,154 and the bank balances totaled \$18,212,495. Of the bank and certificates of deposit balances, \$250,000 was covered by federal depository insurance and \$17,962,495 was collateralized with securities held by the pledging financial institution's trust department or agent in the government's name.

B. Receivables - Account

Accounts receivable as of year-end for the government's individual major funds and non-major, and proprietary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Funds

	General Fund
Accounts	\$ 214,832
Assessments	128,088
	<u>342,920</u>
Less Allowance for Uncollectibles	(7,000)
Accounts Receivable, Net	<u>\$ 335,920</u>

Proprietary Funds

	Electric Fund	Gas Fund	Water Fund	Wastewater Fund	Sanitation Fund	Drainage Fund	Total
Accounts	\$ 3,040,491	\$ 478,652	\$ 909,550	\$ 553,435	\$ 296,550	\$ 82,114	\$ 5,360,792
Less Allowance for Uncollectibles	(50,000)	(12,000)	(24,000)	(20,000)	(5,000)	(2,000)	(113,000)
Accounts Receivable, Net	<u>\$ 2,990,491</u>	<u>\$ 466,652</u>	<u>\$ 885,550</u>	<u>\$ 533,435</u>	<u>\$ 291,550</u>	<u>\$ 80,114</u>	<u>\$ 5,247,792</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

III. DETAILED NOTES ON ALL FUNDS (Continued)

Governmental funds report unavailable 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. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

<u>Components</u>	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Delinquent property taxes receivable (General Fund)	\$ 198,664	\$ -	\$ 198,664
Delinquent property taxes receivable (Debt Service Fund)	106,710	-	106,710
Franchise fees receivable	167,528	-	167,528
Grant receipts	-	-	-
Lien assessments and pending seizures	123,276	-	123,276
Charges for Services not yet earned	-	57,303	57,303
Total deferred/unearned revenue for governmental funds	<u>\$ 596,178</u>	<u>\$ 57,303</u>	<u>\$ 653,481</u>
Balances not expected to be collected within one year	\$ 123,276	\$ -	\$ 123,276

C. Receivables – Property Taxes

The following information relates to property taxes receivable for the year ended September 30, 2022:

Original Certified Tax Roll	\$ 1,628,067,498
Approved Rate (Per \$100 Valuation)	0.4940
Original Levy	8,042,653
Supplements	(69,269)
Adjusted Levy	<u>\$ 7,973,384</u>
Collections on Current Tax Roll	7,814,401
Total Collections	7,892,282
Property Taxes Receivable	\$ 305,374

D. Advances To/From Other Funds

In July 2021, the Water Fund was advanced \$1,000,000 from the Sanitation Fund in the form of an interfund loan. The purpose of the loan was to allow the Water Fund to repay its advancing line of credit with the City's depository bank for the Lake Somerville Raw Water Intake Structure reconstruction project. Per the terms of the loan, the Water Fund will repay the Sanitation Fund over a period of ten years with 2% interest. Beginning in 2022, annual payments are made on August 15th. As of September 30, 2022, one repayment of \$90,000 has been made and the balance of the Water Fund loan is \$910,000. The long-term portion of the interfund loan of \$815,000 is reported as an advance to/from other funds in the proprietary financial statements. The current portion of the interfund loan of \$95,000 is included in Receivables-Interfund.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Notes Receivable

Notes receivable at September 30, 2022 consisted of the following:

Business-type Activities - Electric Fund

Note receivable from component unit Brenham Community Development Corporation, principal amount \$1,000,000; Interest payable at 4.750% with the first payment due September 30, 2017; maturing September 2029, unsecured	\$ 468,137
Note receivable from component unit Brenham Community Development Corporation, principal amount \$500,000; Interest payable at 3.250%; maturing September 2026, unsecured	<u>265,000</u>
	\$ 733,137
Less Current Portion	<u>(147,278)</u>
	<u><u>\$ 585,859</u></u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

III. DETAILED NOTES ON ALL FUNDS (Continued)

F. Capital Assets

Capital asset activity for the year ended September 30, 2022 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclass/CIP to Complete</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:					
Land	\$ 4,463,031	\$ 18,000	\$ -	\$ -	\$ 4,481,031
Land Improvements	160,718	-	-	-	160,718
Intangibles-Easements	10,593	-	-	-	10,593
Construction in Progress	634,387	290,083	(421,999)	(147,465)	355,006
Total Not Being Depreciated	<u>5,268,729</u>	<u>308,083</u>	<u>(421,999)</u>	<u>(147,465)</u>	<u>5,007,348</u>
Capital Assets, Being Depreciated:					
Buildings	30,613,809	-	-	-	30,613,809
Improvements Other Than Buildings	16,139,989	420,402	20,685	(25,192)	16,555,884
Furniture, Fixtures and Equipment	2,463,097	53,487	-	-	2,516,584
Machinery	721,177	103,177	-	(15,801)	808,553
Vehicles	8,367,982	796,904	45,707	(314,245)	8,896,348
Radios	702,316	-	-	-	702,316
Intangibles-Software	223,368	-	-	-	223,368
Infrastructure	63,091,372	2,193,122	355,607	(433,271)	65,206,830
Total Being Depreciated	<u>122,323,110</u>	<u>3,567,092</u>	<u>421,999</u>	<u>(788,509)</u>	<u>125,523,692</u>
Less Accumulated Depreciation for:					
Buildings	(12,379,517)	(900,225)	-	-	(13,279,742)
Improvements Other Than Bldgs.	(10,671,517)	(634,531)	-	25,192	(11,280,856)
Furniture, Fixtures and Equipment	(1,810,260)	(43,261)	-	-	(1,853,521)
Machinery	(514,729)	(79,396)	-	15,801	(578,324)
Vehicles	(5,352,765)	(676,053)	-	314,245	(5,714,573)
Radios	(285,789)	(57,312)	-	-	(343,101)
Intangibles-Software	(135,719)	-	-	-	(135,719)
Infrastructure	(29,546,024)	(1,466,537)	-	413,503	(30,599,058)
Total Accumulated Depreciation	<u>(60,696,320)</u>	<u>(3,857,315)</u>	<u>-</u>	<u>768,741</u>	<u>(63,784,894)</u>
Total Being Depreciated, Net	<u>61,626,790</u>	<u>(290,223)</u>	<u>421,999</u>	<u>(19,768)</u>	<u>61,738,798</u>
Capital Assets, Net	<u>\$ 66,895,519</u>	<u>\$ 17,860</u>	<u>\$ -</u>	<u>\$ (167,233)</u>	<u>\$ 66,746,146</u>
<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclass/CIP to Complete</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:					
Land	\$ 571,108	\$ -	\$ -	\$ -	\$ 571,108
Intangibles-Easements	33,811	-	-	-	33,811
Construction in Progress	7,609,201	840,882	(7,606,849)	-	843,234
Total Not Being Depreciated	<u>8,214,120</u>	<u>840,882</u>	<u>(7,606,849)</u>	<u>-</u>	<u>1,448,153</u>
Capital Assets, Being Depreciated:					
Buildings	864,476	-	-	-	864,476
Improvements Other Than Buildings	37,265,323	364,244	5,338,012	(262,740)	42,704,839
Furniture, Fixtures and Equipment	2,195,297	-	-	-	2,195,297
Vehicles	4,965,821	307,546	-	-	5,273,367
Intangibles-Software	219,926	-	-	-	219,926
Infrastructure	71,820,185	1,681,829	2,268,837	-	75,770,851
Total Being Depreciated	<u>117,331,028</u>	<u>2,353,619</u>	<u>7,606,849</u>	<u>(262,740)</u>	<u>127,028,756</u>
Less Accumulated Depreciation for:					
Buildings	(535,624)	(22,437)	-	-	(558,061)
Improvements Other Than Bldgs.	(17,787,470)	(989,951)	-	155,078	(18,622,343)
Furniture, Fixtures and Equipment	(1,598,160)	(126,349)	-	-	(1,724,509)
Vehicles	(2,762,256)	(416,233)	-	-	(3,178,489)
Intangibles-Software	(153,428)	(15,071)	-	-	(168,499)
Infrastructure	(37,834,937)	(1,826,863)	-	-	(39,661,800)
Total Accumulated Depreciation	<u>(60,671,875)</u>	<u>(3,396,904)</u>	<u>-</u>	<u>155,078</u>	<u>(63,913,701)</u>
Total Being Depreciated, Net	<u>56,659,153</u>	<u>(1,043,285)</u>	<u>7,606,849</u>	<u>(107,662)</u>	<u>63,115,055</u>
Capital Assets, Net	<u>\$ 64,873,273</u>	<u>\$ (202,403)</u>	<u>\$ -</u>	<u>\$ (107,662)</u>	<u>\$ 64,563,208</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

III. DETAILED NOTES ON ALL FUNDS (Continued)

Depreciation expense was charged to function/programs of the primary government as follows:

<u>Governmental Activities</u>	
Culture and Recreation	\$ 850,058
General Government	430,892
Health and Welfare	95,315
Highways and Streets	1,638,620
Public Safety	649,100
Total Governmental Activities	<u>\$ 3,663,985</u>
<u>Business-type Activities</u>	
Electric	\$ 870,119
Gas	147,318
Water	1,194,427
Sewer	1,047,835
Sanitation	17,339
Drainage	46,109
Total Business-type Activities	<u>\$ 3,323,147</u>
<u>Internal Service Funds</u>	
Central Fleet	\$ 73,759
Vehicle Equipment Replacement (VERF)	193,329
Total Internal Service Funds	<u>\$ 267,088</u>

As of September 30, 2022, capital assets of the component unit consist of land (not being depreciated) with a balance of \$2,708,703, land improvements (not being depreciated) with a balance of \$886,527 and other improvements (being depreciated) with a balance of \$10,357. The Construction in Progress has a balance of \$180,205 for engineering for a family park and wastewater system improvements.

G. Contractual Commitments

The City has entered into the following long-term contracts with major suppliers to ensure availability in future years:

A joint gas purchase contract to purchase natural gas wherein the City receives a discount on quantities of gas delivered by its supplier. The contract evergreens each year and expires in 2036. Also, a contract with a supplier to provide natural gas at a rate based on inside FERC Gas Market export index plus \$0.525 per MMBTU expired on October 31, 2021 and a contract with a new supplier was entered into effective November 1, 2021. The new gas supply contract was for a term of one year with index pricing plus \$0.15 per MMBTU based on daily baseload quantities adjusted for daily quantity variances, plus \$0.05 (nominated excess) or minus \$0.15 (nominated deficit) based on daily midpoint prices. In addition, on November 1, 2021, the City entered into a one-year pipeline transportation agreement with a monthly demand fee. Both the supply and transportation contracts expired on October 31, 2022 and a new supply contract was entered into effective November 1, 2022 with a term of 5 years expiring on October 31, 2027. Participation in the joint gas purchase contract discount program was also suspended on October 31, 2022. For the year ending September 30, 2022 \$3,316,088 was paid under these contracts.

A contract with a supplier to provide 4,200 acre-feet of raw water for the City's current and future water supply. The contract will expire in 2047. In FY20, a second contract with the same supplier was approved to provide an additional 774 acre-feet for long-term future growth. This contract will expire in 2045. The amount expensed under these contracts for the year ending September 30, 2022 was \$414,915.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

III. DETAILED NOTES ON ALL FUNDS (Continued)

A contract with a third party to purchase the City's excess water (774 acre-feet mentioned above) on a year-to-year basis. For the fiscal year ending September 30, 2022 \$64,242 was received under this contract.

A contract with a supplier to provide electric power and energy, expiring June 25, 2041, renewable for successive twenty-five-year periods. Contract rates are established by the supplier's wholesale power rate tariff. The amount paid under this contract for the year ending September 30, 2022 was \$16,634,805.

In March 2020, the City entered into an agreement with a contractor for solid waste services including residential collection, commercial collection, recycling services, and collection station operations for City of Brenham residents and businesses. Under the terms of this agreement, services shall be for a 5-year period, beginning March 5, 2020 and ending March 5, 2025 with up to five one-year renewal terms. For the year ending September 30, 2022, the City paid \$2,092,581 under this contract.

The City has the following active construction projects as of September 30, 2022:

	Contract Amount	Spent-to-Date	Remaining Commitment
Airport	\$ 232,012	\$ 58,500	\$ 173,512
Streets & Drainage	1,822,900	674,185	1,148,715
Water	185,544	58,060	127,484
Wastewater	502,256	219,570	282,686
Parks	300,500	154,270	146,230
Total	\$ 3,043,212	\$ 1,164,585	\$ 1,878,627

As of September 30, 2022, the City has commitments to purchase approximately \$1.8 million for the following: fire truck, replacement vehicles, large street equipment, HVAC units and park playground equipment.

H. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables represent money that is transferred among the various funds for cash flow purposes throughout the year and the short-term portion of interfund loans. At September 30, 2022 the balances were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Electric Fund	General Fund	\$ 1,527,851
		\$ 1,527,851
Wastewater Fund	Gas Fund	\$ 206,292
		\$ 206,292
Sanitation Fund	Water Fund	\$ 95,000
		\$ 95,000

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

III. DETAILED NOTES ON ALL FUNDS (Continued)

The government-wide statement of activities eliminates transfers as reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement as internal balances. Amounts transferred on the fund basis include shared services provided by the General Fund and Electric Fund to other utility funds; transfers to the internal service fund for vehicle and equipment replacements; and transfers from hotel occupancy tax collections for tourism and promotion activities.

The following schedule shows transfers and payments within the reporting entity as of September 30, 2022:

Transfers From:	Transfers To:			Net Transfers From
	Governmental Activities	Business Type Activities	Internal Service Funds	
	<u>General</u>	<u>Electric</u>		
Governmental Activities				
Major Funds				
General Fund	\$ -	\$ -	\$ 557,206	\$ 557,206
Other Govtl Funds	846,607	-	-	846,607
Business-type Activities				
Major Funds				
Electric	1,847,156	-		1,847,156
Gas	295,190	197,898	-	493,088
Water	286,089	246,623	-	532,712
Wastewater	246,494	133,493	-	379,987
Sanitation	286,738	20,133	-	306,871
Total Transfers To	<u>\$ 3,808,274</u>	<u>\$ 598,147</u>	<u>\$ 557,206</u>	<u>\$ 4,963,627</u>

Contributions from the Brenham Community Development (BCDC) component unit to the primary government totaled \$815,045 in FY22. \$472,384 in payments were reported as operating grants and contributions while \$342,661 was reported as capital grants and contributions.

I. Long-Term Debt

During the fiscal year, the City financed the purchase of a HVAC system through a \$252,502 promissory note with a local bank.

During the fiscal year, the City issued \$9.375 million of new certificates of obligation of which \$4.2 million was recognized in the governmental funds, and \$5.175 million was recognized in the enterprise funds. This debt was issued for the purpose of street and drainage infrastructure improvements, improvements to the airport facilities, a new fire truck, acquisition of heavy street equipment, and water and wastewater utility system improvements.

