

CITY OF BRENHAM, TEXAS

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023



PREPARED BY THE FINANCE DIVISION

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

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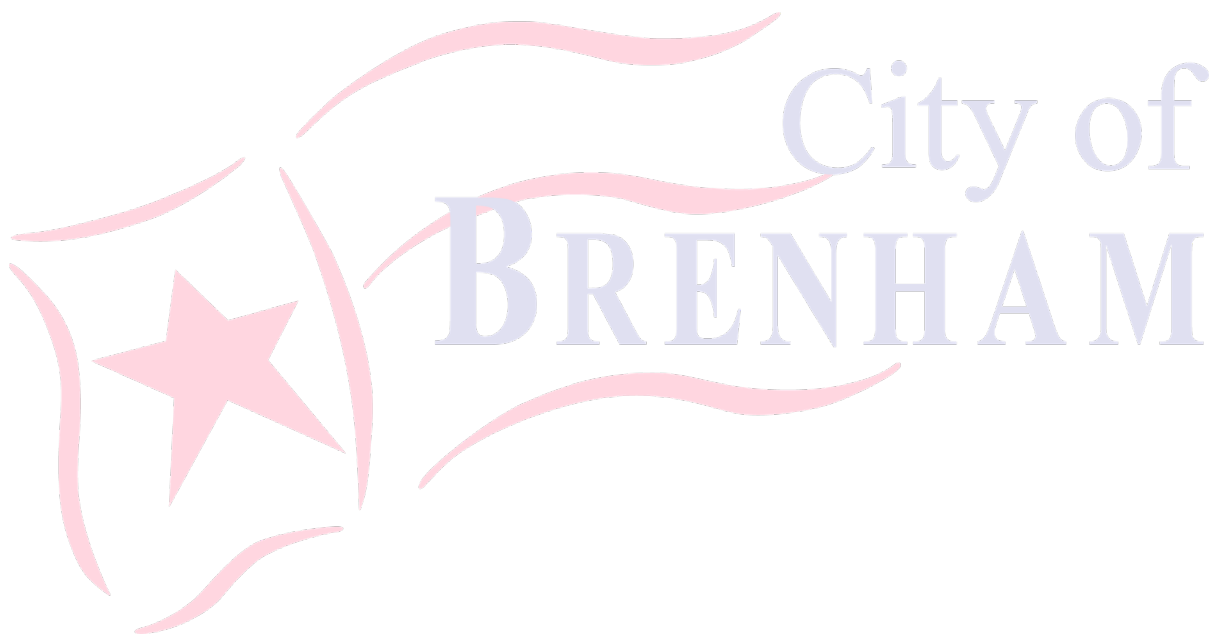
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CERTIFIED PUBLIC ACCOUNTANTS/BUSINESS ADVISORS

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, 2023, 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, 2023, 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.

Prior Period Adjustment

As discussed in Note IV. F. to the financial statements, the 2022 financial statements of the gas fund and business-type activities reflect a prior period adjustment to beginning net position. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 79 through 84, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements. The 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2024 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 19, 2024



CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2023

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, 2023. 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 \$129,386 (net position). Of this amount, \$17,049 (*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 \$15,814.
- As of the close of the current fiscal year, the City of Brenham's governmental funds reported combined ending fund balances of \$23,591 an increase of \$10,162 in comparison with the prior year. Approximately \$8,001 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 \$8,239 or 35% of total general fund expenditures.
- The City of Brenham's total bonded debt increased by \$6,436 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, 2023

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, Debt Service Fund, and General Government Capital Projects Fund which are major funds. Individual fund balance sheets and statements of revenues, expenditures, and changes in fund balance for the other 9 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 33-78 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 85-116 of this report. Information relating to federal and state grant awards begins on page 117 of this report.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position serves as a useful indicator of the City's financial position. Assets exceeded liabilities by \$129,386 (net position) at the close of the fiscal year, compared to assets exceeding liabilities by \$113,572 (net position) at the end of the prior fiscal year. The City's total net position increased by \$15,814 during the period.

City of Brenham, Texas						
Net Position						
(Amounts in Thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 27,077	\$ 16,307	\$ 32,290	\$ 28,189	\$ 59,367	\$ 44,496
Capital assets	74,439	66,746	68,918	64,563	143,357	131,309
Total assets	<u>101,516</u>	<u>83,053</u>	<u>101,208</u>	<u>92,752</u>	<u>202,724</u>	<u>175,805</u>
Deferred Outflows of Resources						
Deferred amount from refundings	-	17	157	227	157	244
Deferred outflows - TMRS Pension	4,600	1,773	1,567	585	6,167	2,358
Deferred outflows - TESRS Pension	159	39	-	-	159	39
Deferred outflows - Post Employment Benefits	92	678	33	275	125	953
Deferred outflows - Under Recovered Fuel Costs	-	-	7	187	7	187
Total Deferred Outflows of Resources	<u>4,851</u>	<u>2,507</u>	<u>1,764</u>	<u>1,274</u>	<u>6,615</u>	<u>3,781</u>
Liabilities						
Long-term debt outstanding	40,017	27,264	18,226	17,259	58,243	44,523
Other liabilities	4,766	3,634	10,124	10,326	14,890	13,960
Total liabilities	<u>44,783</u>	<u>30,898</u>	<u>28,350</u>	<u>27,585</u>	<u>73,133</u>	<u>58,483</u>
Deferred Inflows of Resources						
Deferred inflows - TMRS Pension	208	2,954	69	973	277	3,927
Deferred inflows - TESRS Pension	2	102	-	-	2	102
Deferred inflows - Post Employment Benefits	461	436	146	163	607	599
Deferred inflows - Leases	459	478	930	936	1,389	1,414
Deferred inflows - Over Recovered Fuel Costs	-	-	4,545	1,489	4,545	1,489
Total Deferred Inflows of Resources	<u>1,130</u>	<u>3,970</u>	<u>5,690</u>	<u>3,561</u>	<u>6,820</u>	<u>7,531</u>
Net Position						
Net invested in capital assets	56,315	50,372	55,095	51,060	111,410	101,432
Restricted	927	803	-	-	927	803
Unrestricted (deficit)	3,212	(483)	13,837	11,820	17,049	11,337
Total net position	<u>\$ 60,454</u>	<u>\$ 50,692</u>	<u>\$ 68,932</u>	<u>\$ 62,880</u>	<u>\$ 129,386</u>	<u>\$ 113,572</u>

By far the largest portion of the City of Brenham's net position, \$111,410 or 86.11%, 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 \$927, less than 1%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$17,049 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, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

City of Brenham, Texas						
Changes in Net Position						
(Amounts in Thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 2,174	\$ 2,133	\$ 39,915	\$ 41,883	\$ 42,089	\$ 44,016
Operating grants and contributions	1,083	1,285	-	-	1,083	1,285
Capital grants and contributions	8,882	1,500	4,417	1,140	13,299	2,640
General revenues:						
Property taxes	9,533	7,956	-	-	9,533	7,956
Sales taxes	7,307	6,868	-	-	7,307	6,868
Franchise taxes	3,134	2,930	-	-	3,134	2,930
Hotel Occupancy taxes	932	853	-	-	932	853
Alcoholic Beverage taxes	91	68	-	-	91	68
Other	1,042	493	985	438	2,027	931
Total revenues	<u>34,178</u>	<u>24,086</u>	<u>45,317</u>	<u>43,461</u>	<u>79,495</u>	<u>67,547</u>
Expenses:						
General government	8,161	7,509	-	-	8,161	7,509
Public safety	8,672	7,831	-	-	8,672	7,831
Highway/streets	3,016	3,145	-	-	3,016	3,145
Interest, Fiscal & Other Charges	694	576	-	-	694	576
Culture and recreation	5,911	5,681	-	-	5,911	5,681
Health and welfare	735	653	-	-	735	653
Water	-	-	5,342	4,906	5,342	4,906
Wastewater	-	-	3,870	3,438	3,870	3,438
Electric	-	-	21,612	22,253	21,612	22,253
Gas	-	-	2,708	4,779	2,708	4,779
Sanitation	-	-	2,456	2,108	2,456	2,108
Drainage	-	-	505	553	505	553
Total Expenses	<u>27,189</u>	<u>25,395</u>	<u>36,493</u>	<u>38,037</u>	<u>63,682</u>	<u>63,432</u>
Increase (decrease) in net position before transfers	6,989	(1,309)	8,824	5,424	15,813	4,115
Special Items	-	-	-	(884)	-	(884)
Transfers	<u>2,772</u>	<u>2,962</u>	<u>(2,772)</u>	<u>(2,962)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	9,761	1,653	6,052	1,578	15,813	3,231
Net position - beginning as previously reported	50,693	49,040	62,780	61,202	113,473	110,242
Restatement of net position	-	-	100	-	100	-
Net position - beginning	<u>50,693</u>	<u>49,040</u>	<u>62,880</u>	<u>61,202</u>	<u>113,573</u>	<u>110,242</u>
Net position - ending	<u>\$ 60,454</u>	<u>\$ 50,693</u>	<u>\$ 68,932</u>	<u>\$ 62,780</u>	<u>\$ 129,386</u>	<u>\$ 113,473</u>

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

Governmental activities. Governmental activities increased the City of Brenham's net position by \$9,761 compared to an increase of \$1,653 in the prior fiscal year. Key elements are noted below.

Revenues increased to \$34,178 from \$24,086 during the year, which can be attributed primarily to an increase in capital grants and property tax revenue. Specific categories are discussed below.

Program Revenues

- The increase in *Charges for Services* is directly related to higher event revenue at the Barnhill Center, offset by small decreases in building permits and park field rentals.
- The decrease in *Operating Grants and Contributions* is attributable to a decrease in donations for the Animal Shelter and a smaller contribution from BCDC for parks and recreation maintenance items compared to the prior year.
- The significant increase in *Capital Grants and Contributions* is due to acceptance of \$8,882 of new subdivision infrastructure improvements and grants for capital items in the current year compared to \$1,500 of infrastructure improvements and capital accepted in the prior year.

General Revenues

- The increase in *Property Taxes* is attributable to property valuation growth of 27%, offset by a 2-cent decrease in the overall tax rate.
- *Sales Taxes* increased 6.4% 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 7.0% which is directly attributable to increased revenues in the Electric Fund from higher consumption and higher pass-through costs and in the Water Fund due to higher billed gallons of consumption.
- *Hotel Occupancy Taxes*, which are derived from a 7% hotel occupancy tax, increased by 9.3% due to a robust travel and tourism economy in our local area.
- The significant increase in *Other Revenues* is attributable to higher investment income due to favorable interest rates.

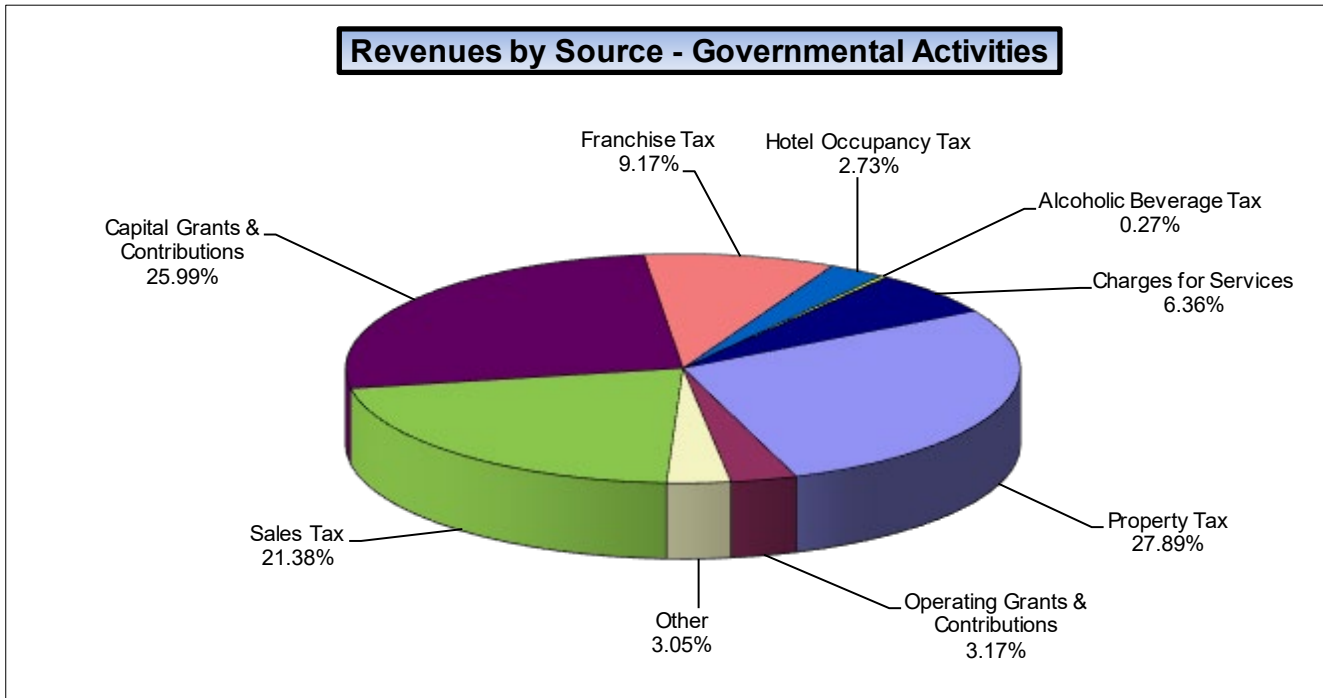
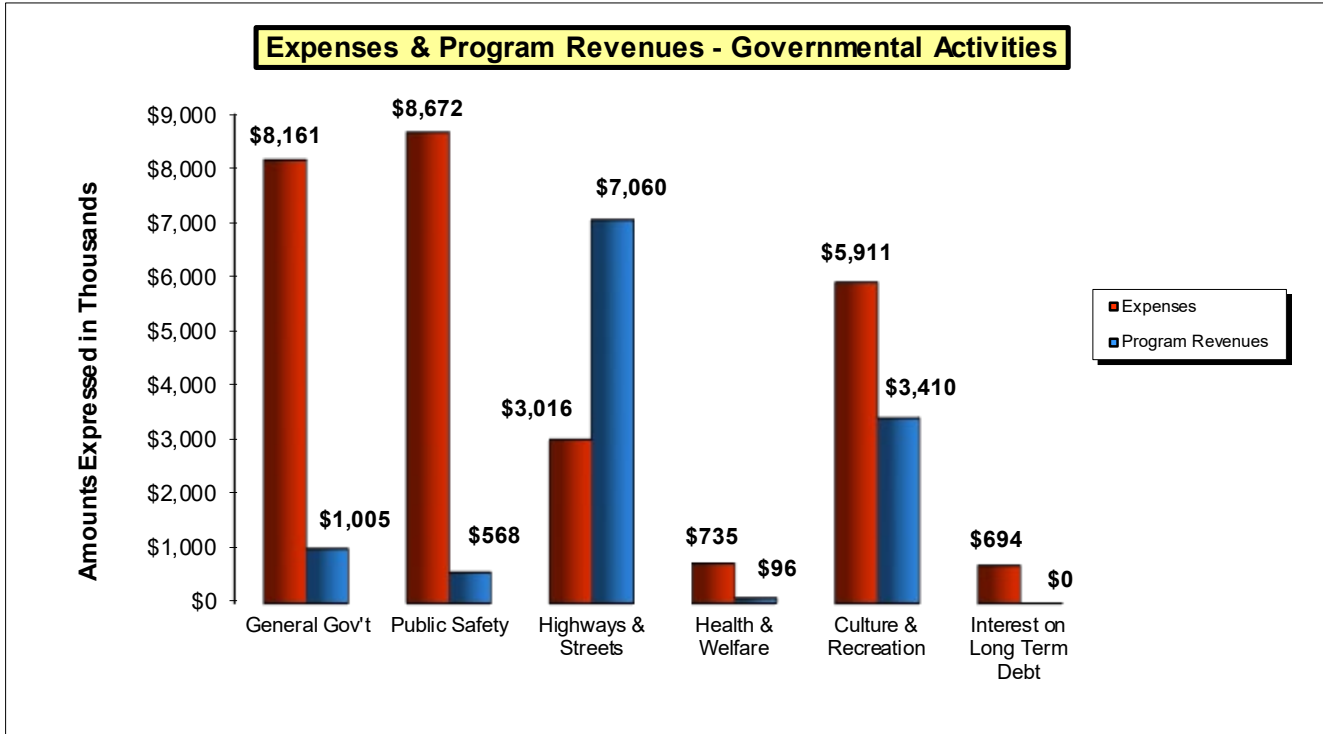
Expenses increased to \$27,189 from \$25,395 during the year. This increase is attributable to several factors.

- *General Government* expenses increased by \$652 due to several items: \$505 of the increase was due to higher TMRS pension expense under GASB 68 requirements. Another \$113 of increases were due to increased salary and benefits costs, \$101 for bond issue costs, and \$143 for increased audit, consultant, and legal fees. These increases were offset by lower economic development incentives paid compared to the prior year.
- *Public Safety* expenses increased 10.7%, or \$841, due to higher TMRS and TESRS pension expense and increased salary and benefit costs. These increases were offset by lower fire department maintenance items as compared to FY22.
- *Culture and Recreation* expenses were \$230 higher due to \$204 in increased TMRS pension expense. Also contributing to the increase were higher cultural arts and tourism expenses. Increased concerts and facility rentals resulted in \$180 of increased costs all to support these operations. This increase was offset by lower depreciation expense.