During the fiscal year, the City obtained a \$1 million letter of credit agreement with its depository bank designating the City's gas supplier as the beneficiary. The letter of credit was obtained to satisfy credit requirements of participation in the municipal gas cooperative program. As of September 30, 2022, no drawdowns on the letter of credit have occurred. As of November 1, 2022, with the signing of a new gas supply contract, the City suspended its participation in the gas cooperative program and on February 24, 2023, the letter of credit agreement was terminated.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

III. DETAILED NOTES ON ALL FUNDS (Continued)

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2022:

	Balance <u>9/30/2021</u>	<u>Additions</u>	FY22 <u>Retirements</u>	Balance <u>9/30/2022</u>	Due Within <u>One Year</u>	<u>Long Term</u>
Governmental Activities						
Long Term Debt						
2006 COB - Gen	\$ 3,345,000	\$ -	\$ (605,000)	\$ 2,740,000	\$ 635,000	\$ 2,105,000
2011 GOB Ref - Gen	415,131	-	(204,468)	210,663	210,663	-
2012 COB -Gen	1,160,000	-	(90,000)	1,070,000	95,000	975,000
2014 COB-Gen	2,980,000	-	(185,000)	2,795,000	190,000	2,605,000
2016 COB-Gen	911,964	-	(46,529)	865,435	46,529	818,906
2017 COB-Gen	2,270,000	-	(110,000)	2,160,000	115,000	2,045,000
2019 COB-Gen	1,350,000	-	(60,000)	1,290,000	60,000	1,230,000
2020 COB-Gen	3,095,000	-	(120,000)	2,975,000	125,000	2,850,000
2022 COB-Gen	-	4,200,000	(215,000)	3,985,000	160,000	3,825,000
	<u>15,527,095</u>	<u>4,200,000</u>	<u>(1,635,997)</u>	<u>18,091,098</u>	<u>1,637,192</u>	<u>16,453,906</u>
Unamort Bond Premium	488,960	163,001	(36,461)	615,500	NA	615,500
Ref Deferred Charges - '11 Ref GOB	(36,090)	-	19,250	(16,840)	NA	(16,840)
	<u>15,979,965</u>	<u>4,363,001</u>	<u>(1,653,208)</u>	<u>18,689,758</u>	<u>1,637,192</u>	<u>17,052,566</u>
Brenham National Bank 3 Year Note Payable - VERF	122,117	-	(122,117)	-	-	-
Brenham National Bank 5 Year Note Payable - VERF	128,557	-	(41,864)	86,693	42,848	43,845
Brenham National Bank 7 Year Note Payable - VERF	138,683	-	(26,467)	112,216	27,093	85,123
Citizens State Bank Excavator Note Payable - VERF	128,223	-	(20,584)	107,639	20,892	86,747
Brenham National Bank SCBA Note Payable - VERF	402,129	-	(59,438)	342,691	54,175	288,516
Brenham National Bank PD HVAC Note Payable	-	252,502	-	252,502	32,464	220,038
Subtotal-Long Term Debt	<u>16,899,674</u>	<u>4,615,503</u>	<u>(1,923,678)</u>	<u>19,591,499</u>	<u>1,814,664</u>	<u>17,776,835</u>
Other Long-Term Liabilities						
Chase Veh/Equip Lease Purchase	425,821	-	(138,656)	287,165	141,915	145,250
Other Long Term Payable	-	80,928	-	80,928	21,533	59,395
Compensated Absences ⁽¹⁾	517,909	530,834	(514,153)	534,590	265,417	269,173
Subtotal-Other Long-Term Liabilities	<u>943,730</u>	<u>611,762</u>	<u>(652,809)</u>	<u>902,683</u>	<u>428,865</u>	<u>473,818</u>
Total Governmental	<u>\$ 17,843,404</u>	<u>\$ 5,227,265</u>	<u>\$ (2,576,487)</u>	<u>\$ 20,494,182</u>	<u>\$ 2,243,529</u>	<u>\$ 18,250,653</u>

(1) The General Fund is used to liquidate the liability for compensated absences.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

III. DETAILED NOTES ON ALL FUNDS (Continued)

	Balance <u>9/30/2021</u>	<u>Additions</u>	FY22 <u>Retirements</u>	Balance <u>9/30/2022</u>	Due Within <u>One Year</u>	<u>Long Term</u>
Business Type Activities						
Long Term Debt						
2011 GOB Ref - Wastewater	\$ 924,865	\$ -	\$ (455,532)	\$ 469,333	\$ 469,333	\$ -
2016 COB- Electric	1,538,036	-	(78,471)	1,459,565	78,474	1,381,091
2016 GOB Ref-Water	3,975,000	-	(495,000)	3,480,000	520,000	2,960,000
2017 COB-Water	550,000	-	(25,000)	525,000	25,000	500,000
2017 COB-Wastewater	450,000	-	(20,000)	430,000	20,000	410,000
2019 COB-Water	1,345,000	-	(60,000)	1,285,000	60,000	1,225,000
2020 COB-Water	675,000	-	(25,000)	650,000	25,000	625,000
2020 COB-Wastewater	1,255,000	-	(50,000)	1,205,000	50,000	1,155,000
2022 COB-Water	-	2,960,000	(150,000)	2,810,000	115,000	2,695,000
2022 COB-Wastewater	-	2,215,000	(115,000)	2,100,000	85,000	2,015,000
	<u>10,712,901</u>	<u>5,175,000</u>	<u>(1,474,003)</u>	<u>14,413,898</u>	<u>1,447,807</u>	<u>12,966,091</u>
Unamort Bond Premium-Electric	199,514	-	(13,413)	186,101	NA	186,101
Unamort Bond Premium-Water	490,769	114,877	(66,551)	539,095	NA	539,095
Unamort Bond Premium-Wastewater	90,019	85,964	(9,386)	166,597	NA	166,597
11 Ref Deferred Chrg-Water	(80,441)	-	42,885	(37,556)	NA	(37,556)
16 Ref Deferred Chrg-Water	(221,675)	-	32,243	(189,432)	NA	(189,432)
	<u>11,191,087</u>	<u>5,375,841</u>	<u>(1,488,225)</u>	<u>15,078,703</u>	<u>1,447,807</u>	<u>13,630,896</u>
Bank of Brenham Spreader Truck Note-Water	70,839	-	(34,988)	35,851	35,851	-
Bank of Brenham Street Sweeper Note-Drainage	189,716	-	(45,887)	143,829	46,901	96,928
Citizens State Bank Excavator Note Payable-Drainage	128,223	-	(20,584)	107,639	20,892	86,747
Subtotal-Long Term Debt	<u>11,579,865</u>	<u>5,375,841</u>	<u>(1,589,684)</u>	<u>15,366,022</u>	<u>1,551,451</u>	<u>13,814,571</u>
Other Long-Term Liabilities						
Chase Veh/Equip Lease Purchase-Fleet	87,333	-	(28,437)	58,896	29,106	29,790
Chase Veh/Equip Lease Purchase-Wastewater	74,638	-	(24,304)	50,334	24,875	25,459
Compensated Absences	206,663	260,088	(257,567)	209,184	129,150	80,034
Subtotal-Other Long-Term Liabilities	<u>368,634</u>	<u>260,088</u>	<u>(310,308)</u>	<u>318,414</u>	<u>183,131</u>	<u>135,283</u>
Total Proprietary	<u>\$ 11,948,499</u>	<u>\$ 5,635,929</u>	<u>\$ (1,899,992)</u>	<u>\$ 15,684,436</u>	<u>\$ 1,734,582</u>	<u>\$ 13,949,854</u>
Component Unit Governmental Activities						
Long Term Debt						
Note Payable-BCDC to City Elec Fund-FY10	\$ 554,370	\$ -	\$ (86,233)	\$ 468,137	\$ 82,278	\$ 385,859
Note Payable-BCDC to City Elec Fund-FY17	325,000	-	(60,000)	265,000	65,000	200,000
Subtotal-Long Term Debt	<u>879,370</u>	<u>-</u>	<u>(146,233)</u>	<u>733,137</u>	<u>147,278</u>	<u>585,859</u>
Other Long-Term Liabilities						
Compensated Absences	7,129	17,388	(11,157)	13,360	8,694	4,666
Subtotal-Other Long-Term Liabilities	<u>7,129</u>	<u>17,388</u>	<u>(11,157)</u>	<u>13,360</u>	<u>8,694</u>	<u>4,666</u>
Total Governmental - BCDC	<u>\$ 886,499</u>	<u>\$ 17,388</u>	<u>\$ (157,390)</u>	<u>\$ 746,497</u>	<u>\$ 155,972</u>	<u>\$ 590,525</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

III. DETAILED NOTES ON ALL FUNDS (Continued)

The annual debt service requirement to maturity for all bonded outstanding debt as of September 30, 2022 follows:

FISCAL YEAR ENDING 9/30	PRIMARY GOVERNMENT					
	GENERAL OBLIGATION		CERTIFICATES OF OBLIGATION		TOTAL	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2023	\$ 1,199,999	\$ 155,450	\$ 1,885,000	\$ 868,701	\$ 3,084,999	\$ 1,024,151
2024	540,000	113,400	1,965,000	797,844	2,505,000	911,244
2025	565,000	91,800	2,045,000	723,775	2,610,000	815,575
2026	590,000	69,200	2,130,000	645,805	2,720,000	715,005
2027	620,000	45,600	1,430,000	563,869	2,050,000	609,469
2028-2032	645,000	20,800	7,960,000	2,119,451	8,605,000	2,140,251
2033-2037	-	-	7,385,000	977,414	7,385,000	977,414
2038-2041	-	-	3,545,000	193,317	3,545,000	193,317
	<u>\$ 4,159,999</u>	<u>\$ 496,250</u>	<u>\$ 28,345,000</u>	<u>\$ 6,890,176</u>	<u>\$ 32,504,999</u>	<u>\$ 7,386,426</u>

The annual debt service requirement to maturity for all notes payable outstanding debt as of September 30, 2022 follows:

FISCAL YEAR ENDING 9/30	NOTES PAYABLE	
	PRINCIPAL	INTEREST
	2023	\$ 281,116
2024	250,812	21,631
2025	211,679	15,896
2026	166,423	11,069
2027	140,536	7,249
2028-2029	138,494	5,429
	<u>\$ 1,189,060</u>	<u>\$ 89,351</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

III. DETAILED NOTES ON ALL FUNDS (Continued)

Debt outstanding at September 30, 2022 for the primary government is comprised of the following:

\$9,000,000, 2006 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$155,000 to \$740,000 through August 15, 2026; interest rate 3.940%-4.7886%	\$	2,740,000
\$7,730,000; 2011 General Obligation Refunding Bonds due in annual installments of \$105,000 to \$1,035,000 through August 15, 2023; interest rate 1.0-3.125%		679,999
\$1,850,000; 2012 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$65,000 to \$120,000 through August 15, 2032; interest rate 1.0-2.5%		1,070,000
\$4,075,000; 2014 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$90,000 to \$285,000 through August 15, 2034; interest rate 2.0-3.5%		2,795,000
\$3,035,000; 2016 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$110,000 to \$210,000 through August 15, 2036; interest rate 2.0-4.0%		2,325,000
\$4,695,000; 2016 General Obligation Refunding Bonds due in annual installments of \$50,000 to \$645,000 through August 15, 2028; interest rate 2.0-4.0%		3,480,000
\$3,840,000; 2017 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$135,000 to \$255,000 through August 15, 2037; interest rate 3.0-4.0%		3,115,000
\$3,025,000; 2019 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$110,000 to \$190,000 through August 15, 2039; interest rate 3.0-3.25%		2,575,000
\$5,465,000; 2020 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$185,000 to \$325,000 through August 15, 2040; interest rate 2.0-5.0%		4,830,000
\$9,375,000; 2022 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$360,000 to \$575,000 through August 15, 2041; interest rate 2.0-3.0%		8,895,000
\$1,918,082 lease purchase dated March 13, 2017 due in annual payments of \$205,211 to \$300,367 including interest, through March 2024; collateralized by financed vehicles & equipment.		396,394
\$171,000 note payable dated December 22, 2017 due in annual installments of \$36,757 including interest, through December 1, 2022; collateralized by financed vehicle. (Spreader Truck)		35,851
\$213,500 note payable dated December 23, 2019 due in annual installments of \$44,870 including interest, through February 23, 2024; collateralized by financed vehicles & equipment. (5 Yr. VERF)		86,693
\$193,500 note payable dated December 23, 2019 due in annual installments of \$29,710 including interest, through February 23, 2026; collateralized by financed vehicles & equipment. (7 Yr. VERF)		112,217
\$234,611 note payable dated April 7, 2020 due in annual installments of \$50,080 including interest, through April 7, 2025; collateralized by financed equipment. (Street Sweeper)		143,829
\$298,200 note payable dated December 9, 2020 due in annual installments of \$45,015 including interest, through September 1, 2027; collateralized by financed equipment. (Excavator)		215,278
\$402,129 note payable dated July 14, 2021 due in annual installments of \$61,474 including interest, through October 15, 2027; uncollateralized (SCBA)		342,690
\$252,502 note payable dated May 20, 2022 due in annual installments of \$41,296 including interest, through May 20, 2029; uncollateralized (PD HVAC)		252,502
\$80,928 other long term payable dated October 21, 2021, due in 5 annual installments of \$26,738, through November 2025 for police department equipment.		80,928
Compensated Absences for accrued vacation		743,774
		\$34,915,155
Unamortized Bond Premium		1,507,287
Deferred Charges on Bonds		(243,824)
		\$36,178,618

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

III. DETAILED NOTES ON ALL FUNDS (Continued)

Debt outstanding for Brenham Community Development Corporation Component Unit at September 30, 2022 and annual debt service payments to maturity for the outstanding debt follows:

\$1,000,000 note payable to primary government dated August 6, 2010, interest payable at 4.75%, unsecured, annual payments 2017 through 2029	\$ 468,137
\$500,000 note payable to primary government dated May 5, 2017, interest payable at 3.25%, unsecured, annual payments 2017 through 2026	<u>265,000</u>
	<u><u>\$ 733,137</u></u>

FISCAL YEAR ENDING 9/30	COMPONENT UNIT NOTES PAYABLE	
	PRINCIPAL	INTEREST
	2023	\$ 147,278
2024	143,505	79,960
2025	139,904	81,449
2026	141,469	82,771
2027	68,191	83,774
2027-2028	92,790	127,044
	<u>\$ 733,137</u>	<u>\$ 533,297</u>

J. Finance Lease Purchase

In FY17, the city entered into a lease purchase agreement to finance the acquisition of various vehicles and equipment for governmental and proprietary departments. This agreement qualifies as a financed purchase for accounting purposes.

The assets acquired through the lease purchase agreement are as follows:

Asset Class	Governmental Activities	Business-Type Activities
Vehicles/Large Equipment	\$ 948,672	\$ 361,100
Less: Accumulated Depreciation	(516,198)	(191,436)
Total Net Asset	<u>\$ 432,474</u>	<u>\$ 169,664</u>

The total future minimum lease payments and the net present value of these minimum payments as of September 30, 2022 were as follows:

Year Ending September 30	Governmental Activities	Business-Type Activities
2023	\$ 148,663	\$ 56,547
2024	148,663	56,547
Total Minimum Lease Payments	\$ 297,326	\$ 113,094
Less: Amount Representing Interest	(10,161)	(3,864)
Present Value of Minimum Payments	<u>\$ 287,165</u>	<u>\$ 109,230</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

III. DETAILED NOTES ON ALL FUNDS (Continued)

K. Leases

Effective October 1, 2021, the City implemented GASB Statement No. 87, *Leases*, which required the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The adoption of GASB No. 87 had no impact on the City's net position as of the effective date and no restatement of net position was made.

Lessee -

The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide funds financial statements.

At implementation of GASB Statement No. 87 and the commencement of leases beginning after October 1, 2021, the City initially measured the lease liability at the present value of payments expected to be made during the remaining lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease right-to-use asset was initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease right-to use asset is amortized on a straight-line basis over its useful life.

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

The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a re-measurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Leased assets are reported on the government-wide Statement of Net Position and lease liabilities are reported as current and long-term liabilities on the Statement of Net Position.

Lessor -

The City recognizes a lease receivable and deferred inflow of resources in the government-wide and fund financial statements.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

III. DETAILED NOTES ON ALL FUNDS (Continued)

At implementation of GASB Statement No. 87 and the commencement of leases beginning after October 1, 2021, the City initially measured the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term and (3) lease receipts. The City uses an estimated borrowing rate as the discount rate. The lease term includes the non-cancellable period of the lease and options to extend the lease if they are reasonably certain to be exercised. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

1. Lease receivable

At the start of current fiscal year, the City was leasing land and building space. These leases all had varying terms between two and thirty years. The City recognized \$208,210 in lease and interest revenue during the current fiscal year related to these leases. As of September 30, 2022, the City's receivable for lease payments was \$1,418,015. Also, the City has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. As of September 30, 2022, the balance of the deferred inflow of resources was \$1,414,389.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

III. DETAILED NOTES ON ALL FUNDS (Continued)

The future amounts to be received under the lease agreements as of September 30, 2022 were as follows:

Governmental Activities			
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2023	\$ 18,947	\$ 11,497	\$ 30,444
2024	18,344	11,101	29,445
2025	18,246	10,698	28,944
2026	18,655	10,290	28,945
2027	19,072	9,873	28,945
2028-2032	92,580	42,892	135,472
2033-2037	83,388	32,403	115,791
2038-2042	89,795	21,569	111,364
2043-2047	85,416	10,523	95,939
2048-2052	31,250	1,463	32,713
	\$ 475,693	\$ 162,309	\$ 638,002

Business-Type Activities			
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2023	\$ 151,402	\$ 6,556	\$ 157,958
2024	138,824	5,447	144,271
2025	130,856	4,415	135,271
2026	116,523	3,477	120,000
2027	117,392	2,608	120,000
2028-2032	287,325	2,676	290,001
	\$ 942,322	\$ 25,179	\$ 809,543
	\$ 1,418,015	\$ 187,488	\$ 1,447,545

2. Lease payable

Prior to beginning of the current fiscal year, the City entered into lease agreements as lessee for the acquisition and use of office equipment and building space. The leases had varying terms between twenty-three and twenty-seven months. At the beginning of the fiscal year the initial lease liability was recorded in the amount of \$120,895. As of September 30, 2022, the value of the lease liability was \$62,422.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

III. DETAILED NOTES ON ALL FUNDS (Continued)

The future principal and interest lease payments as of September 30, 2022, were as follows:

Governmental Activities			
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2023	\$ 42,113	\$ 120	\$ 42,233
	\$ 42,113	\$ 120	\$ 42,233
Business-Type Activities			
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2023	\$ 16,237	\$ 75	\$ 16,312
2024	4,072	5	4,077
	\$ 20,309	\$ 80	\$ 20,389
	\$ 62,422	\$ 200	\$ 62,622

Right to use assets are amortized on a straight-line basis over the terms of the related leases. Right to use asset balances as of September 30, 2022 were as follows:

Governmental Activities			
Asset Class	Lease Asset Value	Accumulated Amortization	Lease Asset, Net of Amortization
Equipment	\$ 8,124	\$ 4,143	\$ 3,981
Building	76,269	38,135	38,134
Total	\$ 84,393	\$ 42,278	\$ 42,115
Business-Type Activities			
Asset Class	Lease Asset Value	Accumulated Amortization	Lease Asset, Net of Amortization
Equipment	\$ 36,502	\$ 16,025	\$ 20,477
Total	\$ 36,502	\$ 16,025	\$ 20,477

L. Rebtable Arbitrage

As defined in the federal tax code, governments are not permitted to reinvest the proceeds of tax-exempt debt in higher yielding securities. The liability to the federal government for any excess earnings is known as “rebtable arbitrage”. Arbitrage rebate payments must be made to the federal government every five years and within 60 days of final maturity. A rebtable arbitrage liability is recognized in all funds and in the government-wide and proprietary fund financial statements when incurred and measurable.

At September 30, 2022 the primary government had no liability for rebtable arbitrage.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

III. DETAILED NOTES ON ALL FUNDS (Continued)

M. Restricted Cash and Investments:

The balances of the restricted cash and investment accounts in the governmental and business type activities were as follows:

	Governmental Activities	Business-type Activities
Capital Projects	\$ 2,043,400	\$ 2,174,605
Customer Deposits	-	1,734,396
Debt Service	694,725	-
Hotel/Motel Tax	488,383	-
PD Criminal Law Enforcement	65,420	-
Streets/Drainage Improvements	2,230,230	-
Tax Increment Reinvestment Zone #1	387,761	-
Community Projects	995	-
Worker's compensation	403,306	-
	\$ 6,314,220	\$ 3,909,001

N. Classification of Net Position

The government-wide and business-type activities financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted. Net investment in capital assets represents capital assets, net of accumulated depreciation and is reduced by outstanding balances for bonds and other debt that is attributed to the acquisition, construction, or improvement of those assets. Restricted net position represents assets that have externally imposed restrictions by creditors, grantors, contributions, or laws or regulations of other governments.

N. Classification of Fund Balance:

In the fund financial statements, the components of fund balances reflect the City's "Fund Balance Policy for Governmental Funds" adopted by action of the City Council on October 1, 2015.

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

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

Committed Fund Balance – Amounts that can only be used for a specific purpose because they are constrained by limitations that the government imposes upon itself through formal action by the City Council, the government's highest level of decision-making authority. Formal action consists of either Council resolution or the approval of a council meeting agenda item, each of which are equally binding. These restraints remain binding unless removed by formal action of City Council.

Assigned Fund Balance – Amounts that are constrained by the City's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the City Council, committees, or officials to whom the City Council has delegated authority.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

III. DETAILED NOTES ON ALL FUNDS (Continued)

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

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the City to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the City that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

The following schedule presents details of fund balance components at September 30, 2022:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Nonspendable:				
Inventory	\$ 185,053	\$ -	\$ -	\$ 185,053
Prepaid Assets	1,000	-	-	1,000
Restricted for:				
Debt Service	-	699,427	-	699,427
Grantor and Contributor Purposes	31,800	-	995	32,795
Public Safety	252,502	-	943,123	1,195,625
Economic Development	-	-	387,761	387,761
Transportation Projects	-	-	3,359,998	3,359,998
Court Technology and Security	-	-	74,252	74,252
Tourism Promotion	195,579	-	578,725	774,304
Committed to:				
Park Capital Improvements	-	-	228,867	228,867
Transportation and Aviation Projects	-	-	153	153
Assigned to:				
Culture and Recreation	-	-	23,412	23,412
Unassigned:	6,466,973	-	-	6,466,973
Total Fund Balances:	<u>\$ 7,132,907</u>	<u>\$ 699,427</u>	<u>\$ 5,597,286</u>	<u>\$ 13,429,620</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City assumes part of the risk and participates in the Texas Municipal League Intergovernmental Risk Pool for the excess over certain deductibles. The City pays an annual premium to the TML Pool in order to receive premium discounts. The Pool is intended to be self-sustaining through member contributions and reinsures through commercial companies for claims over certain deductibles. The Pool returns a portion of contributions to members if claims and needed reserves are less than contributions received.

The City maintains an established risk management program for workers' compensation. Interfund premiums are based upon the insured funds' payroll and workers' compensation code rates and recorded as quasi-external interfund transactions in the Proprietary Fund statements. Net position of the workers' compensation risk management internal service fund as of September 30, 2022 was \$403,356.

B. Contingent Liabilities

The City participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Audits for some of these federal programs for the year ended September 30, 2022 and for several prior years have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The City has not accrued revenue for potential disallowed expenditures related to certain disaster recovery grants. The amount, if any, of expenditures for other grants which may be disallowed by the grantor agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

C. Deferred Compensation Plans

The City offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all City employees, permit them to defer a portion of their salary until future years. Participation in either plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The City's involvement in administering the plan is limited to remitting the amounts collected from employees to the plan administrator. The government is not considered to be holding the assets of the plan nor does it direct the use, exchange or employment of the assets in the plans, therefore the deferred compensation plans are not presented in this report.

D. Retirement

The aggregate amount for all pension plans as of September 30, 2022 are as follows:

	<i>TMRS</i>	<i>TESRS</i>	<i>Total</i>
<i>Net Pension Liability</i>	\$ 9,400,975	\$ 104,356	\$ 9,505,331
<i>Deferred Outflows of Resources</i>	\$ (2,358,410)	\$ (39,060)	\$ (2,397,470)
<i>Deferred Inflows of Resources</i>	\$ 3,927,571	\$ 101,991	\$ 4,029,562
<i>Current Year Pension Expense</i>	\$ 297,126	\$ (53,688)	\$ 243,438

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

IV. OTHER INFORMATION (Continued)

1. Texas Municipal Retirement System

Plan Description

The City of Brenham participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at www.tmr.com.

All eligible employees of the city are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

The plan provisions for the City of Brenham are adopted by the governing body, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<i>Plan Year 2021</i>	<i>Plan Year 2022</i>
<i>Employee Deposit Rate</i>	5%	5%
<i>Matching Ratio (City to Employee)</i>	2 to 1	2 to 1
<i>Years Required for Vesting</i>	5	5
<i>Service Retirement Eligibility (Expressed as Age/Years of Service)</i>	60/5, 0/20	60/5, 0/20
<i>Updated Service Credit</i>	100%, Transfers	100%, Transfers
<i>Annuity Increase (To Retirees)</i>	70% of CPI	70% of CPI

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

IV. OTHER INFORMATION (Continued)

Employees covered by benefit terms.

At the December 31 actuarial valuation and measurement date, the following employees were covered by the benefit terms:

<u>Membership</u>	2021
Inactive employees or beneficiaries currently receiving benefits	155
Inactive employees entitled to but not yet receiving benefits	160
Active employees	198
Total	513

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the Member's total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees of the City of Brenham were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Brenham were 10.38% and 16.64% in 2021 and 2022, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2022 were \$1,976,365 and were equal to the required contribution.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

IV. OTHER INFORMATION (Continued)

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	100.00%	

City of Brenham, Texas
Notes to Basic Financial Statements
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IV. OTHER INFORMATION (Continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

The following table presents the changes in net pension liability for the current period.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2020	\$ 60,803,792	\$ 49,453,609	\$ 11,350,183
Changes for the year:			
Service Cost	1,435,398	-	1,435,398
Interest	4,064,047	-	4,064,047
Change of benefit terms	-	-	-
Difference between expected and actual experience	879,145	-	879,145
Changes of assumptions	-	-	-
Contributions - employer	-	1,294,475	(1,294,475)
Contributions - employee	-	623,544	(623,544)
Net investment income	-	6,439,405	(6,439,405)
Benefit payments, including refunds of employee contributions	(2,626,787)	(2,626,787)	-
Administrative expense	-	(29,830)	29,830
Other changes	-	204	(204)
Net changes	3,751,803	5,701,011	(1,949,208)
Balance at 12/31/2021	\$ 64,555,595	\$ 55,154,620	\$ 9,400,975

Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the Net Pension Liability (NPL) of the City of Brenham, calculated using the discount rate of 6.75%, as well as what the City's NPL would be if it were calculated using a discount that is 1-percentage-point lower (5.75%) or 1-percentage-point-higher (7.75%) than the current rate.

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$18,503,302	\$9,400,975	\$1,938,924

City of Brenham, Texas
Notes to Basic Financial Statements
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IV. OTHER INFORMATION (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

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

For the year ended September 30, 2022, the City of Brenham recognized pension expense of \$297,126, and the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 672,301	\$ 621,022
Differences in assumption changes	73,707	-
Differences between projected and actual investment earnings	-	3,306,549
Contributions subsequent to the measurement date	1,612,402	-
Total	\$ 2,358,410	\$ 3,927,571

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling \$1,612,402 will be recognized as a reduction of the net pension liability for the year ending September 30, 2023.

Amounts reported as deferred outflows and inflows of resources, by year, to be recognized in future pension expense are shown below:

Measurement Year	Pension Expense
2022	\$ (610,206)
2023	(1,437,978)
2024	(513,124)
2025	(620,255)
2026	-
Thereafter	-
Total	<u><u>\$ (3,181,563)</u></u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

IV. OTHER INFORMATION (Continued)

2. Texas Emergency Services Retirement System

Plan Description

The City participates in a cost-sharing multiple employer pension plan that has a special funding situation. The plan is administered by the Texas Emergency Services Retirement System (TESRS) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2021, there were 239 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

On August 31, 2021, the pension system membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	3,843
Terminated Members Entitled to Benefits but Not Yet Receiving Them	1,706
Active Participants (Vested and Non-vested)	3,571

Pension Plan Fiduciary Net Position

Detailed information about the TESRS's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and required supplementary information, which can be obtained at www.tesrs.org. The separately issued actuarial valuations which may be of interest are also available at the same link.

Benefits Provided

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas and eligibility requirements by Board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

City of Brenham, Texas
Notes to Basic Financial Statements
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IV. OTHER INFORMATION (Continued)

Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

The State is required to contribute an amount necessary to make the System “actuarially sound” each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The Board rule defining contributions was amended in 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the State are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the August 31, 2020 actuarial valuation, the Part Two contributions are not required for an adequate contribution arrangement.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to 15 years of credit for service per member. Prior service must have occurred before the department began participation in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2021, total contributions (dues, prior service, and interest on prior service financing) of \$46,760 were paid by the City. The State appropriated \$1,329,224 for the fiscal year ending August 31, 2021 to the plan as a whole.

City of Brenham, Texas
Notes to Basic Financial Statements
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V. OTHER INFORMATION (Continued)

Net Pension Liability

The System's net pension liability was measured as of August 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2020 and rolled forward to August 31, 2021.