Transfers decreased during the year by \$190 which is directly proportional to the overall decrease in actual expenses in the governmental indirect departments (Administration, 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, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)



CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

Business-type activities. Business-type activities increased the City of Brenham's net position by \$6,052 compared to an increase of \$1,578 in the prior fiscal year. Key elements are noted below.

Revenues increased to \$45,317 from \$43,461 during the year. This increase is mainly attributable to capital grants and contributions in the Water, Wastewater and Drainage funds. A more detailed explanation follows.

- The *Charges for Services* in the Electric Fund decreased \$736. Although power pass-through revenues were higher due to rising energy costs, consumption slightly decreased. Reducing overall revenues was a \$2,206 increase in customer over collections which were set aside to mitigate future market and weather related fluctuations. Actual kWh consumption in FY23 was \$279.3 million compared to \$280.9 million in FY22.
- Gas Fund *Charges for Services* experienced a \$2,260 decrease. The decrease can be attributed to lower consumption and a decrease in commodity pass-through revenues. Due to a mild winter, actual mcf consumption of 399,115 decreased from FY22 mcf consumption of 416,625. Natural gas prices eased from the highs experienced in the prior year, lowering commodity pass-through revenues.
- Water Fund revenues increased \$637 during the year. An increase in consumption from 848.4 million in the prior fiscal year to 889.2 million gallons in the current year combined with a 5.50% water rate increase created the additional revenue. The water rate increase implemented in FY23 was needed to cover increased supply costs and operational expenses, most significantly, costs for water treatment chemicals.
- *Charges for Services* in the Wastewater Fund were higher by \$98 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 \$286. Increases were seen in the residential and commercial collection categories due to an overall 15% rate increase spread across all rate classes.
- *Capital Grants and Contributions* of \$4,417 were received in FY23, up from \$1,140 in FY22. In FY23, water and wastewater infrastructure improvements were accepted from developers of several subdivisions totaling \$4,117. The Drainage Fund reported \$300 of *Capital Grants and Contributions* related to drainage projects funded by the Texas Community Development Block Grant Program.
- The significant increase in *Other Revenues* is attributable to higher investment income due to favorable interest rates.

Expenses decreased to \$36,493 from \$38,037 or 4.1% during the year with specific changes noted below.

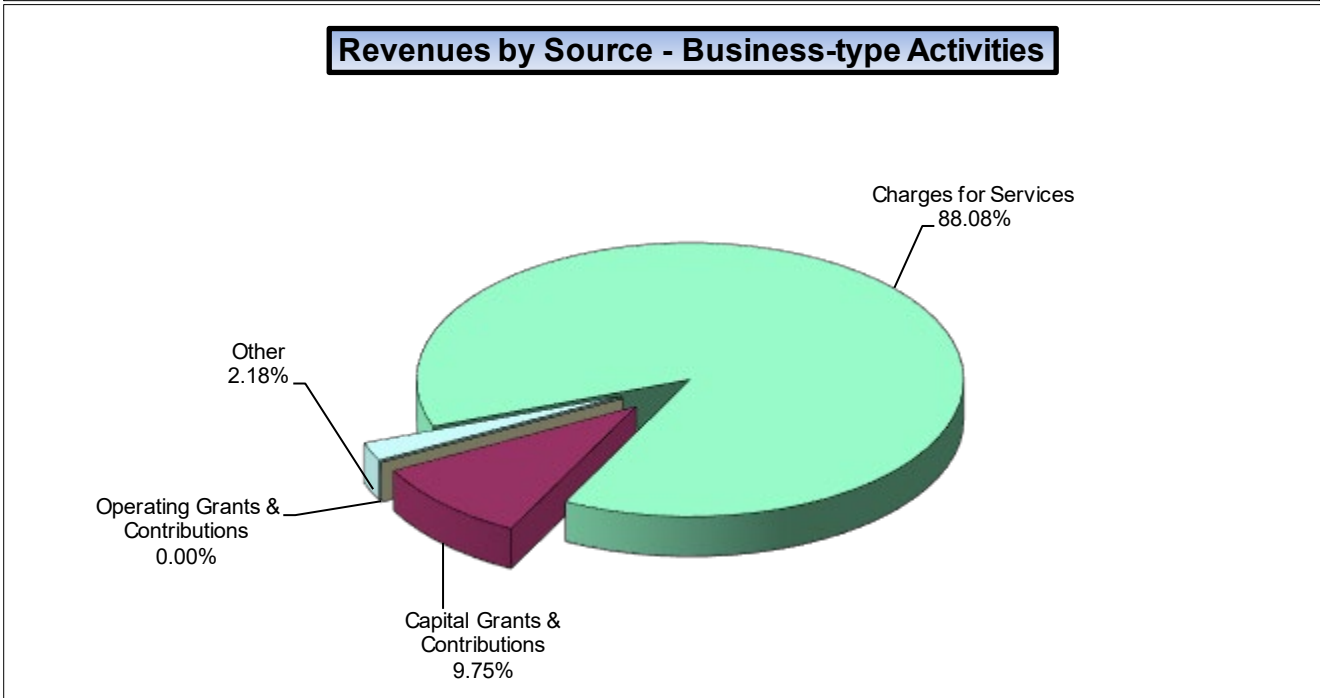
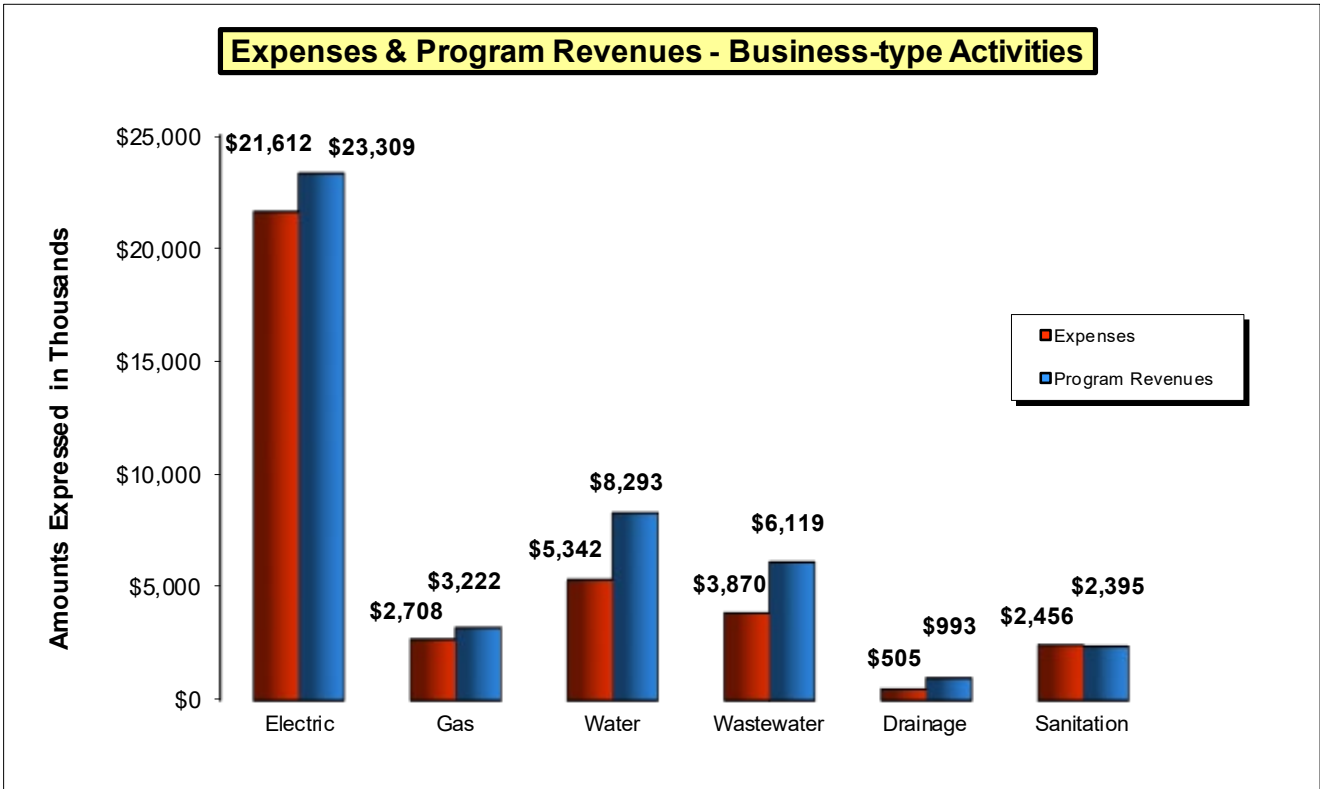
- Electric Fund expenses decreased \$641 due to lower costs for wholesale power combined with lower franchise taxes. These decreases were partially offset by \$328 in increased TMRS pension expenses and salary and benefit costs.
- Gas Fund expenses decreased by \$2,070 due to lower purchase costs per mcf. Legal fees returned to historical averages as the Winter Storm Uri litigation and the gas supply contract negotiations were completed in FY22. Salary and benefits costs were higher in FY23 to offset these cost decreases.
- Water Fund expenses increased by \$436. Higher TMRS pension expense and increased salary and benefit costs along with the second year in a row of substantial cost increases to water treatment chemicals contributed to this overall increase. The Water Fund also shared in costs of the Impact Fee study that was conducted in FY23.
- Wastewater Fund expenses increased by \$432 due mainly to higher electric utility costs, the shared costs of an Impact Fee study, and increased salary and benefits costs.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
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GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

- Sanitation Fund expenses increased \$348 due to a 15% overall rate increase in collection and recycling contract prices.

Transfers out decreased by \$190, as previously explained in the governmental activities section.



CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
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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 \$23,591 an increase of \$10,162 in comparison with the prior year. The General Fund highlights are discussed in the following section.

The fund balances of the *General Government Capital Projects Fund* and the combined *Other Governmental Funds*, increased by \$1,633 and \$7,317 respectively in FY23 mainly due to the 2023 bond issuance. The \$9,530 of proceeds from this issuance are accounted for in the General Government Capital Projects Fund and the Streets and Drainage Fund. In these funds for FY23, \$379 of street department large equipment was purchased, \$237 of airport capital improvements were completed, \$2,089 of improvements to South Chappell Hill Road and MLK Parkway were completed and \$469 of existing streets were reconstructed. A \$1,229 increase in the fund balance of the Parks Capital Improvements Fund also contributed to the overall increase of fund balance in *Other Governmental Funds*. \$1,108 of the FY23 BCDC contribution for the Hohlt Park turf field project was included in ending fund balance of the Parks Capital Improvements Fund. This project will be completed in early 2024.

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 \$8,354; those of the Gas Fund were \$666; the Water Fund \$1,171; the Wastewater Fund \$1,426; Sanitation Fund \$565; and the Drainage Fund \$1,104. 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 Airport Fund which is used to track revenues and expenditures for the City's municipal airport operations. 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 \$174 for intergovernmental revenue relate to grant revenue for public safety and airport operations, adjustments of \$604 in charges for services are related to activity in the Tourism and Marketing Fund and the Airport Fund, and contributions adjustments of \$170 are mainly from downtown events, library and animal shelter donations. Adjustments in culture and recreation, general government, public safety and health and welfare are related to activity in the Donations Fund, Tourism and Marketing Fund, Airport Fund, Equipment Fund, Donations Fund and public safety grant funds.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
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GENERAL BUDGETARY HIGHLIGHTS - (continued)

Revenues Budgeted Amounts and Actual – the original revenue budget was \$17,826 and the final amended budget was \$18,262, and actual budget basis revenue was \$19,200. The increase of \$436 to the revenue budget was in the following categories:

- 1) Taxes increased by \$147 with additional sales tax collections.
- 2) Payment from Component Unit increased \$289 to correct an error in the original budget.

Variance with Final Budget – the favorable budget to actual variance of \$937 is due to the following factors:

- Taxes were higher by \$1,033 due primarily from increased sales tax due to strong retail activity and inflation.
- Investment Income was higher by \$217 due to increased interest rates on investment balances.
- Fines and Forfeitures were lower by \$141 which can be attributed to new laws granting indigent forgiveness on fines.

Expenditures Budgeted Amounts and Actual – the original expenditure budget was \$20,753 compared to the final amended budget of \$20,900. Actual expenditures on a budget basis were \$20,111.

Variance with Final Budget – the General Fund's actual expenditures were favorable to budget by \$789 primarily from lower personnel costs due to turnover and vacancies.

Other Financing Sources Budgeted Amounts and Actual

Transfers-In – the original and final budget for transfers-in was \$3,208. Actual transfers-in of \$3,061 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 \$265. Actual transfers out were lower than budget due to matching airport grant funds which were not needed in FY23 and a transfer for fire truck trade-in proceeds that did not occur in FY23.

Insurance Proceeds – the original and final budget for insurance proceeds 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
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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, 2023 totals \$143,356 (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 increase in the City of Brenham's investment in capital assets for the current fiscal year was \$12,047.

City of Brenham, Texas						
Capital Assets						
(Amounts in Thousands)						
(net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land and Improvements	\$ 4,642	\$ 4,642	\$ 584	\$ 571	\$ 5,226	\$ 5,213
Buildings	16,581	17,334	284	306	16,865	17,640
Improvements other than buildings	5,243	5,276	23,163	24,083	28,406	29,359
Furniture, fixtures, and equipment	948	1,022	330	471	1,278	1,493
Machinery	238	230	-	-	238	230
Vehicles	3,197	3,181	2,109	2,095	5,306	5,276
Intangibles	98	98	70	85	168	183
Infrastructure	42,734	34,608	39,220	36,109	81,954	70,717
Construction in progress	758	355	3,157	843	3,915	1,198
Total	\$ 74,439	\$ 66,746	\$ 68,917	\$ 64,563	\$ 143,356	\$ 131,309

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

- Governmental Activities capital assets showed a net increase of \$7,693 with major changes in the following categories: Infrastructure increased \$8,126, of which \$6,331 was the acceptance of developer improvements in the Liberty Village and Vintage Farms subdivisions and in the Market Square mixed-use development. Street and drainage improvements and street reconstruction projects also contributed to the increase. Buildings decreased \$753 due to annual depreciation while Construction in Progress increased \$403 due to the airport fuel farm improvements project.
- Business-type capital assets showed an overall increase of \$4,354 with major changes in the following categories: Infrastructure increased \$3,111 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. Construction in Progress increased \$2,314 due to wastewater, water and electric infrastructure projects which were in progress at year end. Improvements showed a decrease of \$920 due to annual depreciation.

Additional information on the City of Brenham's capital assets can be found in note III.E on pages 43-44 of this report.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2023

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 \$40,204. Of this amount, \$26,597 is tax-supported debt backed by the full faith and credit of the government. The remaining \$13,607 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			
	2023	2022	2023	2022	2023	2022
General Obligation Bonds	\$ -	\$ 211	\$ 2,960	\$ 3,949	\$ 2,960	\$ 4,160
Certificates of Obligation	25,559	17,880	10,006	10,465	35,565	28,345
Unamortized Credits/Charges	1,038	599	641	665	1,679	1,264
Total	\$ 26,597	\$ 18,690	\$ 13,607	\$ 15,079	\$ 40,204	\$ 33,769

The City of Brenham's total bonded debt increased by \$6,436 or 19.06% during the current fiscal, with an increase of \$7,907 in governmental activities and a decrease of \$1,472 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.

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 \$.4737 for the year ended September 30, 2023 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 46-51 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The economic backdrop for Brenham's FY23-24 Budget is favorable. The following factors were considered in preparing the City of Brenham's Budget for the 2024 fiscal year:

- Sales tax, which is the City's largest revenue source, is expected to increase 11% over the prior year's budget. This is in-line with FY23 actual collections and a conservative estimate based on indicators that may signify a slowing economy.
- City expenditure budgets continue to expect increasing costs for goods and services. Higher fuel prices, labor shortages, supply chain issues, and lingering inflation are trends we expect to continue into the FY24 budget year. Long lead times on vehicles, equipment and parts are also a current issue affecting business operations.
- The unemployment rate for Washington County in September 2023 was 4.1%, which was higher than the rate of 3.8% one year ago and is slightly higher than State's average unemployment rate of 3.9%. The FY23-24 budget anticipates a downward trend in the unemployment rate as the continued growth in retail development and the strong local economy provide more opportunities for employment.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2023

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

- Continued growth in residential and commercial development is expected and will result in higher taxable property values but will place more demand on the City's current utility systems and infrastructure. However, rising interest rates could cause a gradual slow to growth in FY24.
- A mid-year water rate increase was needed to cover the first phase of major infrastructure projects, including the expansion of the water treatment plant and the addition of a second water source, both of which will be debt funded. All other utility rates remained the same as the prior year.