Total pension liability	\$ 155,683,765
Plan fiduciary net position	144,969,613
System's net pension liability	\$ 10,714,152
Plan fiduciary net position as a percentage of the total pension liability	93.10%

Actuarial Assumptions

The total pension liability in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	8/31/2020
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar, Open
Amortization Period	30 years
Asset Valuation Method	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value

Actuarial Assumptions:	
Investment Rate of Return*	7.50%
Projected Salary Increase	N/A
*Includes Inflation At	3.00%
Cost of Living Adjustments	None

Mortality rates were based on the PubS-2010 (public safety) below-median income mortality tables for employees and for retirees, projected for mortality improvement generationally using projection scale MP-2019. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 4.6%) and by adding expected inflation (3.0%). In addition, the final 7.5% assumption was selected by rounding down. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

IV. OTHER INFORMATION (Continued)

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities		
Large Cap Domestic	20.00%	5.83%
Small/Mid Cap Domestic	10.00%	5.94%
Developed International	15.00%	6.15%
Emerging Markets	5.00%	7.25%
Global infrastructure	5.00%	6.41%
Real Estate	10.00%	4.48%
Multi asset income	5.00%	3.84%
Fixed Income	30.00%	1.99%
Cash	0.00%	0.00%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. No projection of cash flows was used to determine the discount rate because the August 31, 2020 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the level dollar amortization method. Because of the 30-year amortization period with the amortization method, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.5%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the net pension liability	\$341,073	\$104,356	\$ (53,668)

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

IV. OTHER INFORMATION (Continued)

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

At August 31, 2022, the City reported a liability of \$104,356 for its proportionate share of the plan's net pension liability. This liability reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the collective net pension liability	\$ 104,356
State's proportionate share that is associated with the City*	<u>28,883</u>
Total	<u>\$ 133,239</u>

**Calculated using the City's proportionate share of contributions multiplied by the State's share of the collective net pension liability.*

The net pension liability was measured as of August 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2020 and rolled forward to August 31, 2021. GASB Statement No. 68 requires the net pension liability to be measured as of a date no earlier than the end of the employer's prior fiscal year. TESRS did not roll forward the net pension liability nor did they provide the necessary information for the participants to roll forward themselves. While the City acknowledges that the measurement date does not fall within this 12-month period, the City elected to honor the conservatism principle and report a net pension liability measured as of August 31, 2021. The City used the assumption that any differences in the net pension liability measured as of August 31, 2021 versus September 30, 2021 would be immaterial. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2020 through August 31, 2021.

At August 31, 2021 the employer's proportion of the collective net pension liability was 0.974%.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended September 30, 2022 the City recognized pension expense of (\$53,688). The City recognized on-behalf revenues of \$17,945 calculated by taking the State's total contributions to TESRS multiplied by the City's proportionate share.

City of Brenham, Texas
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IV. OTHER INFORMATION (Continued)

At August 31, 2021, the City reported its proportionate share of the TERSRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ -	\$ 97,720
Differences due to changes in actuarial assumptions	-	143
Differences in expected and actual experience	-	4,128
Contributions paid to TERSRS subsequent to the measurement data	39,060	-
Total	\$ 39,060	\$ 101,991

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling \$39,060 will be recognized as a reduction of the net liability for the year ending September 30, 2023.

The net amounts of the employer's balances of deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year	Pension Expense
2022	\$ (27,565)
2023	(16,976)
2024	(32,032)
2025	(25,418)
Total	<u><u>\$(101,991)</u></u>

E. Other Post-Employment Benefits

Plan Description. The City of Brenham provides post-employment medical benefits (OPEB) to eligible City employees and their eligible dependents and retirees and their eligible dependents. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The single-employer defined benefit plan provides medical and prescription benefit coverage.

Benefits Provided. Retirees and covered spouses whose sum of age and years of service was equal to or greater than 75 at the time of retirement may purchase group health insurance until they or their spouse reach Medicare eligibility. Medical coverage levels for retirees are the same coverage provided to active City employees in accordance with the terms and conditions of the current City Benefit Plan. The retiree pays the established monthly premium for group health care coverage less the City supplement of \$100 for retiree only and \$200 for retiree and spouse. The contribution requirements of plan members are established by the City and may be amended as needed.

City of Brenham, Texas
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IV. OTHER INFORMATION (Continued)

Employees covered by benefit terms. At October 1, 2020, the effective date of the most recent OPEB valuation, the following employees were covered by the benefit terms:

Inactive employees or spouses currently receiving benefit payments	10
Inactive employees entitled to but not yet receiving benefit payments	0
Active plan members	191
	201

Total OPEB Liability. The City's total OPEB liability of \$2,630,262 was measured as of September 30, 2022 and was determined by an actuarial valuation as of October 1, 2020.

Actuarial Assumptions. The total OPEB in the October 1, 2020 actuarial valuation was determined using the following actuarial assumptions as of the September 30, 2022 measurement date:

Discount rate	4.02%
Actuarial cost method	Entry Age Normal
Inflation	2.20%
Salary increases including inflation	2.75%
Healthcare cost trend rate	Initial rate of 5.80% decreasing to 4.40% after 7 years then increasing to 4.60% after 24 years then declining to an ultimate rate of 3.790% after 52 years

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on the Pub GH-2010 projected forward with MP-2021.

The plan has not had a formal actuarial experience study performed.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 9/30/2021	\$ 2,972,802
Changes for the year:	
Service Cost	116,390
Interest on total OPEB liability	69,696
Effect of plan changes	-
Effect of economic/demographic gains or losses	-
Effect of assumptions, changes or inputs	(518,026)
Benefit payments	(10,600)
Net changes	(342,540)
Balance at 9/30/2022	\$ 2,630,262

City of Brenham, Texas
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IV. OTHER INFORMATION (Continued)

Sensitivity of the total OPEB liability to changes in the discount rate.

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.02%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.02%) or 1 percentage point higher (5.02%) than the current rate.

	1% Decrease in Discount Rate (3.02%)	Discount Rate (4.02%)	1% Increase in Discount Rate (5.02%)
Total OPEB Liability	\$2,909,626	\$2,630,262	\$2,386,972

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.

The following presents the total OPEB liability of the City, calculated using the current healthcare cost trend rates as well as what the City's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$2,305,661	\$2,630,262	\$3,023,490

Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2022, the City recognized OPEB expense of \$262,544. At September 30, 2022, the City reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 780,265	\$ -
Changes of assumptions	172,974	598,243
Total	\$ 953,239	\$ 598,243

Amounts reported as deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year ended September 30:		
2023	\$	87,058
2024		87,058
2025		94,819
2026		81,857
2027		57,818
Thereafter		(53,614)
Total	\$	<u>354,996</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

IV. OTHER INFORMATION (Continued)

F. Special Items

In FY22, the City was notified by FEMA that a previously approved project funded under FEMA's public assistance program had been denied. The City had the ability to appeal the denial of public assistance and is currently engaged in the appeal process. During the pendency of the appeal, the City was required to return to FEMA the \$883,575 previously received from FEMA in connection with this project. As a result, a special item of \$883,575 has been reported in the accompanying financial statements of the Water Fund.

G. Tax Increment Reinvestment Zones

Chapter 311 of the Texas Tax Code allows for the creation of Tax Increment Reinvestment Zones ("TIRZ"). TIRZ are statutory tools available to municipalities in Texas to promote development or redevelopment in an area that would not occur in the foreseeable future solely through private investment.

When a TIRZ is formed, a base value for the property located within the TIRZ is established. At the date of creation, the appraised value is normally accepted as the base value. As the property within the TIRZ develops, property taxes are collected based upon appreciated appraised values at the established rate. The amount of taxes attributable to the increase in the appraised value is remitted to the Tax Increment Financing Fund to be used to fund the approved project plan. Project plans normally include the creation of infrastructure and other public improvements within the respective zone. A TIRZ may be terminated either on the date designated in the ordinance creating the zone, or the date on which all project costs, tax increment debt, and associated interest have been paid.

As of September 30, 2022, the City has created one Tax Increment Financing Zone:

Tax Increment Reinvestment Zone #1: In December 2018, the City approved an ordinance creating a TIRZ known as "Tax Increment Reinvestment Zone Number One, City of Brenham, Texas" ("Zone One"). Zone One encompasses approximately 2,201 acres of land generally located along U.S. Highway 290, South Market Street, and West Main Street corridors within the city limits. In December 2019, the City approved an ordinance amending the boundaries of the zone to include an additional 199 acres bringing total acreage of Zone One to 2,400 acres. As of September 30, 2022, the City has not begun funding projects within Zone One. The City contributes all of its incremental tax revenues to Zone One.

The following schedule is a history of relevant data with regard to this TIRZ:

Fiscal Year	Net Taxable Value	Base Value*	Captured Value	TIRZ Incremental Tax Revenue
2020	\$276,611,822	\$ 259,152,894	\$ 17,458,928	\$ 44,869
2021	381,072,654	336,011,374	45,061,280	115,808
2022	423,168,735	336,011,374	87,157,361	223,994

* 2021 Base Value adjusted to include additional acres added with December 2019 TIRZ boundary amendment.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

IV. OTHER INFORMATION (Continued)

H. Tax Abatements

The City of Brenham negotiates property tax abatement agreements on an individual basis. Each agreement was negotiated under The Texas Property Redevelopment and Tax Abatement Act, Chapter 312, Tax Code, V.A.T.S. as amended, allowing localities to abate property taxes for economic development purposes, which include business relocation, retention and expansion. Property must be located within a reinvestment zone to be eligible for a tax abatement, and agreements are limited to ten (10) years in length.

The City has established guidelines and criteria for tax abatements and has adopted formal incentive schedules for calculating the level of abatement depending on the combination of property value created and job creation/retention. These schedules also include property value created in the downtown district.

The recipients commit to adding new value to the tax rolls of eligible property within established minimums and maximums and commit to new and or retained full-time employees with a minimum salary and benefits level.

Each tax phase-in incentive project is monitored annually for compliance. If a recipient does not fulfill the requirements, the City has an abatement recapture clause and if such default is not cured within thirty (30) days, the agreement shall be terminated. Taxes otherwise abated for the calendar year of default, shall be paid to the City within sixty (60) days from the date of termination.

For fiscal year 2022, the City abated property taxes of \$127,228, or 1.60%, of the \$7,973,384 total levy.

I. Economic Development Agreements

In FY19, the City entered into a Chapter 380 Economic Development Agreement with a developer. Upon the construction of a commercial and retail shopping center, the City agrees to reimburse the developer for certain infrastructure costs and pay a percentage of 1 cent sales taxes collected from within the development property to the developer. The percentage share for years 1 through 5 is 90% and may be reduced to 80% and then 70% over the term of the agreement. Payments will continue annually until either the maximum reimbursement amount is paid or December 31, 2033, even if the maximum reimbursement amount has not been paid. The maximum reimbursement amount is \$6,000,000. In FY21, the City and developer amended the Chapter 380 Economic Development Agreement to include requirements for the developer to purchase certain building materials locally and requirements for contractors to utilize separate building materials and labor contracts. The amendment also included additional reimbursement for the developer, not to exceed \$1,000,000, if certain building materials and decorative elements are included in the shopping center and the agreement termination date was extended to December 31, 2034. Lastly, the developer committed additional funds for the installation of underground electric lines. As of September 30, 2022, the City has reimbursed the developer \$520,000 for the costs related to road improvements and primary building materials.

In FY22, the City and Brenham Community Development Corporation entered into a Chapter 380 Economic Development Agreement with a developer to provide a one-time cash incentive totaling \$200,000 (\$150,000 by BCDC and \$50,000 by City) upon completion of the project and the receipt of the Certificate of Occupancy by the developer. As of September 30, 2022, no payments have been made related to this agreement.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2022

IV. OTHER INFORMATION (Continued)

J. Subsequent Events

On October 13, 2022, the City Council approved a Chapter 380 Economic Development Agreement with a developer of a 51-acre mixed use property to reimburse actual costs related to qualified public infrastructure constructed by the developer. The estimated total reimbursement of \$7.26 million will be made in annual payments over a 20-year period beginning in 2024 and will come exclusively from tax increment generated by the developer within Tax Increment Reinvestment Zone #1.

On October 13, 2022, the City Council awarded a bid in the amount of \$2,193,505 for improvements to South Chappell Hill Street and Martin Luther King Jr. Parkway.

On October 13, 2022, the City Council approved professional services agreements in the amounts not to exceed \$177,000 and \$391,000 for engineering services related to various water and wastewater projects, respectively, to be funded through the American Rescue Plan Act (ARPA).

On November 3, 2022, the City Council approved the acceptance of public infrastructure improvements in the Townhome Phase of the Vintage Farms subdivision at a value of \$585,465 and in Phase 4 of the Vintage Farms subdivision at a value of \$899,528.

On November 17, 2022, the City Council authorized the City Manager to negotiate and execute the settlement of the City of Brenham v. WTG Gas Marketing, Inc; Cause No. 37573; 335th Judicial District Court, Washington County, Texas. On February 3, 2022 a settlement payment of \$100,000 was paid to WTG Gas Marketing, Inc. This payment has been accrued to FY22.

On February 2, 2023, the City Council approved the acceptance of public infrastructure improvements in Phase 5 of the Vintage Farms subdivision at a value of \$1,765,876.

On February 16, 2023, the City Council approved the purchase of a Chipper Truck for the Electric department in the amount of \$121,305 and at the same meeting, approved a financing proposal with a local bank in the amount of \$121,305 for a five-year note and an interest rate of 4.95% related to the purchase.

On February 16, 2023, the City Council awarded bids in the amounts of \$1,130,000 and \$924,932 for 2023 sanitary sewer system improvements.

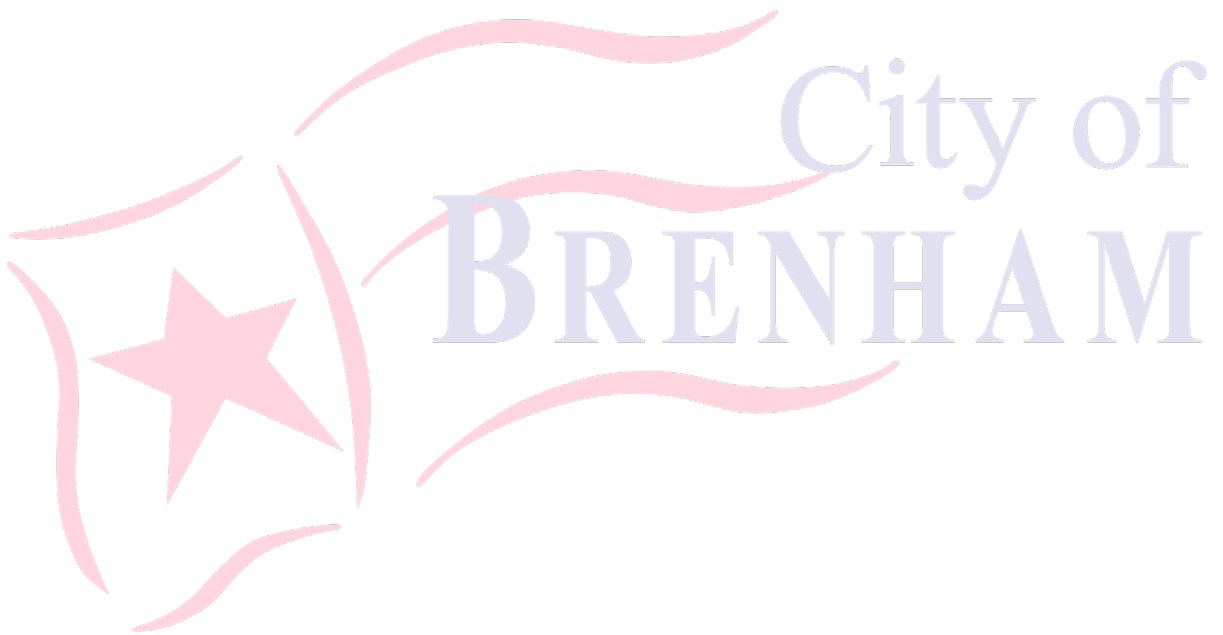
On March 2, 2023, the City Council approved the purchase of a Camera Trailer for the Wastewater department in the amount of \$181,808 and at the same meeting, approved a financing proposal with a local bank in the amount of \$181,808 for a five-year note and an interest rate of 4.95% related to the purchase.