The City experienced an 8.5% increase in certified taxable property values for FY24 and lowered its overall tax rate by \$0.0153. Components are shown below:

- Overall tax rate reduced from \$0.4737 to \$0.4584
- M&O tax rate decreased from \$0.3297 to \$0.3102
- I&S tax rate increased from \$0.1440 to \$0.1482

The City's FY23-24 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, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Equivalents	\$ 7,625,698	\$ 12,318,981	\$ 19,944,679	\$ 4,453,310
Investments	1,000,000	2,000,000	3,000,000	-
Receivables - Property Tax (net)	362,014	-	362,014	-
Receivables - Sales Tax	1,281,111	-	1,281,111	427,037
Receivables - Occupancy Taxes	76,915	-	76,915	-
Receivables - Account (net)	373,235	6,205,467	6,578,702	-
Receivables - Other	-	3,472,640	3,472,640	-
Receivables - Interest	29,726	144,285	174,011	8
Lease Receivable, Current	22,695	153,775	176,470	2,838
Internal Balances	(639,591)	639,591	-	-
Due from Component Unit	980,570	-	980,570	-
Due from Other Governments	206,058	128,615	334,673	-
Inventory at Cost	185,654	1,951,263	2,136,917	-
Notes Receivable, Current	-	143,505	143,505	-
Prepaid Water Agreement	-	426,313	426,313	-
Other Current Assets	87,648	-	87,648	-
Restricted Cash	14,605,277	1,762,297	16,367,574	-
Restricted Investments	-	1,000,000	1,000,000	-
Notes Receivable, Long Term	-	442,354	442,354	-
Lease Receivable, Noncurrent	438,150	786,516	1,224,666	-
Accrued Interest, Noncurrent	-	256,175	256,175	-
Right to Use Leased Asset, Net of Amortization	37,103	80,052	117,155	-
Right to Use Subscription Asset, Net of Amortization	404,285	178,945	583,230	3,521
Other Assets, Long Term	-	200,000	200,000	-
Capital Assets, Not Being Depreciated	5,410,188	3,774,713	9,184,901	3,569,026
Other Capital Assets, Net	69,029,248	65,142,621	134,171,869	9,482
Total assets	<u>101,515,984</u>	<u>101,208,108</u>	<u>202,724,092</u>	<u>8,465,222</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amount from Refundings	-	157,186	157,186	-
Deferred Outflows - TMRS Pension	4,600,301	1,566,643	6,166,944	-
Deferred Outflows - TERS Pension	158,826	-	158,826	-
Deferred Outflows - Post Employment Benefits	91,965	32,610	124,575	-
Deferred Outflows - Under Recovered Fuel Costs	-	7,311	7,311	-
Total deferred outflows	<u>4,851,092</u>	<u>1,763,750</u>	<u>6,614,842</u>	<u>-</u>
LIABILITIES				
Accounts Payable and Other Current Liabilities	1,540,253	3,224,960	4,765,213	48,652
Due to Primary Government	-	-	-	980,570
Other Liabilities	-	4,303	4,303	-
Accrued Interest	133,767	57,535	191,302	330,447
Unearned Revenue	48,938	3,856,899	3,905,837	-
Consumer Deposits	-	1,582,775	1,582,775	-
Noncurrent Liabilities, due within one year				
Compensated Absences, Current	281,242	126,951	408,193	2,529
Other Long Term Payable, Current	16,329	-	16,329	-
Bonds Payable, Current	2,168,390	-	2,168,390	-
Subscription Liability, Current	237,482	35,123	272,605	-
Finance Lease Liability, Current	10,937	17,215	28,152	-
Revenue Bonds Payable, Current	-	1,031,610	1,031,610	-
Lease Purchase, Current	145,250	55,249	200,499	-
Notes Payable, Current	181,675	130,436	312,111	143,505
Noncurrent Liabilities, due in more than one year				
Compensated Absences, Long Term	248,647	96,019	344,666	286
Rebatable Arbitrage, Long Term	30,560	27,628	58,188	-
Post Employment Benefits	1,368,267	543,113	1,911,380	-
Net Pension Liability - TMRS	12,879,342	4,311,008	17,190,350	-
Net Pension Liability - TERS	329,472	-	329,472	-
Subscription Liability, Long Term	121,200	137,338	258,538	-
Finance Lease Liability, Long Term	26,388	61,154	87,542	-
Long Term Debt, Net	25,014,402	13,050,232	38,064,634	442,354
Total liabilities	<u>44,782,541</u>	<u>28,349,548</u>	<u>73,132,089</u>	<u>1,948,343</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - TMRS Pension	207,973	68,734	276,707	-
Deferred Inflows - TERS Pension	1,657	-	1,657	-
Deferred Inflows - Post Employment Benefits	460,905	146,173	607,078	-
Deferred Inflows - Leases	459,664	930,044	1,389,708	3,536
Deferred Inflows - Over Recovered Fuel Costs	-	4,545,366	4,545,366	-
Total deferred inflows	<u>1,130,199</u>	<u>5,690,317</u>	<u>6,820,516</u>	<u>3,536</u>
NET POSITION				
Net Investment in Capital Assets	56,314,979	55,095,678	111,410,657	2,992,651
Restricted for Debt Service	927,341	-	927,341	-
Restricted for Economic Development	-	-	-	1,702,393
Restricted for Recreation	-	-	-	1,818,299
Unrestricted (deficit)	3,212,016	13,836,315	17,048,331	-
Total net position	<u>\$ 60,454,336</u>	<u>\$ 68,931,993</u>	<u>\$ 129,386,329</u>	<u>\$ 6,513,343</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, 2023

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	\$ 8,161,109	\$ 997,611	\$ 7,227	\$ -	\$ (7,156,271)	\$ -	\$ (7,156,271)	\$ -
Public Safety	8,672,463	12,540	555,614	-	(8,104,309)	-	(8,104,309)	-
Highways and Streets	3,015,979	152,443	48,192	6,859,640	4,044,296	-	4,044,296	-
Health and Welfare	734,582	56,794	38,888	-	(638,900)	-	(638,900)	-
Culture and Recreation	5,910,561	954,322	433,184	2,022,541	(2,500,514)	-	(2,500,514)	-
Interest, Fiscal & Other Charges	694,029	-	-	-	(694,029)	-	(694,029)	-
Total governmental activities	27,188,723	2,173,710	1,083,105	8,882,181	(15,049,727)	-	(15,049,727)	-
Business-type activities:								
Electric	21,612,285	23,309,423	-	-	-	1,697,138	1,697,138	-
Gas	2,708,414	3,221,735	-	-	-	513,321	513,321	-
Water	5,342,004	6,232,058	-	2,061,328	-	2,951,382	2,951,382	-
Wastewater	3,870,120	4,063,561	-	2,055,333	-	2,248,774	2,248,774	-
Sanitation	2,456,089	2,395,229	-	-	-	(60,860)	(60,860)	-
Drainage	505,173	693,018	-	299,847	-	487,692	487,692	-
Total business-type activities	36,494,085	39,915,024	-	4,416,508	-	7,837,447	7,837,447	-
Total primary government	\$ 63,682,808	\$ 42,088,734	\$ 1,083,105	\$ 13,298,689	\$ (15,049,727)	\$ 7,837,447	\$ (7,212,280)	\$ -
Component unit:								
Brenham Community Devel Corp	\$ 2,963,824	\$ -	\$ 100,000	\$ 27,302	-	-	-	\$ (2,836,522)
Total component unit	\$ 2,963,824	\$ -	\$ 100,000	\$ 27,302	-	-	-	\$ (2,836,522)
General Revenues:								
Property Taxes					9,533,166	-	9,533,166	-
Sales Taxes					7,307,423	-	7,307,423	2,435,808
Franchise Taxes					3,133,854	-	3,133,854	-
Hotel Occupancy Taxes					931,651	-	931,651	-
Alcoholic Beverage Taxes					90,901	-	90,901	-
Investment Income not Restricted					764,693	731,474	1,496,167	203,397
Miscellaneous					248,548	180,462	429,010	117,307
Gain on Sale of Capital Assets					29,475	74,738	104,213	282,813
Transfers					2,771,770	(2,771,770)	-	-
Total general revenues, payments to/from component unit and transfers					24,811,481	(1,785,096)	23,026,385	3,039,325
Change in net position					9,761,754	6,052,351	15,814,105	202,803
Net position - beginning as previously reported								
					50,692,582	62,779,642	113,472,224	6,310,540
Restatement of net position (Note IV.F.)								
					-	100,000	100,000	-
Net position - beginning, as restated								
					50,692,582	62,879,642	113,572,224	6,310,540
Net position - ending								
					\$ 60,454,336	\$ 68,931,993	\$ 129,386,329	\$ 6,513,343

**City of Brenham
Balance Sheet
Governmental Funds
September 30, 2023**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>General Govt. Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and Equivalents	\$ 6,622,771	\$ -	\$ -	\$ 544,142	\$ 7,166,913
Investments	1,000,000	-	-	-	1,000,000
Interest Receivable	23,653	-	-	-	23,653
Receivables (Net)					
Property Taxes	240,305	121,709	-	-	362,014
Sales Tax	1,281,111	-	-	-	1,281,111
Occupancy Tax	-	-	-	76,915	76,915
Accounts	373,235	-	-	-	373,235
Lease Receivable	460,845	-	-	-	460,845
Due from Component Unit	-	-	-	980,570	980,570
Due from Other Governments	204,234	1,824	-	-	206,058
Inventory at Cost	185,654	-	-	-	185,654
Other Current Assets	1,807	-	-	85,791	87,598
Restricted Cash	-	1,111,213	8,878,705	4,462,098	14,452,016
Total Assets	<u>\$ 10,393,615</u>	<u>\$ 1,234,746</u>	<u>\$ 8,878,705</u>	<u>\$ 6,149,516</u>	<u>\$ 26,656,582</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts Payable & Other Current Liabilities	\$ 1,089,709	\$ -	\$ 11,691	\$ 438,853	\$ 1,540,253
Due to Other Funds	-	307,405	-	-	307,405
Unearned Revenues	48,938	-	-	-	48,938
Rebatable Arbitrage, Long Term	-	-	6,246	24,314	30,560
Total Liabilities	<u>1,138,647</u>	<u>307,405</u>	<u>17,937</u>	<u>463,167</u>	<u>1,927,156</u>
Deferred Inflows of Resources:					
Deferred Inflows Related to Leases	459,664	-	-	-	459,664
Unavailable Revenues	556,776	121,709	-	-	678,485
Total Deferred Inflows of Resources	<u>1,016,440</u>	<u>121,709</u>	<u>-</u>	<u>-</u>	<u>1,138,149</u>
Total Liabilities and Deferred Inflows of Resources	<u>2,155,087</u>	<u>429,114</u>	<u>17,937</u>	<u>463,167</u>	<u>3,065,305</u>
Fund Balances:					
Nonspendable	186,654	-	-	-	186,654
Restricted	51,154	805,632	8,860,768	4,118,934	13,836,488
Committed	-	-	-	1,530,419	1,530,419
Assigned	-	-	-	36,996	36,996
Unassigned	8,000,720	-	-	-	8,000,720
Total Fund Balances	<u>8,238,528</u>	<u>805,632</u>	<u>8,860,768</u>	<u>5,686,349</u>	<u>23,591,277</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 10,393,615</u>	<u>\$ 1,234,746</u>	<u>\$ 8,878,705</u>	<u>\$ 6,149,516</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, 2023

Total fund balances - total governmental funds \$ 23,591,277

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. 73,401,276

Gross capital assets	139,049,590
Accumulated depreciation	<u>(65,648,314)</u>
	73,401,276

Leased and subscription assets and liabilities are not current financial resources. 45,053

Certain deferred inflows and outflows of resources are not reported in the governmental funds: 4,180,557

Deferred outflows - TMRS Pension	(4,600,301)
Deferred outflows - TESRS Pension	(158,826)
Deferred outflows - Post Employment Benefits	(91,965)
Deferred inflows - TMRS Pension	207,973
Deferred inflows - TESRS Pension	1,657
Deferred inflows - Post Employment Benefits	<u>460,905</u>
	(4,180,557)

Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. (42,248,333)

Bonds payable	25,558,907
Add: Issuance premium	1,038,256
Accrued interest payable	119,614
Financing lease purchase payable	145,250
Note payable	219,941
Other long term payable	59,395
Compensated absences	529,889
Post employment benefits	1,368,267
Net pension liability - TMRS	12,879,342
Net pension liability - TESRS	<u>329,472</u>
	42,248,333

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. 806,020

Other long term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds. 678,486

Net position of governmental activities \$ 60,454,336

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, 2023

	General Fund	Debt Service Fund	General Govt. Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 16,594,292	\$ 2,883,113	\$ -	\$ 1,462,949	\$ 20,940,354
Licenses and Permits	373,365	-	-	-	373,365
Intergovernmental	669,439	-	-	274,715	944,154
Charges for Services	1,160,383	-	-	40,147	1,200,530
Fines and Forfeitures	548,645	-	-	-	548,645
Investment Income	331,562	94,863	156,799	163,005	746,229
Payment from Component Unit	94,784	-	-	1,905,435	2,000,219
Contributions and Donations	170,276	-	-	18,521	188,797
Miscellaneous	222,918	-	-	47,037	269,955
Total revenues	20,165,664	2,977,976	156,799	3,911,809	27,212,248
Expenditures					
Current:					
Culture and Recreation	4,788,297	-	-	305,046	5,093,343
General Government	7,161,592	-	-	88,684	7,250,276
Health and Welfare	633,845	-	-	-	633,845
Highways and Streets	1,379,000	-	-	202,152	1,581,152
Public Safety	7,653,365	-	-	15,014	7,668,379
Debt service:					
Interest, Fiscal & Other Charges	8,280	635,103	6,246	24,314	673,943
Principal Retirement	321,670	2,236,668	-	-	2,558,338
Issuance Costs	-	-	203,929	-	203,929
Capital Outlay	1,357,846	-	627,418	3,073,757	5,059,021
Total expenditures	23,303,895	2,871,771	837,593	3,708,967	30,722,226
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,138,231)	106,205	(680,794)	202,842	(3,509,978)
Other Financing Sources (Uses)					
Transfers In	3,642,919	-	-	2,086,667	5,729,586
Transfers Out	(86,667)	-	(2,000,000)	(656,327)	(2,742,994)
Issuance of Bonds	-	-	9,530,000	-	9,530,000
Premium on Bonds Issued	-	-	467,443	-	467,443
Proceeds from Subscription Arrangements	608,490	-	-	-	608,490
Proceeds of Financing Lease	45,542	-	-	-	45,542
Insurance Proceeds	33,568	-	-	-	33,568
Total other financing sources and (uses)	4,243,852	-	7,997,443	1,430,340	13,671,635
Net change in Fund Balances	1,105,621	106,205	7,316,649	1,633,182	10,161,657
Fund balances - beginning	7,132,907	699,427	-	5,597,286	13,429,620
Restatement of fund balances	-	-	1,544,119	(1,544,119)	-
Fund balances - beginning as restated	7,132,907	699,427	1,544,119	4,053,167	13,429,620
Fund balances - ending	\$ 8,238,528	\$ 805,632	\$ 8,860,768	\$ 5,686,349	\$ 23,591,277

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, 2023

Net change in fund balances - total governmental funds \$ 10,161,657

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. 8,517,634

Capital outlay	5,059,022
Depreciation expense	(3,254,451)
Donation of capital assets	6,818,480
Proceeds from sale	(18,100)
Insurance proceeds	(11,375)
Loss on disposal	(105,417)
Gain on disposal	29,475
	8,517,634

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. 96,667

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. (8,320,050)

Debt issued:	
2022 Certificates of Obligation	(9,530,000)
Bond premium on new debt	(467,443)
Leases	(45,542)
Subscriptions	(608,490)
Repayments:	
To bond, certificate, and note holders	2,236,667
Principal payments on leases	50,330
Principal payments on subscriptions	249,807
Payments on other liabilities	21,533
Amortization:	
Bond premiums, discounts, & charges	27,847
Lease assets	(50,555)
Subscriptions	(204,204)
	(8,320,050)

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. (396,140)

Compensated absences	4,701
Accrued interest payable	(47,932)
Post retirement benefits	(83,827)
Pension Costs - TMRs, Net	(250,429)
Pension Costs - TESRS, Net	(18,653)
	(396,140)

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. (298,014)

Change in net position of governmental activities \$ 9,761,754

City of Brenham
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2023

	Budgeted Amounts		Actual	Adjustments to Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Revenues						
Taxes	\$ 15,414,460	\$ 15,561,589	\$ 16,594,292	\$ -	\$ 16,594,292	\$ 1,032,703
Licenses and Permits	368,939	368,939	373,365	-	373,365	4,426
Intergovernmental	537,079	537,079	669,439	(174,024)	495,415	(41,664)
Charges for Services	580,537	580,537	1,160,383	(604,174)	556,209	(24,328)
Fines and Forfeitures	689,153	689,153	548,645	-	548,645	(140,508)
Investment Income	114,802	114,802	331,562	-	331,562	216,760
Payment from Component Unit	(144,400)	144,400	94,784	-	94,784	(49,616)
Contributions and Donations	-	-	170,276	(170,276)	-	-
Miscellaneous	265,559	265,559	222,919	(17,189)	205,730	(59,829)
Total revenues	<u>17,826,129</u>	<u>18,262,058</u>	<u>20,165,665</u>	<u>(965,663)</u>	<u>19,200,002</u>	<u>937,944</u>
Expenditures						
Current:						
Culture and Recreation	3,511,212	3,511,212	4,788,297	(1,308,078)	3,480,219	30,993
General Government	7,059,308	7,206,437	7,161,592	(85,655)	7,075,937	130,500
Health and Welfare	606,605	606,605	633,845	(34,173)	599,672	6,933
Highways and Streets	1,317,299	1,317,299	1,379,000	(264,698)	1,114,302	202,997
Public Safety	8,258,084	8,258,084	7,653,365	(87,989)	7,565,376	692,708
Debt Service:						
Interest, Fiscal & Other Charges	-	-	8,280	(548)	7,732	(7,732)
Principal Retirement	-	-	321,670	(54,401)	267,269	(267,269)
	<u>20,752,508</u>	<u>20,899,637</u>	<u>21,946,049</u>	<u>(1,835,542)</u>	<u>20,110,507</u>	<u>789,130</u>
Capital Outlay	400,286	400,286	1,357,846	(347,972)	1,009,874	(609,588)
Total Expenditures	<u>21,152,794</u>	<u>21,299,923</u>	<u>23,303,895</u>	<u>(2,183,514)</u>	<u>21,120,381</u>	<u>179,542</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,326,665)</u>	<u>(3,037,865)</u>	<u>(3,138,230)</u>	<u>1,217,851</u>	<u>(1,920,379)</u>	<u>1,117,486</u>
Other Financing Sources (Uses)						
Transfers In	3,207,868	3,207,868	3,642,919	(582,000)	3,060,919	(146,949)
Transfers Out	(265,456)	(265,456)	(86,667)	(131,956)	(218,623)	46,833
Proceeds from Subscription Arrangements	-	-	608,490	(29,971)	578,519	578,519
Proceeds of Financing Lease	-	-	45,542	-	45,542	45,542
Insurance Proceeds	100,554	100,554	33,568	-	33,568	(66,986)
Total other financing sources and (uses)	<u>3,042,966</u>	<u>3,042,966</u>	<u>4,243,852</u>	<u>(743,927)</u>	<u>3,499,925</u>	<u>456,959</u>
Net change in fund balance	(283,699)	5,101	1,105,622	473,924	1,579,546	1,574,445
Fund balance - beginning	6,233,088	6,233,088	7,132,907	(899,819)	6,233,088	-
Fund balance - ending	<u>\$ 5,949,389</u>	<u>\$ 6,238,189</u>	<u>\$ 8,238,529</u>	<u>\$ (425,895)</u>	<u>\$ 7,812,634</u>	<u>\$ 1,574,445</u>

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, 2023

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	\$ 4,817,298	\$ 937,433	\$ 1,387,904	\$ 3,473,012	\$ 462,625	\$ 1,022,455	\$ 12,100,727	\$ 677,038
Investments	2,000,000	-	-	-	-	-	2,000,000	-
Interest Receivable, Current	143,824	-	-	-	461	-	144,285	-
Receivables - Accounts, Net	3,842,188	256,668	1,158,055	547,778	317,284	83,494	6,205,467	-
Receivables - Interfund	307,405	-	-	392,430	-	-	699,835	-
Receivables - Other	3,472,640	-	-	-	-	-	3,472,640	-
Lease Receivable, Current	14,951	-	-	-	138,824	-	153,775	-
Due from Other Governments	25,213	-	-	-	-	103,402	128,615	-
Inventory at Cost	1,302,527	164,659	423,053	61,024	-	-	1,951,263	-
Prepaid Water Agreement	-	-	426,313	-	-	-	426,313	-
Other Current Assets	-	-	-	-	-	-	-	50
Notes Receivable, Net	143,505	-	-	-	-	-	143,505	-
Restricted Cash	846,480	-	-	915,817	-	-	1,762,297	153,261
Restricted Investments	1,000,000	-	-	-	-	-	1,000,000	-
Total current assets	17,916,031	1,358,760	3,395,325	5,390,061	919,194	1,209,351	30,188,722	830,349
Noncurrent assets:								
Interest Receivable, Noncurrent	256,175	-	-	-	-	-	256,175	-
Lease Receivable, Noncurrent	134,421	-	-	-	652,095	-	786,516	-
Right to Use Leased Asset, Net of Amortization	77,284	-	2,768	-	-	-	80,052	-
Right to Use Subscription Asset, Net of Amortization	178,945	-	-	-	-	-	178,945	-
Other Assets, Long Term	-	200,000	-	-	-	-	200,000	-
Capital Assets, Net	15,823,537	2,580,452	26,974,488	21,962,069	244,257	1,068,110	68,652,913	1,302,581
Notes Receivable, Long Term	442,354	-	-	-	-	-	442,354	-
Total noncurrent assets	16,912,716	2,780,452	26,977,256	21,962,069	896,352	1,068,110	70,596,955	1,302,581
Total assets	34,828,747	4,139,212	30,372,581	27,352,130	1,815,546	2,277,461	100,785,677	2,132,930
Deferred Outflows of Resources								
Deferred Amount from Refundings	-	-	157,186	-	-	-	157,186	-
Deferred Outflows - TMRS Pension	796,482	172,303	324,774	238,823	-	34,261	1,566,643	-
Deferred Outflows - OPEB	17,284	4,071	6,315	4,802	-	138	32,610	-
Deferred Outflows - Under Recovered Fuel Costs	-	7,311	-	-	-	-	7,311	-
Total deferred outflows	813,766	183,685	488,275	243,625	-	34,399	1,763,750	-
Liabilities								
Current liabilities:								
Accounts Payable & Other Current Liabilities	\$ 1,986,617	\$ 95,726	\$ 374,860	\$ 461,066	\$ 219,707	\$ 86,209	\$ 3,224,185	\$ 773
Other Liabilities	-	900	2,353	1,050	-	-	4,303	-
Accrued Interest	12,182	-	31,394	12,397	-	1,183	57,156	8,133
Unearned Revenue	121,518	-	1,108,412	2,626,969	-	-	3,856,899	-
Interfund Payable	-	392,430	-	-	-	-	392,430	-
Compensated Absences, Current	71,578	14,471	19,960	17,438	-	3,504	126,951	-
Subscription Liability, Current	35,123	-	-	-	-	-	35,123	-
Finance Lease Liability, Current	17,151	-	64	-	-	-	17,215	-
Revenue Bonds Payable, Current	81,610	-	780,000	170,000	-	-	1,031,610	-
Lease Purchase, Current	-	-	-	25,460	-	-	25,460	29,789
Note Payable, Current	22,528	-	-	38,771	-	69,137	130,436	149,273
Consumer Deposits	1,582,775	-	-	-	-	-	1,582,775	-
Total current liabilities	3,931,082	503,527	2,317,043	3,353,151	219,707	160,033	10,484,543	187,968
Noncurrent liabilities:								
Compensated Absences	28,022	29,514	26,157	12,115	-	211	96,019	-
Post Employment Benefits	295,245	58,013	106,426	74,865	-	8,564	543,113	-
Net Pension Liability - TMRS	2,322,341	455,972	842,142	656,781	-	33,772	4,311,008	-
Subscription Liability, Long Term	137,338	-	-	-	-	-	137,338	-
Finance Lease Liability, Long Term	59,619	-	1,535	-	-	-	61,154	-
Rebatable Arbitrage, Long Term	-	-	-	27,628	-	-	27,628	-
Long Term Debt, Net	1,546,709	-	7,695,083	3,693,902	-	114,538	13,050,232	355,023
Total noncurrent liabilities	4,389,274	543,499	8,671,343	4,465,291	-	157,085	18,226,492	355,023
Total liabilities	8,320,356	1,047,026	10,988,386	7,818,442	219,707	317,118	28,711,035	542,991
Deferred Inflows of Resources								
Deferred Inflows - Leases	143,487	-	-	-	786,557	-	930,044	-
Deferred Inflows - TMRS Pension	37,258	7,175	13,903	9,880	-	518	68,734	-
Deferred Inflows - OPEB	69,541	22,079	30,549	18,388	-	5,616	146,173	-
Deferred Inflows - Over Recovered Fuel Costs	4,545,366	-	-	-	-	-	4,545,366	-
Total deferred inflows	4,795,652	29,254	44,452	28,268	786,557	6,134	5,690,317	-
Net Position								
Net Investment in Capital Assets	14,172,690	2,580,452	18,656,592	18,322,620	244,257	884,435	54,861,046	768,496
Unrestricted	8,353,815	666,165	1,171,426	1,426,425	565,025	1,104,173	13,287,029	821,443
Total net position	\$ 22,526,505	\$ 3,246,617	\$ 19,828,018	\$ 19,749,045	\$ 809,282	\$ 1,988,608	\$ 68,148,075	\$ 1,589,939

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

783,918
\$ 68,931,993

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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, 2023

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	\$ 23,309,423	\$ 3,221,735	\$ 6,232,058	\$ 4,063,561	\$ 2,395,229	\$ 693,018	\$ 39,915,024	\$ 396,688
Total Operating Revenues	23,309,423	3,221,735	6,232,058	4,063,561	2,395,229	693,018	39,915,024	396,688
Operating expenses:								
Cost of Sales and Services	15,669,194	1,627,725	439,992	-	-	-	17,736,911	-
Salaries	2,318,805	520,540	979,824	767,210	-	123,455	4,709,834	-
Supplies	204,493	53,463	1,213,491	264,580	-	22,966	1,758,993	169
Maintenance	72,587	4,979	199,284	251,643	-	157,789	686,282	11,389
Contractual Services	389,809	91,399	560,251	1,075,160	2,440,821	147,771	4,705,211	126,213
Amortization	57,930	-	-	-	-	-	57,930	-
Depreciation	901,207	152,767	1,228,573	1,018,313	14,739	46,109	3,361,708	327,856
Gross Revenue Tax	1,711,865	232,968	418,248	257,132	-	-	2,620,213	-
Miscellaneous	227,764	25,552	29,939	66,293	1,131	3,083	353,762	8,766
Total operating expenses	21,553,654	2,709,393	5,069,602	3,700,331	2,456,691	501,173	35,990,844	474,393
Operating Income (loss)	1,755,769	512,342	1,162,456	363,230	(61,462)	191,845	3,924,180	(77,705)
Nonoperating revenues (expenses):								
Investment Income	330,200	42,447	64,373	219,638	42,737	23,788	723,183	26,035
Interest, Fiscal & Other Charges	(63,525)	-	(254,881)	(171,139)	-	(4,253)	(493,798)	(12,550)
Gain on Sale of Capital Assets	25,633	-	17,183	31,922	-	-	74,738	-
Miscellaneous, Net	24,287	-	(14,379)	7,848	139,783	2,799	160,338	-
Total non operating revenue (expenses)	316,595	42,447	(187,704)	88,269	182,520	22,334	464,461	13,485
Income (loss) before contributions and transfers	2,072,364	554,789	974,752	451,499	121,058	214,179	4,388,641	(64,220)
Capital Contributions	-	-	2,061,328	2,055,333	-	299,847	4,416,508	-
Transfers In	656,817	5,515	834,079	9,012	-	4,221	1,509,644	-
Transfers Out	(1,707,482)	(499,969)	(534,463)	(376,747)	(1,102,575)	-	(4,221,236)	(275,000)
Total Transfers In/(Out)	(1,050,665)	(494,454)	299,616	(367,735)	(1,102,575)	4,221	(2,711,592)	(275,000)
Change in net position	1,021,699	60,335	3,335,696	2,139,097	(981,517)	518,247	6,093,557	(339,220)
Total net position - beginning, as previously reported	21,504,806	3,086,282	16,492,322	17,609,948	1,790,799	1,470,361		1,929,159
Restatement of net position (Note IV.F.)	-	100,000	-	-	-	-		-
Total net position - beginning as restated	21,504,806	3,186,282	16,492,322	17,609,948	1,790,799	1,470,361		1,929,159
Total net position - ending	\$ 22,526,505	\$ 3,246,617	\$ 19,828,018	\$ 19,749,045	\$ 809,282	\$ 1,988,608		\$ 1,589,939

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

(41,206)
\$ 6,052,351

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, 2023

	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	\$ 19,038,470	\$ 3,531,719	\$ 5,964,354	\$ 4,053,518	\$ 2,369,506	\$ 878,390	\$ 35,835,957	\$ -
Receipts from interfund services provided	-	-	-	-	-	-	-	396,688
Gross revenue tax paid to General Fund	(1,711,865)	(232,968)	(418,248)	(257,132)	-	-	(2,620,213)	-
Payments to suppliers	(12,209,913)	(2,034,869)	(2,245,861)	(1,467,392)	(2,408,298)	(269,938)	(20,636,271)	(145,767)
Payments to employees	(2,249,170)	(497,947)	(949,898)	(732,986)	-	(122,366)	(4,552,367)	-
Net cash provided (used) by operating activities	<u>2,867,522</u>	<u>765,935</u>	<u>2,350,347</u>	<u>1,596,008</u>	<u>(38,792)</u>	<u>486,086</u>	<u>8,027,106</u>	<u>250,921</u>
Cash Flows from Non Capital Financing Activities								
Transfers in	656,817	5,515	19,079	9,012	-	4,221	694,644	-
Transfers out	(1,707,482)	(499,969)	(534,463)	(376,747)	(287,575)	-	(3,406,236)	(275,000)
Interest paid on consumer deposits	(7,727)	-	-	-	-	-	(7,727)	-
Net cash provided (used) by noncapital financing activities	<u>(1,058,392)</u>	<u>(494,454)</u>	<u>(515,384)</u>	<u>(367,735)</u>	<u>(287,575)</u>	<u>4,221</u>	<u>(2,719,319)</u>	<u>(275,000)</u>
Cash Flows from Capital and Related Financing Activities								
Acquisition and construction of capital assets	(1,021,448)	(272,408)	(860,090)	(2,040,659)	-	(225,047)	(4,419,652)	(86,374)
Capital Contributions	121,518	-	-	-	-	299,847	421,365	-
Proceeds from promissory note	121,305	-	-	209,682	-	-	330,987	-
Principal paid on interfund advance	-	-	(95,000)	-	-	-	(95,000)	-
Repayment of subscription liability	(46,936)	-	-	-	-	-	(46,936)	-
Principal paid on bonds, finance leases and notes payable	(136,227)	-	(782,049)	(691,838)	-	(67,793)	(1,677,907)	(174,048)
Insurance proceeds	2,677	-	943	3,550	-	-	7,170	-
Payment from Component Unit	-	-	-	53,900	-	-	53,900	-
Proceeds from sales of capital assets	25,633	-	17,183	37,458	-	-	80,274	-
Interest and fees paid on bonds, finance leases and notes payable	(64,353)	-	(298,157)	(119,420)	-	(4,794)	(486,724)	(15,003)
Net cash provided (used) by capital and related financing activities	<u>(997,831)</u>	<u>(272,408)</u>	<u>(2,017,170)</u>	<u>(2,547,327)</u>	<u>-</u>	<u>2,213</u>	<u>(5,832,523)</u>	<u>(275,425)</u>
Cash Flows from Investing Activities								
Principal received on notes receivable	147,278	-	-	-	-	-	147,278	-
Principal received on interfund advance	-	-	-	-	95,000	-	95,000	-
Proceeds from lease receivable	15,923	-	-	-	137,786	-	153,709	-
Investment income received	303,563	42,447	64,377	219,642	45,083	23,788	698,900	26,035
Net cash provided (used) by investing activities	<u>466,764</u>	<u>42,447</u>	<u>64,377</u>	<u>219,642</u>	<u>277,869</u>	<u>23,788</u>	<u>1,094,887</u>	<u>26,035</u>
Net increase (decrease) in cash and cash equivalents	1,278,063	41,520	(117,830)	(1,099,412)	(48,498)	516,308	570,151	(273,469)
Cash and cash equivalents, beginning of year	4,385,715	895,913	1,505,734	5,488,241	511,123	506,147	13,292,873	1,103,768
Cash and cash equivalents, end of year	<u>\$ 5,663,778</u>	<u>\$ 937,433</u>	<u>\$ 1,387,904</u>	<u>\$ 4,388,829</u>	<u>\$ 462,625</u>	<u>\$ 1,022,455</u>	<u>\$ 13,863,024</u>	<u>\$ 830,299</u>
Reconciliation of cash and cash equivalents to statement of net position								
Cash and equivalents	\$ 4,817,298	\$ 937,433	\$ 1,387,904	\$ 3,473,012	\$ 462,625	\$ 1,022,455	\$ 12,100,727	\$ 677,038
Restricted cash and equivalents	846,480	-	-	915,817	-	-	1,762,297	153,261
Cash and cash equivalents, end of year	<u>\$ 5,663,778</u>	<u>\$ 937,433</u>	<u>\$ 1,387,904</u>	<u>\$ 4,388,829</u>	<u>\$ 462,625</u>	<u>\$ 1,022,455</u>	<u>\$ 13,863,024</u>	<u>\$ 830,299</u>