K. New Pronouncements

The City will implement the following new financial accounting and reporting standards issued by GASB:

- Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements." The requirements of this statement are effective for FY23.
- Statement No. 96, "Subscription-Based Information Technology Arrangements." The requirements for this statement are effective for FY23.
- Statement No. 99, "Omnibus 2022." The requirements for this statement are effective for FY23.
- Statement No. 100, "Accounting Changes and Error Corrections." The requirements for this statement are effective for FY24.
- Statement No. 101, "Compensated Absences." The requirements for this statement are effective for FY25.

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REQUIRED SUPPLEMENTARY
INFORMATION

City of Brenham, Texas
Required Supplementary Information
September 30, 2022

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total OPEB Liability					
Service Cost	\$ 81,913	\$ 72,565	\$ 80,218	\$ 138,863	\$ 116,390
Interest on total OPEB liability	53,194	60,179	46,875	44,136	69,696
Effect of economic/demographic gains or losses	-	(47,313)	-	1,105,573	-
Effect of assumptions, changes or inputs	(95,711)	271,845	82,095	(165,473)	(518,026)
Benefit payments	(67,223)	(35,993)	(48,780)	(16,929)	(10,600)
Net Change in Total OPEB Liability	(27,827)	321,283	160,408	1,106,170	(342,540)
Total OPEB Liability - Beginning	<u>1,412,768</u>	<u>1,384,941</u>	<u>1,706,224</u>	<u>1,866,632</u>	<u>2,972,802</u>
Total OPEB Liability - Ending	<u>\$ 1,384,941</u>	<u>\$ 1,706,224</u>	<u>\$ 1,866,632</u>	<u>\$ 2,972,802</u>	<u>\$ 2,630,262</u>
Covered employee payroll	10,974,567	11,151,153	11,489,506	12,324,263	13,196,310
Total OPEB liability as a percentage of covered-employee payroll	12.62%	15.30%	16.25%	24.12%	19.93%

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

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**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)**

Last 10 Years (will ultimately be displayed)

Measurement Year	2014	2015	2016	2017	2018	2019	2020	2021
Total Pension Liability								
Service Cost	\$ 1,137,682	\$ 1,217,054	\$ 1,221,386	\$ 1,304,264	\$ 1,288,102	\$ 1,306,775	\$ 1,328,395	\$ 1,435,398
Interest (on the Total Pension Liability)	3,168,390	3,311,366	3,339,042	3,472,820	3,647,237	3,764,714	3,957,807	4,064,047
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(488,131)	(335,369)	(353,462)	189,213	(827,317)	81,072	(1,115,213)	879,145
Change of assumptions	-	65,360	-	-	-	243,804	-	-
Benefit payments, including refunds of employee contributions	(1,552,848)	(2,077,364)	(2,119,688)	(2,413,309)	(2,335,218)	(2,418,698)	(2,674,368)	(2,626,787)
Net Change in Total Pension Liability	2,265,093	2,181,047	2,087,278	2,552,988	1,772,804	2,977,667	1,496,621	3,751,803
Total Pension Liability - Beginning	45,470,294	47,735,387	49,916,434	52,003,712	54,556,700	56,329,504	59,307,171	60,803,792
Total Pension Liability - Ending (a)	<u>\$ 47,735,387</u>	<u>\$ 49,916,434</u>	<u>\$ 52,003,712</u>	<u>\$ 54,556,700</u>	<u>\$ 56,329,504</u>	<u>\$ 59,307,171</u>	<u>\$ 60,803,792</u>	<u>\$ 64,555,595</u>
Plan Fiduciary Net Position								
Contributions - Employer	\$ 725,558	\$ 672,655	\$ 633,027	\$ 1,058,129	\$ 1,110,351	\$ 1,134,499	\$ 1,162,343	\$ 1,294,475
Contributions - Employee	519,774	529,614	520,181	551,014	548,595	566,685	584,681	623,544
Net Investment Income	2,076,198	56,134	2,512,798	5,362,117	(1,294,101)	6,368,980	3,552,297	6,439,405
Benefit payments, including refunds of employee contributions	(1,552,848)	(2,077,364)	(2,119,688)	(2,413,309)	(2,335,218)	(2,418,698)	(2,674,368)	(2,626,787)
Administrative Expense	(21,680)	(34,193)	(28,385)	(27,801)	(25,030)	(36,024)	(23,013)	(29,830)
Other	(1,782)	(1,688)	(1,529)	(1,409)	(1,308)	(1,082)	(897)	204
Net Change in Plan Fiduciary Net Position	1,745,220	(854,842)	1,516,404	4,528,741	(1,996,710)	5,614,360	2,601,043	5,701,011
Plan Fiduciary Net Position - Beginning	36,299,393	38,044,613	37,189,771	38,706,175	43,234,916	41,238,206	46,852,566	49,453,609
Plan Fiduciary Net Position - Ending (b)	<u>\$ 38,044,613</u>	<u>\$ 37,189,771</u>	<u>\$ 38,706,175</u>	<u>\$ 43,234,916</u>	<u>\$ 41,238,206</u>	<u>\$ 46,852,566</u>	<u>\$ 49,453,609</u>	<u>\$ 55,154,620</u>
Net Pension Liability - Ending (a) - (b)	\$ 9,690,774	\$ 12,726,663	\$ 13,297,537	\$ 11,321,784	\$ 15,091,298	\$ 12,454,605	\$ 11,350,183	\$ 9,400,975
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	79.70%	74.50%	74.43%	79.25%	73.21%	79.00%	81.33%	85.44%
Covered Payroll	\$ 10,395,487	\$ 10,592,288	\$ 10,403,627	\$ 11,006,445	\$ 10,971,905	\$ 11,333,694	\$ 11,693,615	\$ 12,470,873
Net Position Liability as a Percentage of Covered Payroll	93.22%	120.15%	127.82%	102.87%	137.54%	109.89%	97.06%	75.38%

Notes to Schedule:

N/A

**City of Brenham, Texas
Required Supplementary Information
September 30, 2022**

**SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)**

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially Determined Contribution	\$ 694,276	\$ 726,981	\$ 662,693	\$ 632,376	\$ 946,741	\$ 1,094,254	\$ 1,119,649	\$ 1,144,189	\$ 1,264,476	\$ 1,976,365
Contributions in relation to the actuarially determined contribution	\$ 694,276	\$ 726,981	\$ 662,693	\$ 632,376	\$ 946,741	\$ 1,094,254	\$ 1,119,649	\$ 1,144,189	\$ 1,264,476	\$ 1,976,365
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 9,933,343	\$ 10,158,757	\$ 10,278,949	\$ 10,290,949	\$ 10,879,880	\$ 10,974,567	\$ 11,151,153	\$ 11,489,506	\$ 12,324,263	\$ 13,196,210
Contributions as a percentage of covered payroll	6.99%	7.16%	6.45%	6.14%	8.70%	9.97%	10.04%	9.96%	10.26%	14.98%

Notes to Schedule of Contributions

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Entry Age Normal
 Amortization Method Level Percentage of Payroll, Closed
 Remaining Amortization Period 23 Years
 Asset Valuation Method 10 Year smoothed market; 12% soft corridor
 Inflation 2.50%
 Salary Increases 3.50 to 11.50%, including inflation
 Investment Rate of Return 6.75%
 Retirement Age Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
 Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
 Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes 1) Adopted 70% repeating COLA.

City of Brenham, Texas
Required Supplementary Information
September 30, 2022

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)
 Last 10 Years (will ultimately be displayed)

Measurement Year	2015	2016	2017	2018	2019	2020	2021	2022
City's proportion of the net pension liability	1.1990%	1.1290%	1.2100%	1.0970%	1.2460%	1.1860%	1.2340%	0.9740%
City's proportionate share of the net pension liability	\$ 217,878	\$ 301,359	\$ 352,450	\$ 263,298	\$ 269,765	\$ 336,178	\$ 311,102	\$ 104,356
State's proportionate share of the net pension liability	73,625	104,460	121,846	86,225	74,871	99,721	88,686	28,883
Total	\$ 291,503	\$ 405,819	\$ 474,296	\$ 349,523	\$ 344,636	\$ 435,899	\$ 399,788	\$ 133,239
Number of Active Members*	32	32	32	35	31	33	26	23
City's Net Pension Liability per Active Member	\$ 6,809	\$ 9,417	\$ 11,014	\$ 7,523	\$ 8,702	\$ 10,187	\$ 11,965	\$ 4,537
Plan fiduciary net position as a percentage of the total pension liability	83.50%	76.90%	76.30%	81.40%	84.26%	80.20%	83.20%	93.10%

*There is no compensation for active members. Number of active members is used instead.

Notes to Schedule:

Changes in benefit terms - There were no changes in benefit terms that affected the measurement of the total pension liability during the measurement period.

Changes in assumptions - There were no changes of assumptions or other inputs that affected the measurement of the total pension liability during the measurement period.

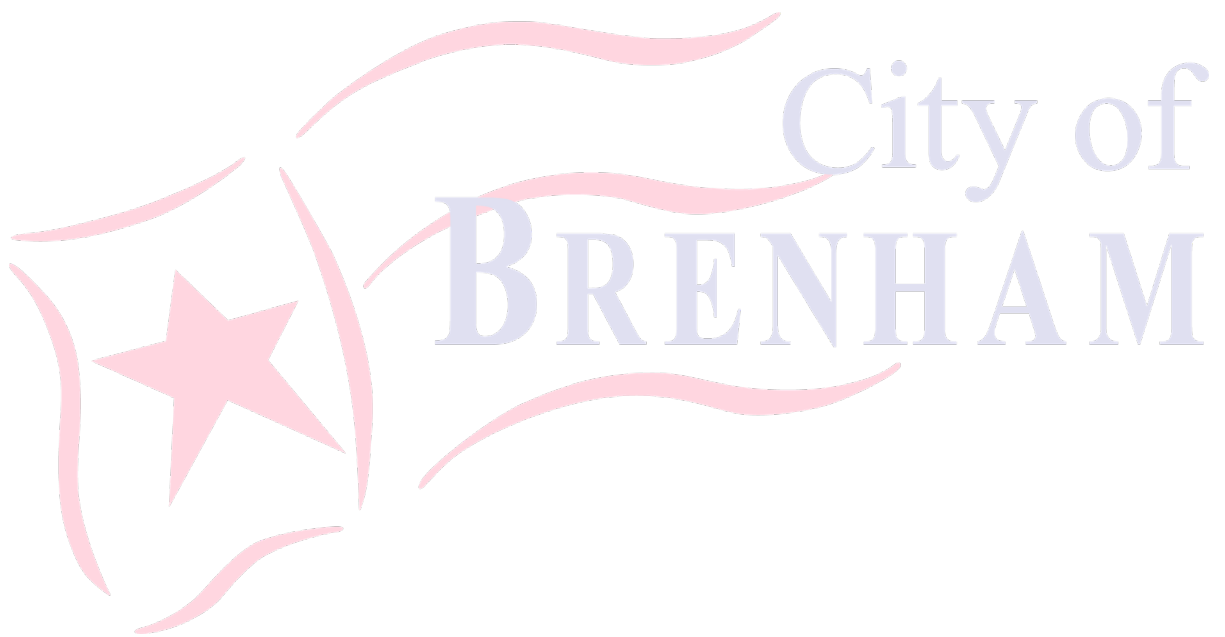
**City of Brenham, Texas
Required Supplementary Information
September 30, 2022**

**SCHEDULE OF CONTRIBUTIONS
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)
Last 10 Years (will ultimately be displayed)**

Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required contribution	\$ 54,320	\$ 53,340	\$ 55,440	\$ 53,060	\$ 59,690	\$ 53,150	\$ 57,619	\$ 46,760	\$ 39,060
Contributions in relation to the contractually required contribution	54,320	53,340	55,440	53,060	59,690	53,150	57,619	46,760	39,060
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Members *	32	32	32	32	35	31	33	26	23
Contributions per Active Member	\$ 1,698	\$ 1,667	\$ 1,733	\$ 1,658	\$ 1,705	\$ 1,715	\$ 1,746	\$ 1,798	\$ 1,698

Notes to Schedule of Contributions:

* There is no compensation for active members. Number of active members is used instead.



CITY OF BRENHAM, TEXAS

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes.

Hotel/Motel Tax Fund

This fund is used to account for a 7% occupancy tax assessed on hotel and motel occupants, in the City of Brenham, that is restricted to various functions and organizations that develop and promote tourism.

PD Criminal Law Enforcement Fund

This fund is used to account for revenues specifically restricted for police department criminal law enforcement.

Courts Technology/Security Fund

This fund is used to account for revenues restricted for providing security services, technology, and staffing for the Municipal Court.

Brenham Community Projects Fund, Inc.

This fund is used to account for the receipt and disbursement of donations and grants received by the Brenham Community Projects Fund, Inc., an IRS designated 501(c)(3) public charity. This fund is reported as a blended component unit of the City.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources used for the acquisition and construction of capital facilities other than those financed by proprietary funds and trust funds.

Airport Capital Improvement Fund

This fund is used to account for grant proceeds used for the airport runway improvements and repair project.

2017 Capital Projects Fund

This fund is used to account for proceeds and expenditures for the approved 2017 Bond projects.

General Government Capital Projects Fund

This fund is used for proceeds and expenditures for approved general government Bond projects.

Parks Capital Improvements Fund

This fund is used to account for proceeds and expenditures related to park improvements.

Streets and Drainage Improvements Fund

This fund is used to account for bond proceeds and capital expenditures for street improvement and reconstruction projects.

Tax Increment Reinvestment Zone (TIRZ) #1 Fund

This fund is used to account for revenues derived from captured assessed valuation in the Tax Increment Reinvestment Zone #1 and expenses related to public improvements in the Zone.

CITY OF BRENHAM, TEXAS

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Workers' Compensation Fund

This fund is used to account for a zero deductible plan for workers' compensation provided to other funds of the City on a cost reimbursement basis.

Central Fleet Fund

This fund is used to account for the rental income and related expenses for vehicles and equipment provided to other funds of the City on a cost reimbursement basis.

Vehicle Equipment Replacement Fund (VERF)

This fund is used to account for the purchase of general government replacement vehicles and equipment, including those financed, and the prefunding of future replacement vehicles and equipment.

Debt Service Fund

This fund is used to account for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the City, other than debt service payments made by enterprise funds. Ad valorem taxes and interest earned on the investments of the Debt Service funds are used for the payment of principal, interest, and commissions to fiscal agents on the City's general obligation bonds, which are reflected in the government-wide financial statements.

City of Brenham
Combining Balance Sheet
Other Governmental Funds
September 30, 2022

	Special Revenue Funds	Nonmajor Capital Projects Funds	Total Other Governmental Funds
Assets			
Cash and Equivalents	\$ 74,747	\$ 253,959	\$ 328,706
Receivables (Net)			
Occupancy Tax	90,381	-	90,381
Other Current Assets	-	-	-
Restricted Cash	554,798	4,661,391	5,216,189
Total Assets	\$ 719,926	\$ 4,915,350	\$ 5,635,276
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable & Other Current Liabilities	\$ 534	\$ 34,801	\$ 35,335
Due to Other Governments	2,655	-	2,655
Total Liabilities	3,189	34,801	37,990
Fund Balances:			
Restricted	716,737	4,628,117	5,344,854
Committed	-	229,020	229,020
Assigned	-	23,412	23,412
Total Fund Balances	716,737	4,880,549	5,597,286
Total Liabilities and Fund Balances	\$ 719,926	\$ 4,915,350	\$ 5,635,276

City of Brenham
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds
For the Year Ended September 30, 2022

	Special Revenue Funds	Nonmajor Capital Projects Funds	Total Other Governmental Funds
Revenues			
Taxes	\$ 852,593	\$ 223,057	\$ 1,075,650
Intergovernmental	-	186,301	186,301
Charges for Services	41,033	-	41,033
Investment Income	5,585	35,194	40,779
Payment from Component Unit	-	706,876	706,876
Contributions and Donations	8,000	5,913	13,913
Program Revenue/Restitution	22,710	-	22,710
Miscellaneous	-	16,500	16,500
Total revenues	929,921	1,173,841	2,103,762
Expenditures			
Current:			
Culture and Recreation	14,984	300,627	315,611
General Government	23,034	-	23,034
Highways and Streets	-	167,045	167,045
Public Safety	1,320	-	1,320
Capital Outlay	-	2,210,220	2,210,220
Debt Service:			
Issuance Costs	-	103,001	103,001
Total expenditures	39,338	2,780,893	2,820,231
Excess (Deficiency) of Revenues Over (Under) Expenditures	890,583	(1,607,052)	(716,469)
Other Financing Sources (Uses)			
Transfers Out	(846,607)	-	(846,607)
Issuance of Bonds	-	4,200,000	4,200,000
Premium on Bonds Issued	-	163,001	163,001
Total other financing sources and (uses)	(846,607)	4,363,001	3,516,394
Net change in Fund Balances	43,976	2,755,949	2,799,925
Fund balances - beginning	672,761	2,124,600	2,797,361
Fund balances - ending	\$ 716,737	\$ 4,880,549	\$ 5,597,286

City of Brenham
Combining Balance Sheet
Other Governmental Funds - Special Revenue Funds
September 30, 2022

	<u>Hotel/Motel Tax Fund</u>	<u>PD Crim. Law Enforcement Fund</u>	<u>Courts Tech./Security Fund</u>	<u>Brenham Community Projects Fund, Inc.</u>	<u>Total Special Revenue Funds</u>
Assets					
Cash and Equivalents	\$ -	\$ -	\$ 74,747	\$ -	\$ 74,747
Receivables (Net)					
Occupancy Tax	90,381	-	-	-	90,381
Restricted Cash	488,383	65,420	-	995	554,798
Total Assets	<u>\$ 578,764</u>	<u>\$ 65,420</u>	<u>\$ 74,747</u>	<u>\$ 995</u>	<u>\$ 719,926</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable & Other Current Liabilities	\$ 39	\$ -	\$ 495	\$ -	\$ 534
Due to Other Governments	-	2,655	-	-	2,655
Total Liabilities	<u>39</u>	<u>2,655</u>	<u>495</u>	<u>-</u>	<u>3,189</u>
Fund Balances:					
Restricted	578,725	62,765	74,252	995	716,737
Total Fund Balances	<u>578,725</u>	<u>62,765</u>	<u>74,252</u>	<u>995</u>	<u>716,737</u>
Total Liabilities and Fund Balances	<u>\$ 578,764</u>	<u>\$ 65,420</u>	<u>\$ 74,747</u>	<u>\$ 995</u>	<u>\$ 719,926</u>

City of Brenham
Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds - Special Revenue Funds
For the Year Ended September 30, 2022

	Hotel/Motel Tax Fund	PD Crim. Law Enforcement Fund	Courts Tech./Security Fund	Brenham Community Projects Fund, Inc.	Total Special Revenue Funds
Revenues					
Taxes	\$ 852,593	\$ -	\$ -	\$ -	\$ 852,593
Charges for Services	-	-	41,033	-	41,033
Investment Income	4,511	429	642	3	5,585
Contributions and Donations	-	-	-	8,000	8,000
Program Revenue/Restitution	-	22,710	-	-	22,710
Total revenues	<u>857,104</u>	<u>23,139</u>	<u>41,675</u>	<u>8,003</u>	<u>929,921</u>
Expenditures					
Current:					
Culture and Recreation	14,984	-	-	-	14,984
General Government	-	-	23,034	-	23,034
Public Safety	-	1,320	-	-	1,320
Total expenditures	<u>14,984</u>	<u>1,320</u>	<u>23,034</u>	<u>-</u>	<u>39,338</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>842,120</u>	<u>21,819</u>	<u>18,641</u>	<u>8,003</u>	<u>890,583</u>
Other Financing Sources (Uses)					
Transfers Out	(824,000)	-	(14,607)	(8,000)	(846,607)
Total other financing sources and (uses)	<u>(824,000)</u>	<u>-</u>	<u>(14,607)</u>	<u>(8,000)</u>	<u>(846,607)</u>
Net change in Fund Balances	18,120	21,819	4,034	3	43,976
Fund balances - beginning	<u>560,605</u>	<u>40,946</u>	<u>70,218</u>	<u>992</u>	<u>672,761</u>
Fund balances - ending	<u>\$ 578,725</u>	<u>\$ 62,765</u>	<u>\$ 74,252</u>	<u>\$ 995</u>	<u>\$ 716,737</u>

City of Brenham
Combining Balance Sheet
Other Governmental Funds - Nonmajor Capital Projects Funds
September 30, 2022

	Airport Capital Impr. Fund	2017 Capital Projects Fund	General Govt. Capital Projects Fund	Parks Capital Improvements Fund	Streets & Drainage Improvements Fund	TIRZ Reinvestment Zone #1 Fund	Total Nonmajor Capital Projects Funds
Assets							
Cash and Cash Equivalents	\$ 153	\$ -	\$ -	\$ 253,806	\$ -	\$ -	\$ 253,959
Interfund Receivable	-	-	-	31,223	-	-	31,223
Restricted Cash	-	499,281	1,544,119	-	2,230,230	387,761	4,661,391
Total Assets	<u>\$ 153</u>	<u>\$ 499,281</u>	<u>\$ 1,544,119</u>	<u>\$ 285,029</u>	<u>\$ 2,230,230</u>	<u>\$ 387,761</u>	<u>\$ 4,946,573</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts Payable & Other Current Liabilities	\$ -	\$ -	\$ -	\$ 32,750	\$ 2,051	\$ -	\$ 34,801
Interfund Payables	-	-	-	-	31,223	-	31,223
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,750</u>	<u>33,274</u>	<u>-</u>	<u>66,024</u>
Fund Balances:							
Restricted	-	499,281	1,544,119	-	2,196,956	387,761	4,628,117
Committed	153	-	-	228,867	-	-	229,020
Assigned	-	-	-	23,412	-	-	23,412
Total Fund Balances	<u>153</u>	<u>499,281</u>	<u>1,544,119</u>	<u>252,279</u>	<u>2,196,956</u>	<u>387,761</u>	<u>4,880,549</u>
Total Liabilities and Fund Balances	<u>\$ 153</u>	<u>\$ 499,281</u>	<u>\$ 1,544,119</u>	<u>\$ 285,029</u>	<u>\$ 2,230,230</u>	<u>\$ 387,761</u>	<u>\$ 4,946,573</u>

City of Brenham
Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds - Nonmajor Capital Projects Funds
For the Year Ended September 30, 2022

	Airport Capital Impr. Fund	2017 Capital Projects Fund	General Govt. Capital Projects Fund	Parks Capital Improvements Fund	Streets & Drainage Improvements Fund	TIRZ Reinvestment Zone #1 Fund	Total Nonmajor Capital Projects Funds
Revenues							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 223,057	\$ 223,057
Intergovernmental	186,301	-	-	-	-	-	186,301
Investment Income	2	4,205	12,044	-	16,425	2,518	35,194
Payment from Component Unit	-	-	-	706,876	-	-	706,876
Contributions and Donations	-	-	-	5,913	-	-	5,913
Miscellaneous	-	-	-	16,500	-	-	16,500
Total revenues	186,303	4,205	12,044	729,289	16,425	225,575	1,173,841
Expenditures							
Current:							
Highways and Streets	107,730	1,565	-	-	57,750	-	167,045
Culture and Recreation	-	-	-	300,627	-	-	300,627
Capital Outlay	78,571	145,621	507,925	252,474	1,225,629	-	2,210,220
Debt Service:							
Issuance Costs	-	-	103,001	-	-	-	103,001
Total expenditures	186,301	147,186	610,926	553,101	1,283,379	-	2,780,893
Excess (Deficiency) of Revenues							
Over (Under) Expenditures	2	(142,981)	(598,882)	176,188	(1,266,954)	225,575	(1,607,052)
Other Financing Sources (Uses)							
Transfers In	-	-	-	-	2,220,000	-	2,220,000
Transfers Out	-	-	(2,220,000)	-	-	-	(2,220,000)
Issuance of Bonds	-	-	4,200,000	-	-	-	4,200,000
Premium on Bonds Issued	-	-	163,001	-	-	-	163,001
Total other financing sources and (uses)	-	-	2,143,001	-	2,220,000	-	4,363,001
Net change in Fund Balances	2	(142,981)	1,544,119	176,188	953,046	225,575	2,755,949
Fund balances - beginning	151	642,262	-	76,091	1,243,910	162,186	2,124,600
Fund balances - ending	\$ 153	\$ 499,281	\$ 1,544,119	\$ 252,279	\$ 2,196,956	\$ 387,761	\$ 4,880,549

City of Brenham
Internal Service Funds
Combining Statement of Net Position
September 30, 2022

	Workers' Compensation Fund	Central Fleet Fund	Vehicle & Equip. Replacement Fund	Total
Assets				
Current assets:				
Cash and Cash Equivalents	\$ -	\$ 166,428	\$ 534,034	\$ 700,462
Inventory at Cost	-	1,275	-	1,275
Other Current Assets	50	-	-	50
Restricted Cash	403,306	-	-	403,306
Total current assets	403,356	167,703	534,034	1,105,093
Noncurrent assets:				
Capital Assets, Net	-	335,591	1,208,472	1,544,063
Total noncurrent assets	-	335,591	1,208,472	1,544,063
Total Assets	\$ 403,356	\$ 503,294	\$ 1,742,506	\$ 2,649,156
Liabilities and Fund Balances				
Current liabilities:				
Accounts Payable & Other Current Liabilities	\$ -	\$ 305	\$ 972	\$ 1,277
Accrued Interest	-	750	9,836	10,586
Finance Lease Liability, Current	-	29,106	-	29,106
Note Payable, Current	-	-	145,008	145,008
Total current liabilities	-	30,161	155,816	185,977
Noncurrent liabilities:				
Long Term Debt, Net	-	29,789	504,231	534,020
Total noncurrent liabilities	-	29,789	504,231	534,020
Total Liabilities	-	59,950	660,047	719,997
Net Position				
Net Investment in Capital Assets	-	276,696	559,530	836,226
Unrestricted	403,356	166,648	522,929	1,092,933
Total Net Position	\$ 403,356	\$ 443,344	\$ 1,082,459	\$ 1,929,159

City of Brenham, Texas
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year ended September 30, 2022

	Workers' Compensation Fund	Central Fleet Fund	Vehicle & Equip. Replacement Fund	Total
Operating revenues:				
Charges for Services	\$ 186,076	\$ 74,470	\$ 404,144	\$ 664,690
Total operating revenues	<u>186,076</u>	<u>74,470</u>	<u>404,144</u>	<u>664,690</u>
Operating expenses:				
Supplies	-	57	-	57
Maintenance	-	8,798	-	8,798
Contractual Services	101,785	113	-	101,898
Depreciation	-	73,759	193,329	267,088
Miscellaneous	-	7,279	-	7,279
Total operating expenses	<u>101,785</u>	<u>90,006</u>	<u>193,329</u>	<u>385,120</u>
Operating Income (loss)	<u>84,291</u>	<u>(15,536)</u>	<u>210,815</u>	<u>279,570</u>
Nonoperating revenues (expenses):				
Investment Income	2,630	1,250	2,037	5,917
Interest Expense & Fiscal Charges	-	(1,690)	(15,600)	(17,290)
Miscellaneous, Net	-	1,284	-	1,284
Total non-operating revenue (expenses):	<u>2,630</u>	<u>844</u>	<u>(13,563)</u>	<u>(10,089)</u>
Income (loss) before contributions and transfers	86,921	(14,692)	197,252	269,481
Transfers In	-	-	557,206	557,206
Total Transfers In	<u>-</u>	<u>-</u>	<u>557,206</u>	<u>557,206</u>
Change in net position	86,921	(14,692)	754,458	826,687
Total net position - beginning	316,435	458,036	328,001	1,102,472
Total net position - ending	<u>\$ 403,356</u>	<u>\$ 443,344</u>	<u>\$ 1,082,459</u>	<u>\$ 1,929,159</u>

City of Brenham, Texas
Internal Service Funds
Combining Statement of Cash Flows
For the Year ended September 30, 2022

	Workers' Compensation Fund	Central Fleet Fund	Vehicle & Equip. Replacement Fund	Total
Cash Flows from Operating Activities				
Receipts from/(payments for) interfund services provided	\$ 186,076	\$ 75,753	\$ 404,144	\$ 665,973
Payments to suppliers	(101,785)	(16,106)	-	(117,891)
Net cash provided (used) by operating activities	<u>84,291</u>	<u>59,647</u>	<u>404,144</u>	<u>548,082</u>
Cash Flows from Non Capital Financing Activities				
Transfers in (out)	-	-	557,206	557,206
Net cash provided (used) by non capital financing activities	<u>-</u>	<u>-</u>	<u>557,206</u>	<u>557,206</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition and Construction of Capital Assets	-	-	(515,805)	(515,805)
Principal paid on bonds, financing leases and notes payable	-	(28,437)	(270,471)	(298,908)
Interest and fees paid on financing leases and notes payable	-	(2,052)	(13,039)	(15,091)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(30,489)</u>	<u>(799,315)</u>	<u>(829,804)</u>
Cash Flows from Investing Activities				
Investment income received	2,630	1,250	2,037	5,917
Net cash provided (used) by investing activities	<u>2,630</u>	<u>1,250</u>	<u>2,037</u>	<u>5,917</u>
Net increase (decrease) in cash and cash equivalents	86,921	30,408	164,072	281,401
Cash and cash equivalents, beginning of the year	<u>316,385</u>	<u>136,020</u>	<u>369,962</u>	<u>822,367</u>
Cash and cash equivalents, end of the year	<u>\$ 403,306</u>	<u>\$ 166,428</u>	<u>\$ 534,034</u>	<u>\$ 1,103,768</u>
Reconciliation of cash and cash equivalents to statement of net position				
Cash and equivalents	\$ -	\$ 166,428	\$ 534,034	\$ 700,462
Restricted cash and equivalents	403,306	-	-	403,306
Cash and cash equivalents, end of year	<u>\$ 403,306</u>	<u>\$ 166,428</u>	<u>\$ 534,034</u>	<u>\$ 1,103,768</u>
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (loss)	\$ 84,291	\$ (15,536)	\$ 210,815	\$ 279,570
Adjustments to reconcile net cash provided (used) by operating activities				
Depreciation	-	73,759	193,329	267,088
Other income (expense)	-	1,283	-	1,283
Changes in assets and liabilities affecting cash provided by operations:				
(Increase) decrease in inventory	-	374	-	374
Increase (decrease) in accounts payable and other current liabilities	-	(233)	-	(233)
Net cash provided (used) by operating activities	<u>\$ 84,291</u>	<u>\$ 59,647</u>	<u>\$ 404,144</u>	<u>\$ 548,082</u>