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

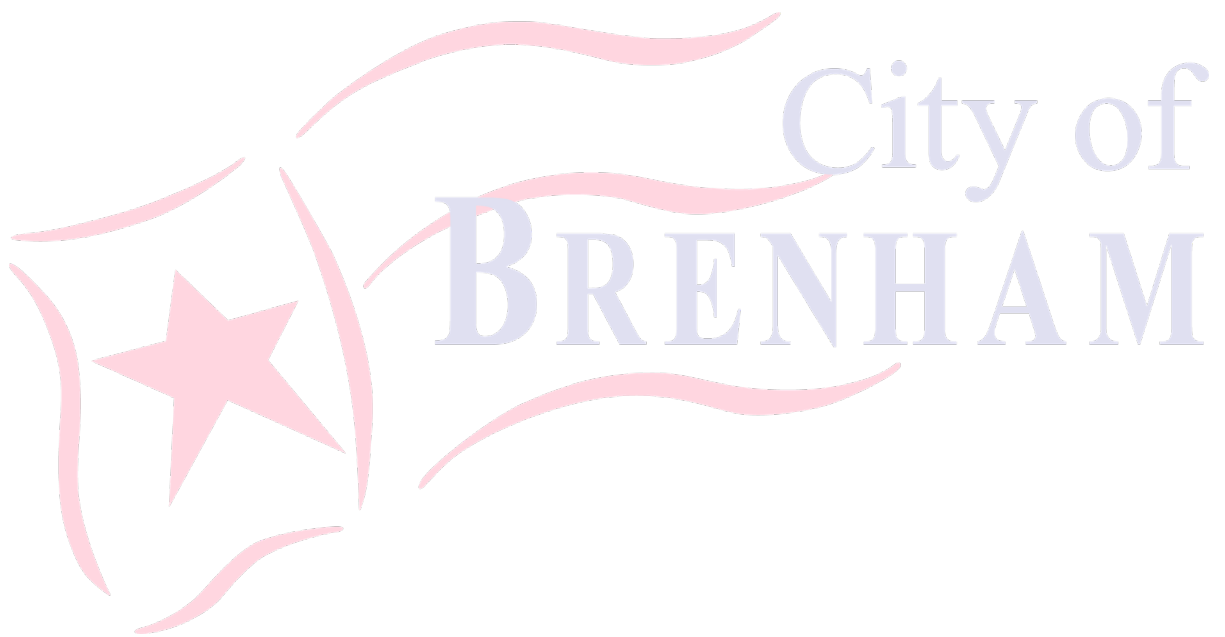
Operating income (loss)	\$ 1,755,769	\$ 512,342	\$ 1,162,456	\$ 363,230	\$ (61,462)	\$ 191,845	\$ 3,924,180	\$ (77,705)
Adjustments to reconcile net cash provided (used) by operating activities								
Depreciation and amortization	959,137	152,767	1,228,573	1,018,313	14,739	46,109	3,419,638	327,856
Provision for uncollectible accounts	69,925	(2,943)	3,115	1,397	3,036	573	75,103	-
Other income (expense)	22,819	-	4,800	4,300	11	-	31,930	-
Changes in assets and liabilities affecting cash provided by operations:								
(Increase) decrease in accounts receivable	(921,622)	212,927	(275,619)	(15,740)	(28,770)	(3,954)	(1,032,778)	-
(Increase) decrease in other receivables	(2,222,012)	-	-	-	-	-	(2,222,012)	-
(Increase) decrease in inventory	(158,134)	(27,849)	21,227	(5,671)	-	-	(170,427)	1,275
(Increase) decrease in interfund receivables	1,220,447	-	-	(186,138)	-	-	1,034,309	-
(Increase) decrease in intergovernmental receivables	(814)	-	-	-	-	188,753	187,939	-
Increase (decrease) in interfund payables	-	186,138	-	-	-	-	186,138	-
(Increase) decrease in other assets	-	(200,000)	(25,077)	-	-	-	(225,077)	-
Increase (decrease) in accounts payable and other current liabilities	235,657	(269,387)	200,946	382,093	33,654	61,671	644,634	(505)
Increase (decrease) in over-recovered fuel costs	1,805,336	179,347	-	-	-	-	1,984,683	-
Increase (decrease) in salaries & benefits payable	8,192	2,733	7,760	9,938	-	724	29,347	-
Increase (decrease) in compensated absences	(2,321)	7,584	(81)	9,138	-	(535)	13,785	-
Increase (decrease) in postemployment benefits	17,428	3,865	7,079	5,501	-	916	34,789	-
Increase (decrease) in pension benefits	46,336	8,411	15,168	9,647	-	(16)	79,546	-
Increase (decrease) in consumer deposits	31,379	-	-	-	-	-	31,379	-
Net cash provided (used) by operating activities	<u>\$ 2,867,522</u>	<u>\$ 765,935</u>	<u>\$ 2,350,347</u>	<u>\$ 1,596,008</u>	<u>\$ (38,792)</u>	<u>\$ 486,086</u>	<u>\$ 8,027,106</u>	<u>\$ 250,921</u>

Noncash investing, capital and financing activities

Contribution of capital assets	-	-	1,499,370	1,893,644	-	-	3,393,014	-
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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, 2023

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, 2023

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 *General Government Capital Projects Fund* is used for proceeds and expenditures for approved general government bond projects.

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, 2023

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, demand deposits, and amounts held in a state money pool and another public investment pool. Investments in government pools are recorded at amortized cost or net asset value.

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.

The City invests in no form of joint venture with other entities. Investments are recorded at fair value based on quoted market prices. Certificates of deposit are recorded at cost.

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, 2023

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, 2023

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, 2023

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 \$83,176 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, 2023, 4 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, 2023

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, 2023, 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, General Government Capital Projects 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, Airport Capital Improvements Fund, TIRZ #1 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, 2023

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, 2023, 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, 2023, the City had funds in a State Money Pool (TexPool) which had a balance of \$8,349,697 which was included in cash and cash equivalents and restricted cash at September 30, 2023. "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 City has elected the practical expedient to record these funds at net asset value. The pool seeks to maintain a \$1.00 value per share as required by the Texas Public Fund Investment Act. Its fair value at fiscal year-end was \$0.99987 per share. The weighted average maturities of the pools cannot exceed 60 days, with the maximum maturity of any investment is limited to 397 calendar days. 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 funds in TexSTAR, another public funds investment pool, which had a balance of \$23,201,406 and was included in cash and cash equivalents and restricted cash at September 30, 2023. "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. The City has elected the practical expedient to record these funds at net asset value. 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 was \$0.999816 per share at fiscal year-end. 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, 2023

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 \$13,207,162 and the bank balances totaled \$13,800,014. Of the bank and certificates of deposit balances, \$250,000 was covered by federal depository insurance and \$13,550,014 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	\$ 252,659
Assessments	128,076
	<u>380,735</u>
Less Allowance for Uncollectibles	(7,500)
Accounts Receivable, Net	<u>\$ 373,235</u>

Proprietary Funds

	Electric Fund	Gas Fund	Water Fund	Wastewater Fund	Sanitation Fund	Drainage Fund	Total
Accounts	\$ 3,934,188	\$ 263,188	\$ 1,180,068	\$ 564,778	\$ 322,284	\$ 85,494	\$6,350,000
Less Allowance for Uncollectibles	(92,000)	(6,520)	(22,013)	(17,000)	(5,000)	(2,000)	(144,533)
Accounts Receivable, Net	<u>\$ 3,842,188</u>	<u>\$ 256,668</u>	<u>\$ 1,158,055</u>	<u>\$ 547,778</u>	<u>\$ 317,284</u>	<u>\$ 83,494</u>	<u>\$6,205,467</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

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)	\$ 240,305	\$ -	\$ 240,305
Delinquent property taxes receivable (Debt Service Fund)	121,709	-	121,709
Franchise fees receivable	193,208	-	193,208
Lien assessments and pending seizures	123,263	-	123,263
Charges for Services not yet earned	-	48,938	48,938
Total deferred/unearned revenue for governmental funds	<u>\$ 678,485</u>	<u>\$ 48,938</u>	<u>\$ 727,423</u>
Balances not expected to be collected within one year	\$ 123,263	\$ -	\$ 123,263

C. Receivables – Property Taxes

The following information relates to property taxes receivable for the year ended September 30, 2023:

Original Certified Tax Roll	\$ 1,943,600,158
Approved Rate (Per \$100 Valuation)	0.4737
Original Levy	9,206,834
Supplements	276,210
Adjusted Levy	<u>\$ 9,483,044</u>
Collections on Current Tax Roll	9,359,274
Total Collections	9,411,902
Property Taxes Receivable	\$ 362,014

D. Notes Receivable

Notes receivable at September 30, 2023 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	\$ 385,859
Note receivable from component unit Brenham Community Development Corporation, principal amount \$500,000; Interest payable at 3.250%; maturing September 2026, unsecured	200,000
	<u>\$ 585,859</u>
Less Current Portion	(143,505)
	<u>\$ 442,354</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets

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

<u>Governmental Activities</u>	Beginning Balance	Increases	Reclass/CIP to Complete	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	\$ 4,481,031	\$ -	\$ -	\$ -	\$ 4,481,031
Land Improvements	160,718	-	-	-	160,718
Intangibles-Easements	10,593	-	-	-	10,593
Construction in Progress	355,006	522,551	(119,711)	-	757,846
Total Not Being Depreciated	5,007,348	522,551	(119,711)	-	5,410,188
Capital Assets, Being Depreciated:					
Buildings	30,613,809	252,502	-	(160,635)	30,705,676
Improvements Other Than Buildings	16,555,884	440,063	9,650	(100,439)	16,905,158
Furniture, Fixtures and Equipment	2,516,584	13,370	-	(95,520)	2,434,434
Machinery	808,553	99,173	-	-	907,726
Vehicles	8,896,348	787,888	8,511	(152,328)	9,540,419
Radios	702,316	-	-	-	702,316
Intangibles-Software	223,368	-	-	(31,000)	192,368
Infrastructure	65,206,830	9,194,296	101,550	(538,008)	73,964,668
Total Being Depreciated	125,523,692	10,787,292	119,711	(1,077,930)	135,352,765
Less Accumulated Depreciation for:					
Buildings	(13,279,742)	(899,694)	-	55,218	(14,124,218)
Improvements Other Than Bldgs.	(11,280,856)	(481,914)	-	100,439	(11,662,331)
Furniture, Fixtures and Equipment	(1,853,521)	(30,617)	-	95,520	(1,788,618)
Machinery	(578,324)	(90,934)	-	-	(669,258)
Vehicles	(5,714,573)	(780,719)	-	152,328	(6,342,964)
Radios	(343,101)	(57,312)	-	-	(400,413)
Intangibles-Software	(135,719)	-	-	31,000	(104,719)
Infrastructure	(30,599,058)	(1,169,947)	-	538,009	(31,230,996)
Total Accumulated Depreciation	(63,784,894)	(3,511,137)	-	972,514	(66,323,517)
Total Being Depreciated, Net	61,738,798	7,276,155	119,711	(105,416)	69,029,248
Capital Assets, Net	\$ 66,746,146	\$ 7,798,706	\$ -	\$ (105,416)	\$ 74,439,436
<u>Business-type Activities</u>	Beginning Balance	Additions	Reclass/CIP to Complete	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	\$ 571,108	\$ 13,277	\$ -	\$ -	\$ 584,385
Intangibles-Easements	33,811	-	-	-	33,811
Construction in Progress	843,234	2,494,253	(180,970)	-	3,156,517
Total Not Being Depreciated	1,448,153	2,507,530	(180,970)	-	3,774,713
Capital Assets, Being Depreciated:					
Buildings	864,476	-	-	-	864,476
Improvements Other Than Buildings	42,704,839	-	94,400	(43,691)	42,755,548
Furniture, Fixtures and Equipment	2,195,297	13,370	-	-	2,208,667
Vehicles	5,273,367	437,384	-	(224,831)	5,485,920
Intangibles-Software	219,926	-	-	-	219,926
Infrastructure	75,770,851	4,854,380	86,570	(129,083)	80,582,718
Total Being Depreciated	127,028,756	5,305,134	180,970	(397,605)	132,117,255
Less Accumulated Depreciation for:					
Buildings	(558,061)	(21,992)	-	-	(580,053)
Improvements Other Than Bldgs.	(18,622,343)	(1,014,129)	-	43,691	(19,592,781)
Furniture, Fixtures and Equipment	(1,724,509)	(154,208)	-	-	(1,878,717)
Vehicles	(3,178,489)	(418,024)	-	219,294	(3,377,219)
Intangibles-Software	(168,499)	(15,071)	-	-	(183,570)
Infrastructure	(39,661,800)	(1,809,453)	-	108,959	(41,362,294)
Total Accumulated Depreciation	(63,913,701)	(3,432,877)	-	371,944	(66,974,634)
Total Being Depreciated, Net	63,115,055	1,872,257	180,970	(25,661)	65,142,621
Capital Assets, Net	\$ 64,563,208	\$ 4,379,787	\$ -	\$ (25,661)	\$ 68,917,334

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

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	\$ 680,783
General Government	420,543
Health and Welfare	92,581
Highways and Streets	1,417,142
Public Safety	643,402
Total Governmental Activities	<u>\$ 3,254,451</u>
<u>Business-type Activities</u>	
Electric	\$ 901,207
Gas	152,767
Water	1,228,573
Sewer	1,018,313
Sanitation	14,739
Drainage	46,109
Total Business-type Activities	<u>\$ 3,361,708</u>
<u>Internal Service Funds</u>	
Central Fleet	\$ 71,170
Vehicle Equipment Replacement (VERF)	256,686
Total Internal Service Funds	<u>\$ 327,856</u>

As of September 30, 2023, capital assets of the component unit consist of land (not being depreciated) with a balance of \$2,682,499, land improvements (not being depreciated) with a balance of \$886,527 and other improvements (being depreciated) with a balance of \$9,482.

F. Contractual Commitments

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

On November 1, 2021, the City entered into gas supply and pipeline transportation contracts, each with terms of one year. Both the supply and transportation contracts expired on October 31, 2022, and a new combined supply and transport contract was entered into effective November 1, 2022. The new contract is for a term of five years, expiring October 31, 2027, with Houston Ship Channel daily midpoint pricing. For the year ending September 30, 2023, \$1,627,725 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, 2023 was \$439,992.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

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, 2023 \$68,112 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 expensed under this contract for the year ending September 30, 2023 was \$15,669,194.

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, 2023, the City paid \$2,440,821 under this contract.

The City has the following active construction projects as of September 30, 2023:

	Contract Amount	Spent-to-Date	Remaining Commitment
Streets & Drainage	1,787,700	931,632	856,068
Electric	249,650	34,748	214,902
Water	3,027,680	225,547	2,802,133
Wastewater	2,163,256	992,729	1,170,527
Parks	336,000	216,098	119,902
Total	7,564,286	2,400,754	5,163,532

As of September 30, 2023, the City has commitments to purchase approximately \$950,000 for a new fire truck and an animal control replacement vehicle. The City has also negotiated an arrangement with a non-profit entity to receive the donation of The Barnhill Center at Historic Simon Theatre. In exchange, utilizing hotel occupancy fund reserves, the City will contribute approximately \$480,000 for the entity's final debt payment related to the building. The exchange is expected to occur in March 2024.

G. 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. At September 30, 2023 the balances were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Electric Fund	Debt Service Fund	\$ 307,405
		\$ 307,405
Wastewater Fund	Gas Fund	\$ 392,430
		\$ 392,430

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

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, 2023:

Transfers From:	Transfers To:							Transfers From
	Governmental Activities		Business Type Activities					
	General	Other Gov't	Electric	Gas	Water	Wastewater	Drainage	
Governmental Activities								
Major Funds								
General Fund	\$ -	\$ 86,667	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,667
General Govt. Capital Projects	-	2,000,000	-	-	-	-	-	2,000,000
Other Gov't Funds	656,327	-	-	-	-	-	-	656,327
Internal Service	214,822	-	22,351	5,515	19,079	9,012	4,221	275,000
Business-type Activities								
Major Funds								
Electric	1,707,482	-	-	-	-	-	-	1,707,482
Gas	281,732	-	218,237	-	-	-	-	499,969
Water	273,042	-	261,421	-	-	-	-	534,463
Wastewater	235,246	-	141,501	-	-	-	-	376,747
Sanitation	274,268	-	13,307	-	815,000	-	-	1,102,575
Total Transfers To	\$ 3,642,919	\$ 2,086,667	\$ 656,817	\$ 5,515	\$ 834,079	\$ 9,012	\$ 4,221	\$ 7,239,230

Contributions from the Brenham Community Development (BCDC) component unit to the primary government totaled \$2,054,119 in FY23. \$220,674 in payments were reported as operating grants and contributions while \$1,833,445 was reported as capital grants and contributions.

H. Long-Term Debt

During the fiscal year, the City financed the purchase of an electric department chipper truck for \$209,682 and a wastewater department camera inspection system trailer for \$121,305, both through promissory notes with a local bank.