City of Brenham
Debt Service
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,313,200	\$ 2,313,200	\$ 2,329,793	\$ 16,593
Investment Income	5,000	5,000	17,168	12,168
Total revenues	<u>2,318,200</u>	<u>2,318,200</u>	<u>2,346,961</u>	<u>28,761</u>
Expenditures				
Debt Service:				
Interest and Fiscal Charges	654,905	654,905	584,900	70,005
Principal Retirement	1,739,653	1,739,653	1,774,653	(35,000)
Total Expenditures	<u>2,394,558</u>	<u>2,394,558</u>	<u>2,359,553</u>	<u>35,005</u>
Net change in fund balance	(76,358)	(76,358)	(12,592)	63,766
Fund balance - beginning	<u>712,019</u>	<u>712,019</u>	<u>712,019</u>	<u>-</u>
Fund balance - ending	<u>\$ 635,661</u>	<u>\$ 635,661</u>	<u>\$ 699,427</u>	<u>\$ 63,766</u>

City of Brenham
Hotel/Motel Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Hotel/Motel Occupancy Tax	\$ 675,000	\$ 675,000	\$ 852,593	\$ 177,593
Investment Income	600	600	4,511	3,911
Total revenues	<u>675,600</u>	<u>675,600</u>	<u>857,104</u>	<u>181,504</u>
Expenditures				
Current:				
Culture and Recreation	6,600	6,600	14,984	(8,384)
Total Expenditures	<u>6,600</u>	<u>6,600</u>	<u>14,984</u>	<u>(8,384)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>669,000</u>	<u>669,000</u>	<u>842,120</u>	<u>173,120</u>
Other Financing Sources (Uses)				
Transfers Out	(824,000)	(824,000)	(824,000)	-
Total other financing sources and (uses)	<u>(824,000)</u>	<u>(824,000)</u>	<u>(824,000)</u>	<u>-</u>
Net change in fund balance	(155,000)	(155,000)	18,120	173,120
Fund balance - beginning	560,605	560,605	560,605	-
Fund balance - ending	<u>\$ 405,605</u>	<u>\$ 405,605</u>	<u>\$ 578,725</u>	<u>\$ 173,120</u>

City of Brenham
PD Criminal Law Enforcement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ 125	\$ 125	\$ 429	\$ 304
Program Income/Restitution	10,000	10,000	22,710	12,710
Total revenues	<u>10,125</u>	<u>10,125</u>	<u>23,139</u>	<u>13,014</u>
Expenditures				
Current:				
Public Safety	1,320	1,320	1,320	-
Capital Outlay	30,000	30,000	-	30,000
Total Expenditures	<u>31,320</u>	<u>31,320</u>	<u>1,320</u>	<u>30,000</u>
Net change in fund balance	(21,195)	(21,195)	21,819	43,014
Fund balance - beginning	40,946	40,946	40,946	-
Fund balance - ending	<u>\$ 19,751</u>	<u>\$ 19,751</u>	<u>\$ 62,765</u>	<u>\$ 43,014</u>

City of Brenham
Courts Technology/Security Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$ 51,600	\$ 51,600	\$ 41,033	\$ (10,567)
Investment Income	200	200	642	442
Total revenues	<u>51,800</u>	<u>51,800</u>	<u>41,675</u>	<u>(10,125)</u>
Expenditures				
Current:				
General Government	36,241	36,241	23,034	13,207
Total Expenditures	<u>36,241</u>	<u>36,241</u>	<u>23,034</u>	<u>13,207</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>15,559</u>	<u>15,559</u>	<u>18,641</u>	<u>3,082</u>
Other Financing Sources (Uses)				
Transfers Out	(18,000)	(18,000)	(14,607)	3,393
Total other financing sources and (uses)	<u>(18,000)</u>	<u>(18,000)</u>	<u>(14,607)</u>	<u>3,393</u>
Net change in fund balance	(2,441)	(2,441)	4,034	6,475
Fund balance - beginning	70,218	70,218	70,218	-
Fund balance - ending	<u>\$ 67,777</u>	<u>\$ 67,777</u>	<u>\$ 74,252</u>	<u>\$ 6,475</u>

City of Brenham
Brenham Community Projects Fund, Inc.
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions and Donations	\$ -	\$ -	\$ 8,000	\$ 8,000
Investment Income	-	-	3	3
Total revenues	<u>-</u>	<u>-</u>	<u>8,003</u>	<u>8,003</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>8,003</u>	<u>8,003</u>
Other Financing Sources (Uses)				
Transfers Out	-	-	(8,000)	(8,000)
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>(8,000)</u>	<u>(8,000)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
Fund balance - beginning	992	992	992	-
Fund balance - ending	<u>\$ 992</u>	<u>\$ 992</u>	<u>\$ 995</u>	<u>\$ 3</u>

City of Brenham
Airport Capital Improvement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 945,000	\$ 945,000	\$ 186,301	\$ (758,699)
Investment Income	-	-	2	2
Total revenues	<u>945,000</u>	<u>945,000</u>	<u>186,303</u>	<u>(758,697)</u>
Expenditures				
Current:				
Highways and Streets	350,000	350,000	107,730	242,270
Capital Outlay	700,000	700,000	78,571	621,429
Total Expenditures	<u>1,050,000</u>	<u>1,050,000</u>	<u>186,301</u>	<u>863,699</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(105,000)</u>	<u>(105,000)</u>	<u>2</u>	<u>105,002</u>
Other Financing Sources (Uses)				
Transfers In	105,000	105,000	-	(105,000)
Total other financing sources and (uses)	<u>105,000</u>	<u>105,000</u>	<u>-</u>	<u>(105,000)</u>
Net change in fund balance	-	-	2	2
Fund balance - beginning	151	151	151	-
Fund balance - ending	<u>\$ 151</u>	<u>\$ 151</u>	<u>\$ 153</u>	<u>\$ 2</u>

City of Brenham
2017 Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ 50	\$ 50	\$ 4,205	\$ 4,155
Total revenues	<u>50</u>	<u>50</u>	<u>4,205</u>	<u>4,155</u>
Expenditures				
Current:				
Highways and Streets	415,296	415,296	1,565	413,731
Capital Outlay	220,305	220,305	145,621	74,684
Total Expenditures	<u>635,601</u>	<u>635,601</u>	<u>147,186</u>	<u>488,415</u>
Net change in fund balance	(635,551)	(635,551)	(142,981)	492,570
Fund balance - beginning	642,262	642,262	642,262	-
Fund balance - ending	<u>\$ 6,711</u>	<u>\$ 6,711</u>	<u>\$ 499,281</u>	<u>\$ 492,570</u>

City of Brenham
General Government Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ 10,000	\$ 10,000	\$ 12,044	\$ 2,044
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>12,044</u>	<u>2,044</u>
Expenditures				
Capital Outlay	1,948,407	1,948,407	507,925	1,440,482
Debt Service:				
Issuance Costs	-	-	103,001	(103,001)
Total Expenditures	<u>1,948,407</u>	<u>1,948,407</u>	<u>610,926</u>	<u>1,337,481</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,938,407)</u>	<u>(1,938,407)</u>	<u>(598,882)</u>	<u>1,339,525</u>
Other Financing Sources (Uses)				
Transfers Out	-	-	(2,220,000)	(2,220,000)
Issuance of Bonds	1,938,407	1,938,407	4,200,000	2,261,593
Premium on Bonds Issued	-	-	163,001	163,001
Total other financing sources and (uses)	<u>1,938,407</u>	<u>1,938,407</u>	<u>2,143,001</u>	<u>204,594</u>
Net change in fund balance	-	-	1,544,119	1,544,119
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,544,119</u>	<u>\$ 1,544,119</u>

City of Brenham
Parks Capital Improvements Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 66,400	\$ 66,400	\$ -	\$ (66,400)
Contributions and Donations	5,000	5,000	5,913	913
Payment from Component Unit	735,696	735,696	706,876	(28,820)
Miscellaneous	18,000	18,000	16,500	(1,500)
Total revenues	<u>825,096</u>	<u>825,096</u>	<u>729,289</u>	<u>(95,807)</u>
Expenditures				
Current:				
Culture and Recreation	299,846	397,888	300,627	97,261
Capital Outlay	551,300	453,258	252,474	200,784
Total Expenditures	<u>851,146</u>	<u>851,146</u>	<u>553,101</u>	<u>298,045</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(26,050)	(26,050)	176,188	202,238
Fund balance - beginning	76,091	76,091	76,091	-
Fund balance - ending	<u>\$ 50,041</u>	<u>\$ 50,041</u>	<u>\$ 252,279</u>	<u>\$ 202,238</u>

City of Brenham
Streets and Drainage Improvements Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ 3,000	\$ 3,000	\$ 16,425	\$ 13,425
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>16,425</u>	<u>13,425</u>
Expenditures				
Current:				
Highways and Streets	-	-	57,750	(57,750)
Capital Outlay	3,342,191	3,342,191	1,225,629	2,116,562
Total Expenditures	<u>3,342,191</u>	<u>3,342,191</u>	<u>1,283,379</u>	<u>2,058,812</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,339,191)</u>	<u>(3,339,191)</u>	<u>(1,266,954)</u>	<u>2,072,237</u>
Other Financing Sources (Uses)				
Transfers In	-	-	2,220,000	2,220,000
Issuance of Bonds	2,318,998	2,318,998	-	(2,318,998)
Total other financing sources and (uses)	<u>2,318,998</u>	<u>2,318,998</u>	<u>2,220,000</u>	<u>(98,998)</u>
Net change in fund balance	(1,020,193)	(1,020,193)	953,046	1,973,239
Fund balance - beginning	1,243,910	1,243,910	1,243,910	-
Fund balance - ending	<u>\$ 223,717</u>	<u>\$ 223,717</u>	<u>\$ 2,196,956</u>	<u>\$ 1,973,239</u>

City of Brenham
Tax Increment Reinvestment Zone (TIRZ) #1 Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 225,302	\$ 225,302	\$ 223,057	\$ (2,245)
Investment Income	-	-	2,518	2,518
Total revenues	<u>225,302</u>	<u>225,302</u>	<u>225,575</u>	<u>273</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	225,302	225,302	225,575	273
Fund balance - beginning	162,186	162,186	162,186	-
Fund balance - ending	<u>\$ 387,488</u>	<u>\$ 387,488</u>	<u>\$ 387,761</u>	<u>\$ 273</u>

City of Brenham
Brenham Community Development Corporation Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,939,235	\$ 1,939,235	\$ 2,289,219	\$ 349,984
Intergovernmental	850,000	850,000	100,000	(750,000)
Investment Income	6,000	6,000	18,156	12,156
Contribution from Developer	-	-	81,867	81,867
Sales of Property	-	-	457,821	457,821
Miscellaneous	3,417	3,417	26,047	22,630
Total revenues	<u>2,798,652</u>	<u>2,795,235</u>	<u>2,973,110</u>	<u>174,458</u>
Expenditures				
Current:				
Economic Development	673,382	673,382	423,680	249,702
Debt Service:				
Interest and Fiscal Charges	76,296	76,296	76,295	1
Principal Retirement	146,233	146,233	146,233	-
Capital Outlay	<u>1,607,842</u>	<u>1,607,842</u>	<u>40,719</u>	<u>1,567,123</u>
Total Expenditures	<u>2,503,753</u>	<u>2,503,753</u>	<u>686,927</u>	<u>1,816,826</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>294,899</u>	<u>291,482</u>	<u>2,286,183</u>	<u>1,991,284</u>
Other Financing Sources (Uses)				
Payment to Primary Government	<u>(887,741)</u>	<u>(887,741)</u>	<u>(815,045)</u>	<u>72,696</u>
Total other financing sources and (uses)	<u>(887,741)</u>	<u>(887,741)</u>	<u>(815,045)</u>	<u>72,696</u>
Net change in fund balance	(592,842)	(596,259)	1,471,138	2,063,980
Fund balance - beginning	2,161,294	2,161,294	2,161,294	-
Fund balance - ending	<u>\$ 1,568,452</u>	<u>\$ 1,565,035</u>	<u>\$ 3,632,432</u>	<u>\$ 2,063,980</u>

Net change in fund balance - component unit \$ 1,471,138

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

The net effect of miscellaneous transactions involving capital assets
(i.e. purchase) is to increase net assets.

Capital outlay	40,719
Depreciation expense	(875)

The net effect of miscellaneous transactions involving capital assets
(i.e. sale) is to decrease net assets.

Sale of land	(58,750)
--------------	----------

Bond principal payments are expenditures in the component unit, but they reduce
long term liabilities in the statement of net position.