During the fiscal year, the City issued \$9.530 million of new certificates of obligation recognized in the governmental funds. The debt was issued for the purpose of street and drainage infrastructure improvements and the construction of a second fire station.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

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, 2023:

	Balance <u>9/30/2022</u>	<u>Additions</u>	FY23 <u>Retirements</u>	Balance <u>9/30/2023</u>	Due Within <u>One Year</u>	<u>Long Term</u>
Governmental Activities						
Long Term Debt						
2006 COB - Gen	\$ 2,740,000	\$ -	\$ (635,000)	\$ 2,105,000	\$ 665,000	\$ 1,440,000
2011 GOB Ref - Gen	210,663	-	(210,663)	-	-	-
2012 COB -Gen	1,070,000	-	(95,000)	975,000	95,000	880,000
2014 COB-Gen	2,795,000	-	(190,000)	2,605,000	195,000	2,410,000
2016 COB-Gen	865,435	-	(46,528)	818,907	48,390	770,517
2017 COB-Gen	2,160,000	-	(115,000)	2,045,000	115,000	1,930,000
2019 COB-Gen	1,290,000	-	(60,000)	1,230,000	60,000	1,170,000
2020 COB-Gen	2,975,000	-	(125,000)	2,850,000	130,000	2,720,000
2022 COB-Gen	3,985,000	-	(160,000)	3,825,000	165,000	3,660,000
2023 COB-Gen	-	9,530,000	(425,000)	9,105,000	695,000	8,410,000
	<u>18,091,098</u>	<u>9,530,000</u>	<u>(2,062,191)</u>	<u>25,558,907</u>	<u>2,168,390</u>	<u>23,390,517</u>
Unamort Bond Premium	615,500	467,443	(44,687)	1,038,256	NA	1,038,256
Ref Deferred Charges - '11 Ref GOB	(16,840)	-	16,840	-	NA	-
	<u>18,689,758</u>	<u>9,997,443</u>	<u>(2,090,038)</u>	<u>26,597,163</u>	<u>2,168,390</u>	<u>24,428,773</u>
Brenham National Bank 5 Year Note Payable - VERF	86,693	-	(42,843)	43,850	43,850	-
Brenham National Bank 7 Year Note Payable - VERF	112,216	-	(27,086)	85,130	27,725	57,405
Citizens State Bank Excavator Note Payable - VERF	107,639	-	(20,892)	86,747	21,202	65,545
Brenham National Bank SCBA Note Payable - VERF	342,691	-	(54,120)	288,571	55,328	233,243
Brenham National Bank PD HVAC Note Payable	252,502	-	(32,561)	219,941	33,578	186,363
Subtotal-Long Term Debt	<u>19,591,499</u>	<u>9,997,443</u>	<u>(2,267,540)</u>	<u>27,321,402</u>	<u>2,350,073</u>	<u>24,971,329</u>
Other Long-Term Liabilities						
Chase Veh/Equip Lease Purchase	287,165	-	(141,915)	145,250	145,250	-
Other Long Term Payable	80,928	-	(21,533)	59,395	16,329	43,066
Compensated Absences ⁽¹⁾	534,590	562,484	(567,185)	529,889	281,242	248,647
Subtotal-Other Long-Term Liabilities	<u>902,683</u>	<u>562,484</u>	<u>(730,633)</u>	<u>734,534</u>	<u>442,821</u>	<u>291,713</u>
Total Governmental	<u>\$ 20,494,182</u>	<u>\$ 10,559,927</u>	<u>\$ (2,998,173)</u>	<u>\$ 28,055,936</u>	<u>\$ 2,792,894</u>	<u>\$ 25,263,042</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, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

	Balance 9/30/2022	Additions	FY23 Retirements	Balance 9/30/2023	Due Within One Year	Long Term
Business Type Activities						
Long Term Debt						
2011 GOB Ref - Wastewater	\$ 469,333	\$ -	\$ (469,333)	\$ -	\$ -	\$ -
2016 COB- Electric	1,459,565	-	(78,472)	1,381,093	81,610	1,299,483
2016 GOB Ref-Water	3,480,000	-	(520,000)	2,960,000	540,000	2,420,000
2017 COB-Water	525,000	-	(25,000)	500,000	30,000	470,000
2017 COB-Wastewater	430,000	-	(20,000)	410,000	25,000	385,000
2019 COB-Water	1,285,000	-	(60,000)	1,225,000	60,000	1,165,000
2020 COB-Water	650,000	-	(25,000)	625,000	30,000	595,000
2020 COB-Wastewater	1,205,000	-	(50,000)	1,155,000	55,000	1,100,000
2022 COB-Water	2,810,000	-	(115,000)	2,695,000	120,000	2,575,000
2022 COB-Wastewater	2,100,000	-	(85,000)	2,015,000	90,000	1,925,000
	<u>14,413,898</u>	<u>-</u>	<u>(1,447,805)</u>	<u>12,966,093</u>	<u>1,031,610</u>	<u>11,934,483</u>
Unamort Bond Premium-Electric	186,101	-	(13,413)	172,688	NA	172,688
Unamort Bond Premium-Water	539,095	-	(69,011)	470,084	NA	470,084
Unamort Bond Premium-Wastewater	166,597	-	(10,976)	155,621	NA	155,621
11 Ref Deferred Chrg-Waterwater	(37,556)	-	37,556	-	NA	-
16 Ref Deferred Chrg-Water	(189,432)	-	32,246	(157,186)	NA	(157,186)
	<u>15,078,703</u>	<u>-</u>	<u>(1,471,403)</u>	<u>13,607,300</u>	<u>1,031,610</u>	<u>12,575,690</u>
Bank of Brenham Spreader Truck Note-Water	35,851	-	(35,851)	-	-	-
Bank of Brenham Street Sweeper Note-Drainage	143,829	-	(46,901)	96,928	47,932	48,996
Citizens State Bank Excavator Note Payable-Drainage	107,639	-	(20,892)	86,747	21,206	65,541
Bank of Brenham Camera Trailer Note-Wastewater	-	209,682	(42,627)	167,055	38,770	128,285
Bank of Brenham Chipper Truck Note-Electric	-	121,305	(24,237)	97,068	22,528	74,540
Subtotal-Long Term Debt	<u>15,366,022</u>	<u>330,987</u>	<u>(1,641,911)</u>	<u>14,055,098</u>	<u>1,162,046</u>	<u>12,893,052</u>
Other Long-Term Liabilities						
Chase Veh/Equip Lease Purchase-Fleet	58,896	-	(29,106)	29,790	29,790	-
Chase Veh/Equip Lease Purchase-Wastewater	50,334	-	(24,875)	25,459	25,459	-
Compensated Absences	209,184	255,653	(241,867)	222,970	126,951	96,019
Subtotal-Other Long-Term Liabilities	<u>318,414</u>	<u>255,653</u>	<u>(295,848)</u>	<u>278,219</u>	<u>182,200</u>	<u>96,019</u>
Total Proprietary	<u>\$ 15,684,436</u>	<u>\$ 586,640</u>	<u>\$ (1,937,759)</u>	<u>\$ 14,333,317</u>	<u>\$ 1,344,246</u>	<u>\$ 12,989,071</u>
Component Unit Governmental Activities						
Long Term Debt						
Note Payable-BCDC to City Elec Fund-FY10	\$ 468,137	\$ -	\$ (82,278)	\$ 385,859	\$ 78,505	\$ 307,354
Note Payable-BCDC to City Elec Fund-FY17	265,000	-	(65,000)	200,000	65,000	135,000
Subtotal-Long Term Debt	<u>733,137</u>	<u>-</u>	<u>(147,278)</u>	<u>585,859</u>	<u>143,505</u>	<u>442,354</u>
Other Long-Term Liabilities						
Compensated Absences	13,360	5,058	(15,603)	2,815	2,529	286
Subtotal-Other Long-Term Liabilities	<u>13,360</u>	<u>5,058</u>	<u>(15,603)</u>	<u>2,815</u>	<u>2,529</u>	<u>286</u>
Total Governmental - BCDC	<u>\$ 746,497</u>	<u>\$ 5,058</u>	<u>\$ (162,881)</u>	<u>\$ 588,674</u>	<u>\$ 146,034</u>	<u>\$ 442,640</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

The annual debt service requirement to maturity for all bonded outstanding debt as of September 30, 2023 follows:

FISCAL YEAR ENDING 9/30	PRIMARY GOVERNMENT					
	GENERAL OBLIGATION		CERTIFICATES OF OBLIGATION		TOTAL	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2024	\$ 540,000	\$ 113,400	\$ 2,660,000	\$ 1,205,744	\$ 3,200,000	\$ 1,319,144
2025	565,000	91,800	2,900,000	1,096,925	3,465,000	1,188,725
2026	590,000	69,200	3,165,000	976,205	3,755,000	1,045,405
2027	620,000	45,600	1,690,000	842,519	2,310,000	888,119
2028	645,000	20,800	1,780,000	783,556	2,425,000	804,356
2029-2033	-	-	9,675,000	2,992,426	9,675,000	2,992,426
2034-2038	-	-	8,765,000	1,503,478	8,765,000	1,503,478
2039-2043	-	-	4,930,000	404,972	4,930,000	404,972
	<u>\$ 2,960,000</u>	<u>\$ 340,800</u>	<u>\$35,565,000</u>	<u>\$ 9,805,825</u>	<u>\$ 38,525,000</u>	<u>\$ 10,146,625</u>

The annual debt service requirement to maturity for all notes payable outstanding debt as of September 30, 2023 follows:

FISCAL YEAR ENDING 9/30	NOTES PAYABLE	
	PRINCIPAL	INTEREST
	2024	\$ 312,111
2025	276,048	25,936
2026	233,978	17,923
2027	211,435	10,759
2028	98,593	4,033
2029	39,872	1,396
	<u>\$ 1,172,037</u>	<u>\$ 94,788</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

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%	\$ 2,105,000
\$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%	975,000
\$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%	2,605,000
\$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%	2,200,000
\$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%	2,960,000
\$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%	2,955,000
\$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%	2,455,000
\$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%	4,630,000
\$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%	8,535,000
\$9,530,000; 2023 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$260,000 to \$1,035,000 through August 15, 2043; interest rate 4.0-5.0%	9,105,000
\$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.	200,499
\$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)	43,850
\$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)	85,130
\$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)	96,928
\$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)	173,494
\$402,129 note payable dated July 14, 2021 due in annual installments of \$61,474 including interest, through October 15, 2027; uncollateralized (SCBA)	288,571
\$252,502 note payable dated May 20, 2022 due in annual installments of \$41,296 including interest, through May 20, 2029; uncollateralized (PD HVAC)	219,941
\$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.	59,395
\$209,682 note payable dated April 12, 2023 due in annual installments of \$47,063 including interest, through September 15, 2027; uncollateralized (Camera Trailer)	167,055
\$121,305 note payable dated February 24, 2023 due in annual installments of \$27,346 including interest, through September 1, 2027; uncollateralized (Chipper Truck)	97,068
Compensated Absences for accrued vacation	752,859
	<u>\$40,709,790</u>
Unamortized Bond Premium	1,836,649
Deferred Charges on Bonds	(157,186)
	<u><u>\$42,389,253</u></u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

Debt outstanding for Brenham Community Development Corporation Component Unit at September 30, 2023 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	\$ 385,859
\$500,000 note payable to primary government dated May 5, 2017, interest payable at 3.25%, unsecured, annual payments 2017 through 2026	<u>200,000</u>
	<u><u>\$ 585,859</u></u>

FISCAL YEAR ENDING 9/30	COMPONENT UNIT NOTES PAYABLE	
	PRINCIPAL	INTEREST
	2024	\$ 143,505
2025	139,904	81,449
2026	141,469	82,771
2027	68,191	83,774
2028	65,064	86,901
2029	27,726	40,143
	<u>\$ 585,859</u>	<u>\$ 454,998</u>

I. 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	(611,692)	(227,546)
Total Net Asset	<u>\$ 336,980</u>	<u>\$ 133,554</u>

The total future minimum lease payments and the net present value of these minimum payments as of September 30, 2023 were as follows:

Year Ending September 30	Governmental Activities (1)	Business-Type Activities (2)
2024	\$ 148,663	\$ 56,547
Total Minimum Lease Payments	\$ 148,663	\$ 56,547
Less: Amount Representing Interest	(3,413)	(1,298)
Present Value of Minimum Payments	<u>\$ 145,250</u>	<u>\$ 55,249</u>

(1) The Debt Service Fund is used to liquidate the governmental activities lease liability.

(2) The Central Fleet Fund and the Wastewater Fund are used to liquidate the business-type activities lease liability.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

J. 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.

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.

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.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

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

During the year, the City leased land and building space. The leases have varying terms between fifteen months and thirty years. The City recognized \$186,129 in lease and interest revenue during the current fiscal year related to these leases. As of September 30, 2023, the City's receivable for lease payments was \$1,401,136. 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, 2023, the balance of the deferred inflow of resources was \$1,389,708.

The future amounts to be received under the lease agreements as of September 30, 2023 were as follows:

Governmental Activities			
<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2024	\$ 22,695	\$ 11,346	\$ 34,041
2025	19,767	10,926	30,693
2026	20,182	10,511	30,693
2027	20,607	10,086	30,693
2028	18,590	9,651	28,241
2029-2033	88,723	41,743	130,466
2034-2038	84,429	31,267	115,696
2039-2043	88,521	20,150	108,671
2044-2048	83,352	9,017	92,369
2049-2053	13,979	1,000	14,979
	<u>\$ 460,845</u>	<u>\$ 155,697</u>	<u>\$ 616,542</u>

Business-Type Activities			
<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2024	\$ 153,775	\$ 6,237	\$ 160,012
2025	145,886	5,126	151,012
2026	131,633	4,108	135,741
2027	132,582	3,159	135,741
2028	135,898	2,204	138,102
2029-2033	240,517	1,891	242,408
	<u>\$ 940,291</u>	<u>\$ 22,725</u>	<u>\$ 963,016</u>
	<u>\$ 1,401,136</u>	<u>\$ 178,422</u>	<u>\$ 1,579,558</u>

Component Unit			
<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2024	\$ 2,838	\$ 11	\$ 2,849
	<u>\$ 2,838</u>	<u>\$ 11</u>	<u>\$ 2,849</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

2. Lease payable

The City has entered into lease agreements as lessee for the acquisition and use of office equipment and land space. The leases had varying terms between twenty-three months and 21 years. As of September 30, 2023, the value of the lease liability was \$115,694.

The future principal and interest lease payments as of September 30, 2023, were as follows:

Governmental Activities			
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	\$ 10,946	\$ 965	\$ 11,911
2025	11,277	633	11,910
2026	11,619	292	11,911
2027	3,351	26	3,377
2028	132	1	133
	\$ 37,325	\$ 1,917	\$ 39,242
Business-Type Activities			
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	\$ 17,215	\$ 2,260	\$ 19,475
2025	17,765	1,710	19,475
2026	18,332	1,142	19,474
2027	18,918	557	19,475
2028	4,876	68	4,944
2029-2033	376	124	500
2034-2038	419	81	500
2039-2043	468	32	500
	\$ 78,369	\$ 5,974	\$ 84,343
	\$ 115,694	\$ 7,891	\$ 123,585

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

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, 2023 were as follows:

Governmental Activities			
Asset Class	Lease Asset Value	Accumulated Amortization	Lease Asset, Net of Amortization
Equipment	\$ 45,542	\$ 8,439	\$ 37,103
Total	\$ 45,542	\$ 8,439	\$ 37,103

Business-Type Activities			
Asset Class	Lease Asset Value	Accumulated Amortization	Lease Asset, Net of Amortization
Equipment	\$ 92,778	\$ 12,726	\$ 80,052
Total	\$ 92,778	\$ 12,726	\$ 80,052

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

K. Subscription-Based Information Technology Arrangements

Effective October 1, 2022, the City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which required the recognition of certain subscription assets and liabilities for subscriptions that previously were classified as operating expenses and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The adoption of GASB No. 96 had no historical impact on the City's net position and no restatement of net position was made.

1. Subscription Liabilities

Prior to the beginning of the current fiscal year, the City entered into subscription agreements for the use of various information technology platforms. The various subscription-based information technology arrangements (SBITAs) have terms of which expire in various years through 2028.

The future principal and interest subscription payments as of September 30, 2023, were as follows:

Governmental Activities			
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	\$ 237,482	\$ 11,202	\$ 248,684
2025	53,006	3,667	56,673
2026	24,670	2,028	26,698
2027	21,444	1,288	22,732
2028	22,080	653	22,733
	\$ 358,682	\$ 18,838	\$ 377,520

Business-Type Activities			
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	\$ 35,123	\$ 5,422	\$ 40,545
2025	36,227	4,318	40,545
2026	32,666	3,179	35,845
2027	33,693	2,152	35,845
2028	34,752	1,093	35,845
	\$ 172,461	\$ 16,164	\$ 188,625
	\$ 531,143	\$ 35,002	\$ 566,145

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

III. DETAILED NOTES ON ALL FUNDS (Continued)

Right to use SBITA assets are amortized on a straight-line basis over the terms of the related subscription agreements. Right to use SBITA asset balances as of September 30, 2023 were as follows:

Governmental Activities			
Asset Class	Subscription Asset Value	Accumulated Amortization	Subscription Asset, Net of Amortization
Software	\$ 608,489	\$ 204,204	\$ 404,285
Total	\$ 608,489	\$ 204,204	\$ 404,285

Business-Type Activities			
Asset Class	Subscription Asset Value	Accumulated Amortization	Subscription Asset, Net of Amortization
Software	\$ 219,397	\$ 40,452	\$ 178,945
Total	\$ 219,397	\$ 40,452	\$ 178,945
	\$ 827,886	\$ 244,656	\$ 583,230

Component Unit			
Asset Class	Subscription Asset Value	Accumulated Amortization	Subscription Asset, Net of Amortization
Software	\$ 8,797	\$ 5,276	\$ 3,521
Total	\$ 8,797	\$ 5,276	\$ 3,521

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, 2023 the primary government reported a liability for rebtable arbitrage in the following funds. These amounts were reported as interest, fiscal and other charges.

Streets & Drainage Improvements Fund	\$ 24,314
General Government Capital Projects Fund	6,246
Wastewater Fund	27,628
	\$ 58,188

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

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	\$ 8,878,705	\$ 971,704
Customer Deposits	-	1,790,593
Debt Service	1,111,213	-
Hotel/Motel Tax	795,275	-
PD Criminal Law Enforcement	89,327	-
Streets/Drainage Improvements	2,693,950	-
Tax Increment Reinvestment Zone #1	882,548	-
Community Projects	998	-
Worker's compensation	153,261	-
	<u>\$ 14,605,277</u>	<u>\$ 2,762,297</u>

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.

O. 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, 2023

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, 2023:

	General Fund	Debt Service Fund	General Govt. Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Inventory	\$ 185,654	\$ -	\$ -	\$ -	\$ 185,654
Prepaid Assets	1,000	-	-	-	1,000
Restricted for:					
Debt Service	-	805,632	-	-	805,632
Grantor and Contributor Purposes	33,967	-	-	998	34,965
Public Safety	17,187	-	8,792,996	80,941	8,891,124
Economic Development	-	-	-	878,775	878,775
Transportation & Aviation Projects	-	-	67,772	2,216,870	2,284,642
Court Technology and Security	-	-	-	76,401	76,401
Tourism Promotion	-	-	-	864,949	864,949
Committed to:					
Park Capital Improvements	-	-	-	1,444,471	1,444,471
Transportation and Aviation Projects	-	-	-	85,948	85,948
Assigned to:					
Culture and Recreation	-	-	-	36,996	36,996
Unassigned:	8,000,720	-	-	-	8,000,720
Total Fund Balances:	<u>\$ 8,238,528</u>	<u>\$ 805,632</u>	<u>\$ 8,860,768</u>	<u>\$ 5,686,349</u>	<u>\$ 23,591,277</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

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, 2023 was \$153,311.

B. Contingent Liabilities

The City is subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial statements of the City.

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, 2023 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.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

IV. OTHER INFORMATION (Continued)

D. Retirement

The aggregate amount for all pension plans as of September 30, 2023 are as follows:

	<i>TMRS</i>	<i>TESRS</i>	<i>Total</i>
<i>Net Pension Liability</i>	\$ 17,190,350	\$ 329,472	\$ 17,519,822
<i>Deferred Outflows of Resources</i>	\$ (6,166,944)	\$ (158,826)	\$ (6,325,770)
<i>Deferred Inflows of Resources</i>	\$ 276,707	\$ 1,657	\$ 278,364
<i>Current Year Pension Expense</i>	\$ 2,546,456	\$ 43,433	\$ 2,589,889

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 2022</i>	<i>Plan Year 2023</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, 2023

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>	<u>2022</u>
Inactive employees or beneficiaries currently receiving benefits	161
Inactive employees entitled to but not yet receiving benefits	183
Active employees	<u>195</u>
Total	539

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 16.64% and 17.11% in 2022 and 2023, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2023 were \$2,216,482 and were equal to the required contribution.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, 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, 2022 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, 2023

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 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public and Private Markets	12.00%	7.22%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	10.00%	10.00%
Total	100.00%	

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

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 12/31/2021	\$ 64,555,595	\$ 55,154,620	\$ 9,400,975
Changes for the year:			
Service Cost	1,456,731	-	1,456,731
Interest	4,310,203	-	4,310,203
Change of benefit terms	-	-	-
Difference between expected and actual experience	756,234	-	756,234
Changes of assumptions	-	-	-
Contributions - employer	-	2,111,487	(2,111,487)
Contributions - employee	-	634,465	(634,465)
Net investment income	-	(4,018,891)	4,018,891
Benefit payments, including refunds of employee contributions	(2,858,205)	(2,858,205)	-
Administrative expense	-	(34,839)	34,839
Other changes	-	41,572	(41,572)
Net changes	3,664,963	(4,124,411)	7,789,374
Balance at 12/31/2022	\$ 68,220,558	\$ 51,030,209	\$ 17,190,349

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	\$26,694,076	\$17,190,349	\$9,391,915

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, 2023, the City of Brenham recognized pension expense of \$2,546,456 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	\$ 972,828	\$ 276,707
Differences in assumption changes	17,008	-
Differences between projected and actual investment earnings	3,459,711	-
Contributions subsequent to the measurement date	1,717,397	-
Total	\$ 6,166,944	\$ 276,707

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling \$1,717,397 will be recognized as a reduction of the net pension liability for the year ending September 30, 2024.

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

<u>Measurement Year</u>	<u>Pension Expense</u>
2023	\$ 315,887
2024	1,240,741
2025	1,067,848
2026	1,548,364
2027	-
Thereafter	-
Total	\$ 4,172,840

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

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, 2022, 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, 2022, the pension system membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	3,991
Terminated Members Entitled to Benefits but Not Yet Receiving Them	1,813
Active Participants (Vested and Non-vested)	3,379

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
September 30, 2023

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, 2022 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, 2022, total contributions (dues, prior service, and interest on prior service financing) of \$39,060 were paid by the City. The State appropriated \$1,262,763 for the fiscal year ending August 31, 2022 to the plan as a whole.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

IV. OTHER INFORMATION (Continued)

Net Pension Liability

The System's net pension liability was measured as of August 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2022.

Total pension liability	\$ 165,375,669
Plan fiduciary net position	124,345,593
System's net pension liability	\$ 41,030,076
Plan fiduciary net position as a percentage of the total pension liability	75.20%

Actuarial Assumptions

The total pension liability in the August 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	8/31/2022
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 4.61%) 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, 2023

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%	6.17%
Emerging Markets	5.00%	7.36%
Global infrastructure	5.00%	6.61%
Real Estate	10.00%	4.48%
Multi asset income	5.00%	3.86%
Fixed Income	30.00%	1.95%
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, 2022 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	\$516,851	\$329,472	\$ 177,734

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

IV. OTHER INFORMATION (Continued)

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

At August 31, 2023, the City reported a liability of \$329,472 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	\$ 329,472
State's proportionate share that is associated with the City*	<u>85,524</u>
Total	<u>\$ 414,996</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, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2022. 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. TERSRS 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, 2022. The City used the assumption that any differences in the net pension liability measured as of August 31, 2022 versus September 30, 2022 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, 2021 through August 31, 2022.

At August 31, 2022 the employer's proportion of the collective net pension liability was 0.803%.

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, 2023 the City recognized pension expense of \$43,433. The City recognized on-behalf revenues of \$13,638 calculated by taking the State's total contributions to TERSRS multiplied by the City's proportionate share.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

IV. OTHER INFORMATION (Continued)

At August 31, 2022, the City reported its proportionate share of the TESRS'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	\$ 121,504	\$ -
Differences due to changes in actuarial assumptions	-	1,657
Differences in expected and actual experience	12,542	-
Contributions paid to TESRS subsequent to the measurement data	24,780	-
Total	\$ 158,826	\$ 1,657

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling \$24,780 will be recognized as a reduction of the net liability for the year ending September 30, 2024.

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
2023	\$ 38,200
2024	23,714
2025	24,760
2026	45,715
Total	<u>\$ 132,389</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. The contribution requirements of plan members are established by the City and may be amended as needed.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

IV. OTHER INFORMATION (Continued)

Employees covered by benefit terms. At October 1, 2022, 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	9
Inactive employees entitled to but not yet receiving benefit payments	0
Active plan members	159
	168

Total OPEB Liability. The City's total OPEB liability of \$1,911,380 was measured as of September 30, 2023 and was determined by an actuarial valuation as of October 1, 2022.

Actuarial Assumptions. The total OPEB in the October 1, 2022 actuarial valuation was determined using the following actuarial assumptions as of the September 30, 2023 measurement date:

Discount rate	4.09%
Actuarial cost method	Entry Age Normal
Inflation	2.30%
Salary increases including inflation	2.75%
Healthcare cost trend rate	Initial rate of 6.60% increasing to 7.00% after the first year then decreasing to 4.10% after 10 years then increasing to 4.20 in year 28 then declining to an ultimate rate of 3.70% after 51 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	\$ 2,630,262
Changes for the year:	
Service Cost	53,301
Interest on total OPEB liability	107,675
Effect of plan changes	-
Effect of economic/demographic gains or losses	(855,510)
Effect of assumptions, changes or inputs	(14,048)
Benefit payments	(10,300)
Net changes	(718,882)
Balance at 9/30/2022	\$ 1,911,380

City of Brenham, Texas
Notes to Basic Financial Statements
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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 4.09%, 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 (3.09%) or 1 percentage point higher (5.09%) than the current rate.

	1% Decrease in Discount Rate (3.09%)	Discount Rate (4.09%)	1% Increase in Discount Rate (5.09%)
Total OPEB Liability	\$2,125,020	\$1,911,380	\$1,724,643

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	\$1,679,699	\$1,911,380	\$2,189,974

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$118,617. At September 30, 2023, 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	\$ -	\$ 103,276
Changes of assumptions	124,575	503,802
Total	\$ 124,575	\$ 607,078

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

<u>Year ended September 30:</u>		
2024	\$	(32,059)
2025		(24,298)
2026		(37,260)
2027		(61,299)
2028		(151,439)
Thereafter		(176,148)
Total	<u>\$</u>	<u>(482,503)</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

IV. OTHER INFORMATION (Continued)

F. Restatements

The net position of the City’s business-type activities and Gas Fund as previously reported, as of September 30, 2022, have been restated to give effect to the following:

Deferred Outflow of Resources

The beginning net position has been restated as a result of deferred outflows for under-recovered fuel costs being understated as of September 30, 2022 due to a litigation settlement liability incorrectly recorded as cost of sales and services. A table depicting this change to the fund level financial statements follows:

	Gas Fund
Net position as previously reported	\$ 3,086,282
Deferred Outflows, Under Recovered Fuel Costs	100,000
Net Position as restated	\$ 3,186,282

The beginning balance of deferred outflows reported in the government-wide statements has also been restated to reflect this correction of a previously reported value. A table depicting this change to the government-wide financial statements follows:

	Business-Type Activities
Net position as previously reported	\$ 62,779,642
Increase/(Decrease) due to correction of deferred outflows	100,000
Net Position as restated	\$ 62,879,642

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, 2023, 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

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

IV. OTHER INFORMATION (Continued)

total acreage of Zone One to 2,400 acres. In FY23, the City began funding one project for Zone #1, the development of a small area plan for approximately 600 acres of land. As of September 30, 2023, \$62,738 of TIRZ funds have been used for this project. 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
2023	560,329,886	336,011,374	224,318,512	531,298

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

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 2023, the City abated property taxes of \$95,008, or 1.00%, of the \$9,483,044 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

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

IV. OTHER INFORMATION (Continued)

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. In FY22, the City reimbursed the developer \$520,000 for the costs related to road improvements and primary building materials. As of September 30, 2023, the City had accrued the year 1 sales tax reimbursement payment of \$150,544, which was subsequently paid in December 2023.

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, 2023, no payments were payable related to this agreement.

In FY23, the City entered into a Chapter 380 Agreement with a developer of a mixed used development. Under the terms of the agreement, the City agrees to utilize TIRZ funds to reimburse actual costs related to qualified public infrastructure constructed by the developer. The reimbursement payments will be paid annually as revenues are received into the TIRZ funds and at no time will reimbursement payments exceed the funds generated by the developer's project. Reimbursement payments will commence in 2024, and in years 1 through 10, 100% of the increment generated by the project will be used to reimburse qualified infrastructure costs. The reimbursement percentage decreases to 75% in years 11 through 20. As of September 30, 2023, no payments were payable related to this agreement.

J. Related Party Transactions

In 2023, the City paid for services totaling \$20,159 that were provided by a related party of the City Council.

K. Subsequent Events

Effective October 1, 2023, the City and BCDC entered into a Chapter 380 Economic Development Agreement with a retail developer to reimburse a percentage of sales tax generated by the project over a period of 10 years at a maximum amount of \$500,000 each for the City and BCDC.

On October 19, 2023, the City Council awarded a bid in the amount of \$387,000 for restroom and locker room improvements at the Blue Bell Aquatic Center.

On October 25, 2023, the City signed a contract with a contractor for \$1,096,470 for synthetic turf improvements to four softball fields at Hohlt Park.

On January 25, 2024, the BCDC approved the re-purchase of 6.4 acres of land in the Brenham Business Center for \$347,952.

On February 1, 2024, the City Council approved the termination of the contract between the City and the Texas General Land Office - Community Development Block Grant Mitigation Program for the Hogg Branch Creek Flood and Drainage Facilities Improvements project. Due to increased project costs, the project became unfeasible, and the City requested to close out the grant. It is undetermined at this time if grant funds received to date of \$310,182 will be required to be repaid in part or in whole.

On February 22, 2024, the City Council approved the adoption of impact fees as charges or assessments imposed against new development for water and wastewater capital improvements.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2023

IV. OTHER INFORMATION (Continued)

On March 7, 2024, the City Council authorized the issuance and sale of \$10,080,000 Combination Tax and Revenue Certificates of Obligation, Series 2024. The proceeds from the sales are to be used for water and wastewater system improvements.

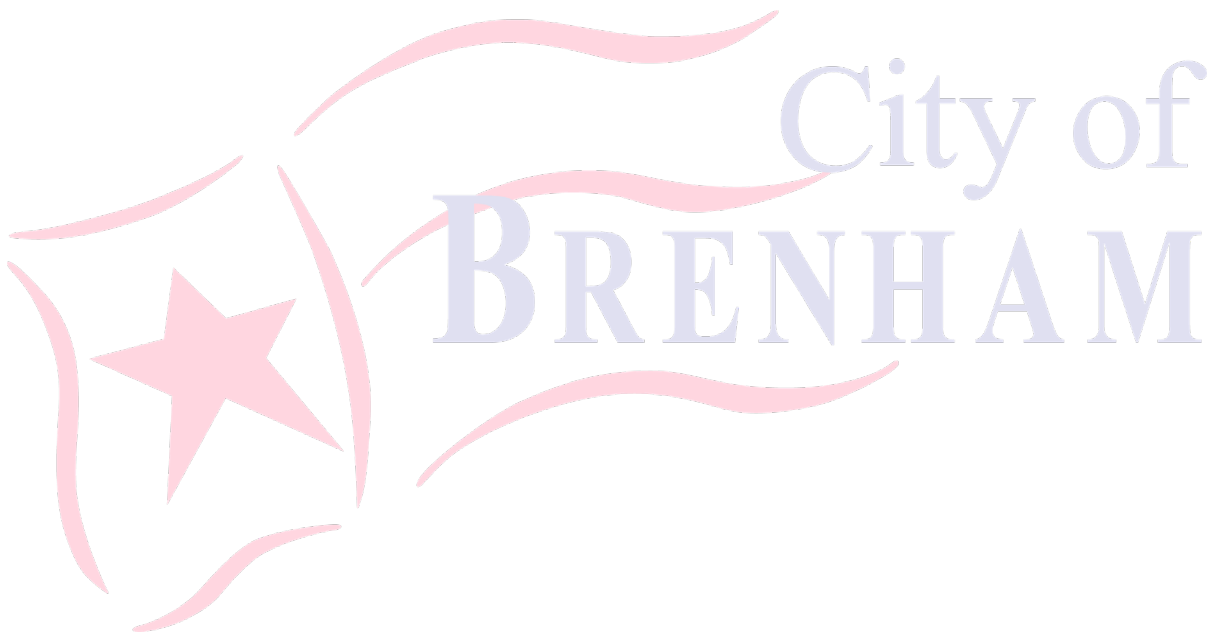
On March 7, 2024, the City Council awarded a bid in the amount of \$821,000 for sanitary sewer improvements in the Brenham Business Center.

L. New Pronouncements

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

- 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.
- Statement No. 102, "Certain Risk Disclosures." 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, 2023

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

	2018	2019	2020	2021	2022	2023
Total OPEB Liability						
Service Cost	\$ 81,913	\$ 72,565	\$ 80,218	\$ 138,863	\$ 116,390	\$ 53,301
Interest on total OPEB liability	53,194	60,179	46,875	44,136	69,696	107,675
Effect of economic/demographic gains or losses	-	(47,313)	-	1,105,573	-	(855,510)
Effect of assumptions, changes or inputs	(95,711)	271,845	82,095	(165,473)	(518,026)	(14,048)
Benefit payments	(67,223)	(35,993)	(48,780)	(16,929)	(10,600)	(10,300)
Net Change in Total OPEB Liability	(27,827)	321,283	160,408	1,106,170	(342,540)	(718,882)
Total OPEB Liability - Beginning	1,412,768	1,384,941	1,706,224	1,866,632	2,972,802	2,630,262
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>	<u>\$ 1,911,380</u>
Covered employee payroll	10,974,567	11,151,153	11,489,506	12,324,263	13,196,310	13,036,729
Total OPEB liability as a percentage of covered-employee payroll	12.62%	15.30%	16.25%	24.12%	19.93%	14.66%

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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City of Brenham, Texas
Required Supplementary Information
September 30, 2023

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	2022
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	\$ 1,456,731
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	4,310,203
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	756,234
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)	(2,858,205)
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	3,664,963
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	64,555,595
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>	<u>\$68,220,558</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	\$ 2,111,487
Contributions - Employee	519,774	529,614	520,181	551,014	548,595	566,685	584,681	623,544	634,465
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	(4,018,891)
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)	(2,858,205)
Administrative Expense	(21,680)	(34,193)	(28,385)	(27,801)	(25,030)	(36,024)	(23,013)	(29,830)	(34,839)
Other	(1,782)	(1,688)	(1,529)	(1,409)	(1,308)	(1,082)	(897)	204	41,572
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	(4,124,411)
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	55,154,620
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>	<u>\$51,030,209</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	\$ 17,190,349
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%	74.80%
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	\$ 12,689,292
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%	135.47%

Notes to Schedule:
N/A

**City of Brenham, Texas
Required Supplementary Information
September 30, 2023**

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

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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	\$ 2,216,482
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	\$ 2,216,482
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	\$ 13,036,729
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%	17.00%

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	22 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

There were no benefit changes during the year.