146,233

Some expenses reported in the statement of activities do not require the use of current
financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(6,231)
Accrued interest payable	21,597

Change in net position of component unit \$ 1,613,831

City of Brenham
Donations Fund *(included as part of the General Fund)*
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions and Donations	\$ 76,500	\$ 76,500	\$ 219,801	\$ 143,301
Total revenues	<u>76,500</u>	<u>76,500</u>	<u>219,801</u>	<u>143,301</u>
Expenditures				
Current:				
Culture and Recreation	13,500	13,500	24,050	(10,550)
General Government	55,000	55,000	31,726	23,274
Health and Welfare	12,000	12,000	69,465	(57,465)
Public Safety	37,000	37,000	22,417	14,583
Total Expenditures	<u>117,500</u>	<u>117,500</u>	<u>147,658</u>	<u>(30,158)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(41,000)</u>	<u>(41,000)</u>	<u>72,143</u>	<u>113,143</u>
Other Financing Sources (Uses)				
Transfers In	-	-	8,000	8,000
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>8,000</u>	<u>8,000</u>
Net change in fund balance	(41,000)	(41,000)	80,143	121,143
Fund balance - beginning	297,439	297,439	297,439	-
Fund balance - ending	<u>\$ 256,439</u>	<u>\$ 256,439</u>	<u>\$ 377,582</u>	<u>\$ 121,143</u>

City of Brenham
Equipment Fund *(included as part of the General Fund)*
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ -	\$ -	\$ 531	\$ 531
Total revenues	<u>-</u>	<u>-</u>	<u>531</u>	<u>531</u>
Expenditures				
Current:				
Culture & Recreation	28,000	28,000	32,233	(4,233)
General Government	231,630	231,630	216,177	15,453
Highways & Streets	10,000	10,000	10,500	(500)
Public Safety	161,455	161,455	137,903	23,552
Capital Outlay	106,645	359,147	-	359,147
Total Expenditures	<u>537,730</u>	<u>790,232</u>	<u>396,813</u>	<u>393,419</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(537,730)</u>	<u>(790,232)</u>	<u>(396,282)</u>	<u>393,950</u>
Other Financing Sources (Uses)				
Note Proceeds	-	252,502	252,502	-
Transfers In	433,379	433,379	433,378	(1)
Total other financing sources and (uses)	<u>433,379</u>	<u>685,881</u>	<u>685,880</u>	<u>(1)</u>
Net change in fund balance	(104,351)	(104,351)	289,598	393,949
Fund balance - beginning	104,351	104,351	104,351	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 393,949</u>	<u>\$ 393,949</u>

City of Brenham
Fire Department Grants Fund *(included as part of the General Fund)*
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Grant Revenues	\$ 2,500	\$ 2,500	\$ 12,975	\$ 10,475
Total revenues	<u>2,500</u>	<u>2,500</u>	<u>12,975</u>	<u>10,475</u>
Expenditures				
Current:				
Public Safety	2,500	2,500	12,975	(10,475)
Total Expenditures	<u>2,500</u>	<u>2,500</u>	<u>12,975</u>	<u>(10,475)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Brenham
Police Department Grants Fund *(included as part of the General Fund)*
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Grant Revenues	\$ 10,000	\$ 10,000	\$ 2,471	\$ (7,529)
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>2,471</u>	<u>(7,529)</u>
Expenditures				
Current:				
Public Safety	10,000	10,000	2,471	7,529
Total Expenditures	<u>10,000</u>	<u>10,000</u>	<u>2,471</u>	<u>7,529</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Brenham
Public Safety Training Fund *(included as part of the General Fund)*
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Grant Revenues	\$ 3,200	\$ 3,200	\$ 4,300	\$ 1,100
Total revenues	<u>3,200</u>	<u>3,200</u>	<u>4,300</u>	<u>1,100</u>
Expenditures				
Current:				
Public Safety	<u>7,500</u>	<u>7,500</u>	<u>1,564</u>	<u>5,936</u>
Total Expenditures	<u>7,500</u>	<u>7,500</u>	<u>1,564</u>	<u>5,936</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,300)	(4,300)	2,736	7,036
Fund balance - beginning	10,891	10,891	10,891	-
Fund balance - ending	<u>\$ 6,591</u>	<u>\$ 6,591</u>	<u>\$ 13,627</u>	<u>\$ 7,036</u>

City of Brenham
Police Department Equipment Fund *(included as part of the General Fund)*
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Grant Revenues	\$ 3,000	\$ 3,000	\$ 75,042	\$ 72,042
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>75,042</u>	<u>72,042</u>
Expenditures				
Current:				
Public Safety	3,000	3,000	7,936	(4,936)
Capital Outlay	-	-	67,106	(67,106)
Total Expenditures	<u>3,000</u>	<u>3,000</u>	<u>75,042</u>	<u>(72,042)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

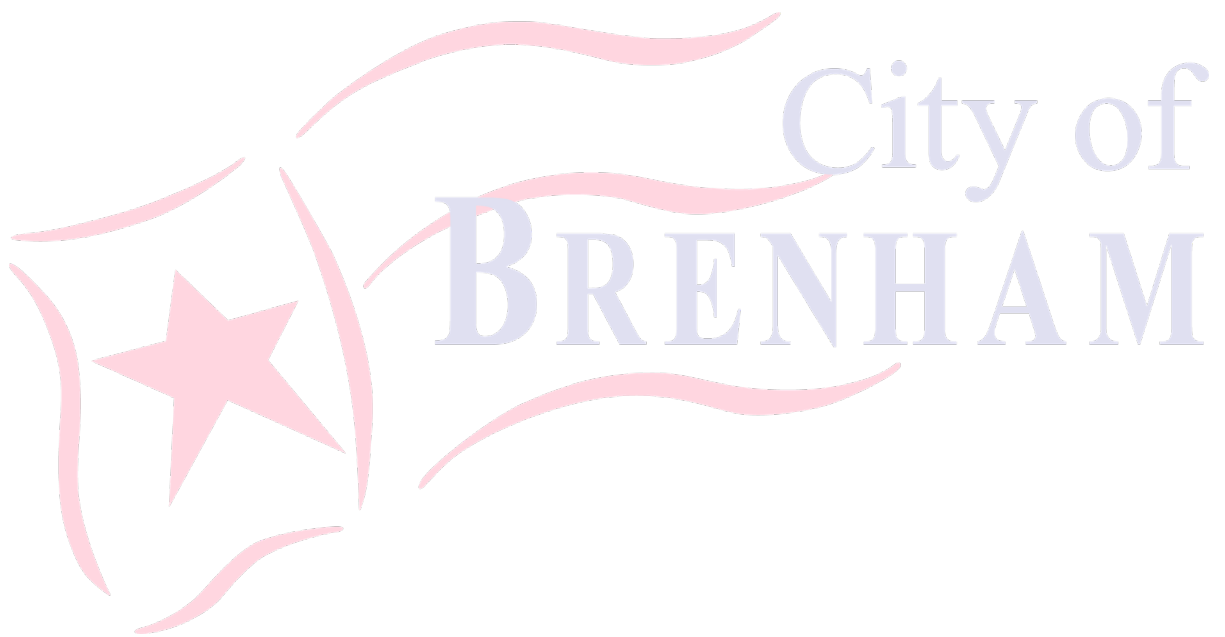
City of Brenham
FEMA Disaster Relief Fund *(included as part of the General Fund)*
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Transfers Out	\$ -	\$ (559,767)	\$ (559,767)	\$ -
Total other financing sources and (uses)	<u>-</u>	<u>(559,767)</u>	<u>(559,767)</u>	<u>-</u>
Net change in fund balance	-	(559,767)	(559,767)	-
Fund balance - beginning	559,767	559,767	559,767	-
Fund balance - ending	<u>\$ 559,767</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Brenham
Tourism and Marketing Fund *(included as part of the General Fund)*
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$ 287,673	\$ 287,673	\$ 373,065	\$ 85,392
Contributions and Donations	150	150	95	(55)
Total revenues	<u>287,823</u>	<u>287,823</u>	<u>373,160</u>	<u>85,337</u>
Expenditures				
Current:				
Culture and Recreation	1,051,791	1,051,791	969,994	81,797
Debt service:				
Interest & Fiscal Charges	-	-	309	(309)
Principal Retirement	-	-	42,279	(42,279)
Capital Outlay	-	-	84,392	(84,392)
Total Expenditures	<u>1,051,791</u>	<u>1,051,791</u>	<u>1,096,974</u>	<u>(45,183)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(763,968)</u>	<u>(763,968)</u>	<u>(723,814)</u>	<u>40,154</u>
Other Financing Sources (Uses)				
Transfers In	764,000	764,000	764,000	-
Proceeds on Financing Lease	-	-	84,392	84,392
Total other financing sources and (uses)	<u>764,000</u>	<u>764,000</u>	<u>848,392</u>	<u>84,392</u>
Net change in fund balance	32	32	124,578	124,546
Fund balance - beginning	(9,917)	(9,917)	(9,917)	-
Fund balance - ending	<u>\$ (9,885)</u>	<u>\$ (9,885)</u>	<u>\$ 114,661</u>	<u>\$ 124,546</u>

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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 Honorable Mayor and
Members of the City Council
City of Brenham, Texas

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brenham, Texas, (the "City") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 10, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 the City'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.

Brenham, Texas
March 10, 2023



INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and
Members of the City Council
City of Brenham, Texas

Report on Compliance for Each Major Program

Opinion on Each Major Federal Program

We have audited the City of Brenham, Texas' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Brenham, Texas' major federal programs for the year ended September 30, 2022. The City of Brenham, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Brenham, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Brenham, Texas and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Brenham, Texas' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Brenham, Texas' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Brenham, Texas' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Brenham, Texas' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Brenham, Texas' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Brenham, Texas' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Brenham, Texas' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brenham, Texas
March 10, 2023



CITY OF BRENHAM, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2022

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the City of Brenham, Texas were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the City of Brenham, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs are reported in the Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the City expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) reported in this schedule.
7. The programs tested as major programs were:
 - U.S. Department of Housing and Urban Development ALN 14.228.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The City did not qualify as a low-risk auditee.

FINDINGS- FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

CITY OF BRENHAM, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2022

None

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CITY OF BRENHAM, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL AL NUMBER	GRANT NUMBER	PROGRAM AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT 09/30/21	FEDERAL/ STATE FUNDS RECEIVED	FY 22 FEDERAL/ STATE EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 09/30/22
Federal - Cash							
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>							
General Land Office (GLO)							
Texas Community Development Block Grant Program-Mitigation Harvey Round 1	14.228	22-085-049-D302	\$ 5,001,643	\$ -	\$ (295,230)	\$ 386,745	\$ 91,515
Texas Community Development Block Grant Program-2016 Floods	14.228	22-082-023-D556	3,400,594	-	-	200,640	200,640
			<u>\$ 8,402,237</u>	<u>\$ -</u>	<u>\$ (295,230)</u>	<u>\$ 587,385</u>	<u>\$ 292,155</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>							
Bulletproof Vest Partnership 2020 Grant	16.607		\$ 2,844	\$ -	\$ (1,647)	\$ 1,647	\$ -
Bulletproof Vest Partnership 2021 Grant	16.607		2,986	-	-	-	-
Bulletproof Vest Partnership 2022 Grant	16.607		4,160	-	-	-	-
			<u>\$ 9,990</u>	<u>\$ -</u>	<u>\$ (1,647)</u>	<u>\$ 1,647</u>	<u>\$ -</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>							
Texas Parks & Wildlife							
Crossover Nature Trail Recreation Grant	20.219	693JJ22230000Z940TXRT20002	\$ 66,400	\$ -	\$ -	\$ -	\$ -
			<u>\$ 66,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Texas Department of Transportation							
Selective Traffic Enforcement Program-2021 Comprehensive	20.600	2021-Brenham-S-1YG-00046	\$ 15,020	\$ 5,436	\$ (5,436)	\$ -	\$ -
Selective Traffic Enforcement Program-2022 Comprehensive	20.600	2022-Brenham-S-1YG-00079	15,039	-	(2,471)	2,471	-
			<u>\$ 30,060</u>	<u>\$ 5,436</u>	<u>\$ (7,907)</u>	<u>\$ 2,471</u>	<u>\$ -</u>
<u>U.S. DEPARTMENT OF THE TREASURY</u>							
Texas Division of Emergency Management							
<u>COVID-19 Coronavirus State & Local Fiscal Recovery Fund</u>							
Disaster Grants - State Public Assistance - 2021 CLFRF	21.027	TX0207	\$ 4,434,948	\$ (2,213,100)	\$ (2,221,848)	\$ 29,820	\$ (4,405,128)
			<u>\$ 4,434,948</u>	<u>\$ (2,213,100)</u>	<u>\$ (2,221,848)</u>	<u>\$ 29,820</u>	<u>\$ (4,405,128)</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>							
Texas Division of Emergency Management							
Hazard Mitigation Grant Program - DR 4272 - Severe Storms and Flooding	97.039	DR-4272-027	\$ 378,122	\$ 267,701	\$ (267,701)	\$ -	\$ -
Hazard Mitigation Grant Program- DR 4272 - Severe Storms and Flooding	97.039	DR-4272-023	232,245	57,500	(57,500)	-	-
			<u>\$ 610,367</u>	<u>\$ 325,201</u>	<u>\$ (325,201)</u>	<u>\$ -</u>	<u>\$ -</u>
Texas Office of the Governor - Homeland Security Grants Division							
FY21 State Homeland Security Program	97.067	4292701	\$ 73,395	\$ -	\$ (73,395)	\$ 73,395	\$ -
			<u>\$ 73,395</u>	<u>\$ -</u>	<u>\$ (73,395)</u>	<u>\$ 73,395</u>	<u>\$ -</u>
Total Federal - Cash			<u>\$ 13,627,397</u>	<u>\$ (1,882,463)</u>	<u>\$ (2,925,227)</u>	<u>\$ 694,717</u>	<u>\$ (4,112,973)</u>
Federal - Non-Cash							
<u>U.S. DEPARTMENT OF TRANSPORTATION - FAA</u>							
Texas Department of Transportation (1)							
Federally Assisted Airport Development Grant-Airfield Lighting Project	20.106	22BRENM	\$ 800,000	\$ -	\$ (78,571)	\$ 78,571	\$ -
Federally Assisted Airport Development Grant-Master Plan	20.106	22MPBRENM	312,535	-	(107,730)	107,730	-
Total Federal - Non-Cash			<u>\$ 1,112,535</u>	<u>\$ -</u>	<u>\$ (186,301)</u>	<u>\$ 186,301</u>	<u>\$ -</u>
Total Federal Awards - Cash and Non-Cash			<u>\$ 14,739,932</u>	<u>\$ (1,882,463)</u>	<u>\$ (3,111,528)</u>	<u>\$ 881,018</u>	<u>\$ (4,112,973)</u>

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT NUMBER	PROGRAM AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT 09/30/21	FEDERAL/ STATE FUNDS RECEIVED	FY 22 FEDERAL/ STATE EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 09/30/22
Nonfederal - State of Texas							
Texas Department of Transportation							
Routine Airport Maintenance Program (RAMP)		M2117 BREN	\$ 50,000	\$ 50,000	\$ (50,000)	\$ -	\$ -
Routine Airport Maintenance Program (RAMP)		M2217 BREN	50,000	-	-	50,000	50,000
Routine Airport Maintenance Program (RAMP)		M2317 BREN	50,000	-	-	-	-
			<u>\$ 150,000</u>	<u>\$ 50,000</u>	<u>\$ (50,000)</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>
Texas A&M Forest Service							
Rural Volunteer Fire Department Assistance Program			\$ 10,000	\$ -	\$ (10,000)	\$ 10,000	\$ -
			<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ (10,000)</u>	<u>\$ 10,000</u>	<u>\$ -</u>
Total Nonfederal - State of Texas			<u>\$ 160,000</u>	<u>\$ 50,000</u>	<u>\$ (60,000)</u>	<u>\$ 60,000</u>	<u>\$ 50,000</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 14,899,932</u>	<u>\$ (1,832,463)</u>	<u>\$ (3,171,528)</u>	<u>\$ 941,018</u>	<u>\$ (4,062,973)</u>

(1) The City remits its matching funds requirements to the State Department of Transportation, which acts as sponsor for these airport development programs.
No funds are directly received by the City.

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City and is presented on the modified accrual basis of accounting.

Note 2: Indirect Cost Rate

The City of Brenham has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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