City of Brenham, Texas
Required Supplementary Information
September 30, 2023

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	2023
City's proportion of the net pension liability	1.1990%	1.1290%	1.2100%	1.0970%	1.2460%	1.1860%	1.2340%	0.9740%	0.8030%
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	\$ 329,472
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	85,524
Total	<u>\$ 291,503</u>	<u>\$ 405,819</u>	<u>\$ 474,296</u>	<u>\$ 349,523</u>	<u>\$ 344,636</u>	<u>\$ 435,899</u>	<u>\$ 399,788</u>	<u>\$ 133,239</u>	<u>\$ 414,996</u>
Number of Active Members*	32	32	32	35	31	33	26	23	16
City's Net Pension Liability per Active Member	\$ 6,809	\$ 9,417	\$ 11,014	\$ 7,523	\$ 8,702	\$ 10,187	\$ 11,965	\$ 4,537	\$ 20,592
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%	75.20%

*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.

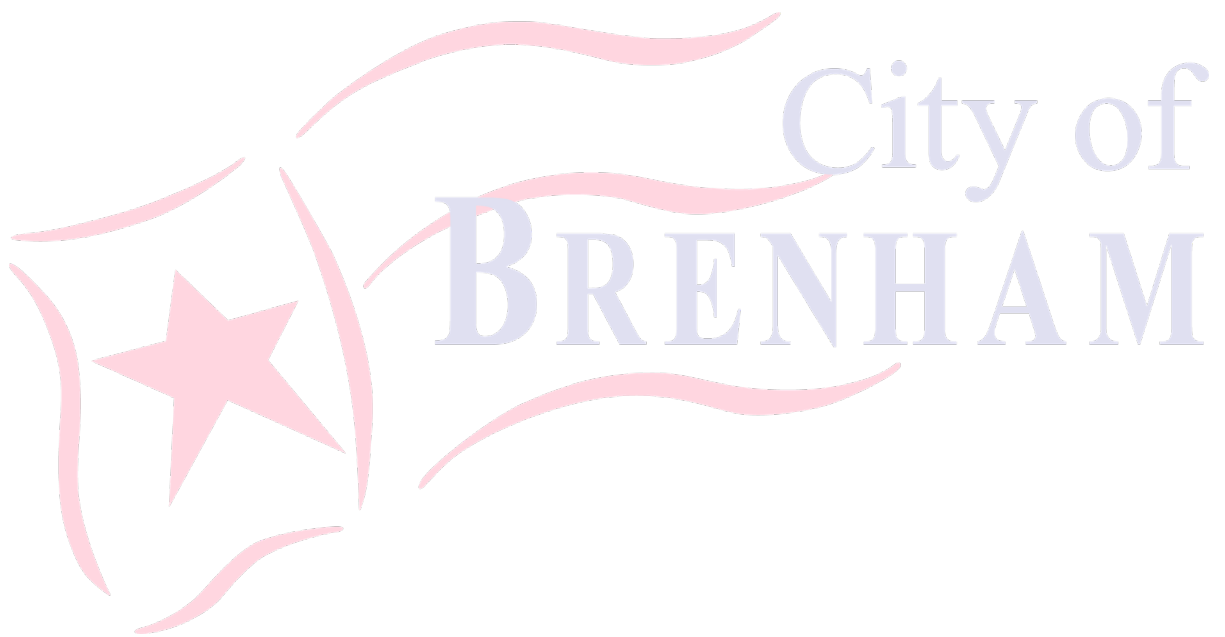
City of Brenham, Texas
Required Supplementary Information
September 30, 2023

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.



COMBINING FUND STATEMENTS
AND SCHEDULES

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.

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.

General Government Capital Projects Fund

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

City of Brenham
Combining Balance Sheet
Other Governmental Funds
September 30, 2023

	Special Revenue Funds	Nonmajor Capital Projects Funds	Total Other Governmental Funds
Assets			
Cash and Equivalents	\$ 70,467	\$ 473,675	\$ 544,142
Receivables (Net)			
Occupancy Tax	76,915	-	76,915
Due from Component Unit	-	980,570	980,570
Other Current Assets	-	85,791	85,791
Restricted Cash	885,600	3,576,498	4,462,098
Total Assets	\$ 1,032,982	\$ 5,116,534	\$ 6,149,516
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable & Other Current Liabilities	\$ 9,693	\$ 429,160	\$ 438,853
Rebatable Arbitrage, Long Term	-	24,314	24,314
Total Liabilities	9,693	453,474	463,167
Fund Balances:			
Restricted	1,023,289	3,095,645	4,118,934
Committed	-	1,530,419	1,530,419
Assigned	-	36,996	36,996
Total Fund Balances	1,023,289	4,663,060	5,686,349
Total Liabilities and Fund Balances	\$ 1,032,982	\$ 5,116,534	\$ 6,149,516

City of Brenham
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds
For the Year Ended September 30, 2023

	Special Revenue Funds	Nonmajor Capital Projects Funds	Total Other Governmental Funds
Revenues			
Taxes	\$ 931,651	\$ 531,298	\$ 1,462,949
Intergovernmental	-	274,715	274,715
Charges for Services	40,147	-	40,147
Investment Income	29,379	133,626	163,005
Payment from Component Unit	-	1,905,435	1,905,435
Contributions and Donations	12,000	6,521	18,521
Program Revenue/Restitution	30,037	-	30,037
Miscellaneous	-	17,000	17,000
Total revenues	<u>1,043,214</u>	<u>2,868,595</u>	<u>3,911,809</u>
Expenditures			
Current:			
Culture and Recreation	39,375	265,671	305,046
General Government	25,946	62,738	88,684
Highways and Streets	-	202,152	202,152
Public Safety	15,014	-	15,014
Capital Outlay	-	3,073,757	3,073,757
Debt Service:			
Interest, Fiscal & Other Charges	-	24,314	24,314
Total expenditures	<u>80,335</u>	<u>3,628,632</u>	<u>3,708,967</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>962,879</u>	<u>(760,037)</u>	<u>202,842</u>
Other Financing Sources (Uses)			
Transfers In	-	2,086,667	2,086,667
Transfers Out	(656,327)	-	(656,327)
Total other financing sources and (uses)	<u>(656,327)</u>	<u>2,086,667</u>	<u>1,430,340</u>
Net change in Fund Balances	306,552	1,326,630	1,633,182
Fund balances - beginning	<u>716,737</u>	<u>4,880,549</u>	<u>5,597,286</u>
Restatement of fund balances	<u>-</u>	<u>(1,544,119)</u>	<u>(1,544,119)</u>
Fund balances - restated	<u>716,737</u>	<u>3,336,430</u>	<u>4,053,167</u>
Fund balances - ending	<u>\$ 1,023,289</u>	<u>\$ 4,663,060</u>	<u>\$ 5,686,349</u>

City of Brenham
Combining Balance Sheet
Other Governmental Funds - Special Revenue Funds
September 30, 2023

	<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	\$ -	\$ -	\$ 70,467	\$ -	\$ 70,467
Receivables (Net)					
Occupancy Tax	76,915	-	-	-	76,915
Interfund Receivables	-	-	8,386	-	8,386
Restricted Cash	795,275	89,327	-	998	885,600
Total Assets	<u>\$ 872,190</u>	<u>\$ 89,327</u>	<u>\$ 78,853</u>	<u>\$ 998</u>	<u>\$ 1,041,368</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable & Other Current Liabilities	\$ 7,241	\$ -	\$ 2,452	\$ -	\$ 9,693
Interfund Payables	-	8,386	-	-	8,386
Total Liabilities	<u>7,241</u>	<u>8,386</u>	<u>2,452</u>	<u>-</u>	<u>18,079</u>
Fund Balances:					
Restricted	864,949	80,941	76,401	998	1,023,289
Total Fund Balances	<u>864,949</u>	<u>80,941</u>	<u>76,401</u>	<u>998</u>	<u>1,023,289</u>
Total Liabilities and Fund Balances	<u>\$ 872,190</u>	<u>\$ 89,327</u>	<u>\$ 78,853</u>	<u>\$ 998</u>	<u>\$ 1,041,368</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, 2023

	Hotel/Motel Tax Fund	PD Crim. Law Enforcement Fund	Courts Tech./Security Fund	Brenham Community Projects Fund, Inc.	Total Special Revenue Funds
Revenues					
Taxes	\$ 931,651	\$ -	\$ -	\$ -	\$ 931,651
Charges for Services	-	-	40,147	-	40,147
Investment Income	23,948	3,153	2,275	3	29,379
Contributions and Donations	-	-	-	12,000	12,000
Program Revenue/Restitution	-	30,037	-	-	30,037
Total revenues	955,599	33,190	42,422	12,003	1,043,214
Expenditures					
Current:					
Culture and Recreation	39,375	-	-	-	39,375
General Government	-	-	25,946	-	25,946
Public Safety	-	15,014	-	-	15,014
Total expenditures	39,375	15,014	25,946	-	80,335
Excess (Deficiency) of Revenues Over (Under) Expenditures	916,224	18,176	16,476	12,003	962,879
Other Financing Sources (Uses)					
Transfers Out	(630,000)	-	(14,327)	(12,000)	(656,327)
Total other financing sources and (uses)	(630,000)	-	(14,327)	(12,000)	(656,327)
Net change in Fund Balances	286,224	18,176	2,149	3	306,552
Fund balances - beginning	578,725	62,765	74,252	995	716,737
Fund balances - ending	\$ 864,949	\$ 80,941	\$ 76,401	\$ 998	\$ 1,023,289

City of Brenham
Combining Balance Sheet
Other Governmental Funds - Nonmajor Capital Projects Funds
September 30, 2023

	Airport Capital Impr. Fund	2017 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	\$ 157	\$ -	\$ 473,518	\$ -	\$ -	\$ 473,675
Interfund Receivable	-	-	27,379	-	-	27,379
Due from Component Unit	-	-	980,570	-	-	980,570
Other Current Assets	85,791	-	-	-	-	85,791
Restricted Cash	-	-	-	2,693,950	882,548	3,576,498
Total Assets	\$ 85,948	-	\$ 1,481,467	\$ 2,693,950	\$ 882,548	\$ 5,143,913
Liabilities and Fund Balances						
Liabilities:						
Accounts Payable & Other Current Liabilities	\$ -	\$ -	\$ -	\$ 425,387	\$ 3,773	\$ 429,160
Interfund Payables	-	-	-	27,379	-	27,379
Rebatable Arbitrage, Long Term	-	-	-	24,314	-	24,314
Total Liabilities	-	-	-	477,080	3,773	480,853
Fund Balances:						
Restricted	-	-	-	2,216,870	878,775	3,095,645
Committed	85,948	-	1,444,471	-	-	1,530,419
Assigned	-	-	36,996	-	-	36,996
Total Fund Balances	85,948	-	1,481,467	2,216,870	878,775	4,663,060
Total Liabilities and Fund Balances	\$ 85,948	-	\$ 1,481,467	\$ 2,693,950	\$ 882,548	\$ 5,143,913

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, 2023

	Airport Capital Impr. Fund	2017 Capital Projects Fund	Parks Capital Improvements Fund	Streets & Drainage Improvements Fund	TIRZ Reinvestment Zone #1 Fund	Total Nonmajor Capital Projects Funds
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 531,298	\$ 531,298
Intergovernmental	208,315	-	66,400	-	-	274,715
Investment Income	4	14,050	-	97,118	22,454	133,626
Payment from Component Unit	-	-	1,905,435	-	-	1,905,435
Contributions and Donations	-	-	6,521	-	-	6,521
Miscellaneous	-	-	17,000	-	-	17,000
Total revenues	<u>208,319</u>	<u>14,050</u>	<u>1,995,356</u>	<u>97,118</u>	<u>553,752</u>	<u>2,868,595</u>
Expenditures						
Current:						
Culture and Recreation	-	-	265,671	-	-	265,671
General Government	-	-	-	-	62,738	62,738
Highways and Streets	193,652	-	-	8,500	-	202,152
Capital Outlay	15,539	-	500,497	2,557,721	-	3,073,757
Debt Service:						
Interest, Fiscal & Other Charges	-	-	-	24,314	-	24,314
Total expenditures	<u>209,191</u>	<u>-</u>	<u>766,168</u>	<u>2,590,535</u>	<u>62,738</u>	<u>3,628,632</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(872)</u>	<u>14,050</u>	<u>1,229,188</u>	<u>(2,493,417)</u>	<u>491,014</u>	<u>(760,037)</u>
Other Financing Sources (Uses)						
Transfers In	86,667	-	-	2,513,331	-	2,599,998
Transfers Out	-	(513,331)	-	-	-	(513,331)
Total other financing sources and (uses)	<u>86,667</u>	<u>(513,331)</u>	<u>-</u>	<u>2,513,331</u>	<u>-</u>	<u>2,086,667</u>
Net change in Fund Balances	<u>85,795</u>	<u>(499,281)</u>	<u>1,229,188</u>	<u>19,914</u>	<u>491,014</u>	<u>1,326,630</u>
Fund balances - beginning	<u>153</u>	<u>499,281</u>	<u>252,279</u>	<u>2,196,956</u>	<u>387,761</u>	<u>3,336,430</u>
Fund balances - ending	<u>\$ 85,948</u>	<u>\$ -</u>	<u>\$ 1,481,467</u>	<u>\$ 2,216,870</u>	<u>\$ 878,775</u>	<u>\$ 4,663,060</u>

City of Brenham
Internal Service Funds
Combining Statement of Net Position
September 30, 2023

	Workers' Compensation Fund	Central Fleet Fund	Vehicle & Equip. Replacement Fund	Total
Assets				
Current assets:				
Cash and Cash Equivalents	\$ -	\$ 218,254	\$ 458,784	\$ 677,038
Other Current Assets	50	-	-	50
Restricted Cash	153,261	-	-	153,261
Total current assets	<u>153,311</u>	<u>218,254</u>	<u>458,784</u>	<u>830,349</u>
Noncurrent assets:				
Capital Assets, Net	-	264,421	1,038,160	1,302,581
Total noncurrent assets	<u>-</u>	<u>264,421</u>	<u>1,038,160</u>	<u>1,302,581</u>
Total Assets	<u>\$ 153,311</u>	<u>\$ 482,675</u>	<u>\$ 1,496,944</u>	<u>\$ 2,132,930</u>
Liabilities and Fund Balances				
Current liabilities:				
Accounts Payable & Other Current Liabilities	\$ -	\$ 773	\$ -	\$ 773
Accrued Interest	-	379	7,754	8,133
Finance Lease Liability, Current	-	29,789	-	29,789
Note Payable, Current	-	-	149,273	149,273
Total current liabilities	<u>-</u>	<u>30,941</u>	<u>157,027</u>	<u>187,968</u>
Noncurrent liabilities:				
Long Term Debt, Net	-	-	355,023	355,023
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>355,023</u>	<u>355,023</u>
Total Liabilities	<u>-</u>	<u>30,941</u>	<u>512,050</u>	<u>542,991</u>
Net Position				
Net Investment in Capital Assets	-	234,632	533,864	768,496
Unrestricted	153,311	217,102	451,030	821,443
Total Net Position	<u>\$ 153,311</u>	<u>\$ 451,734</u>	<u>\$ 984,894</u>	<u>\$ 1,589,939</u>

City of Brenham, Texas
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year ended September 30, 2023

	Workers' Compensation Fund	Central Fleet Fund	Vehicle & Equip. Replacement Fund	Total
Operating revenues:				
Charges for Services	\$ 142,435	\$ 95,691	\$ 158,562	\$ 396,688
Total operating revenues	<u>142,435</u>	<u>95,691</u>	<u>158,562</u>	<u>396,688</u>
Operating expenses:				
Supplies	-	169	-	169
Maintenance	-	11,389	-	11,389
Contractual Services	126,145	68	-	126,213
Depreciation	-	71,170	256,686	327,856
Miscellaneous	-	8,766	-	8,766
Total operating expenses	<u>126,145</u>	<u>91,562</u>	<u>256,686</u>	<u>474,393</u>
Operating Income (loss)	<u>16,290</u>	<u>4,129</u>	<u>(98,124)</u>	<u>(77,705)</u>
Nonoperating revenues (expenses):				
Investment Income	8,665	5,274	12,096	26,035
Interest, Fiscal & Other Charges	-	(1,013)	(11,537)	(12,550)
Total non-operating revenue (expenses):	<u>8,665</u>	<u>4,261</u>	<u>559</u>	<u>13,485</u>
Income (loss) before contributions and transfers	24,955	8,390	(97,565)	(64,220)
Transfers Out	(275,000)	-	-	(275,000)
Total Transfers In	<u>(275,000)</u>	<u>-</u>	<u>-</u>	<u>(275,000)</u>
Change in net position	(250,045)	8,390	(97,565)	(339,220)
Total net position - beginning	403,356	443,344	1,082,459	1,929,159
Total net position - ending	<u>\$ 153,311</u>	<u>\$ 451,734</u>	<u>\$ 984,894</u>	<u>\$ 1,589,939</u>

City of Brenham, Texas
Internal Service Funds
Combining Statement of Cash Flows
For the Year ended September 30, 2023

	Workers' Compensation Fund	Central Fleet Fund	Vehicle & Equip. Replacement Fund	Total
Cash Flows from Operating Activities				
Receipts from/(payments for) interfund services provided	\$ 142,435	\$ 95,691	\$ 158,562	\$ 396,688
Payments to suppliers	(126,145)	(18,650)	(972)	(145,767)
Net cash provided (used) by operating activities	<u>16,290</u>	<u>77,041</u>	<u>157,590</u>	<u>250,921</u>
Cash Flows from Non Capital Financing Activities				
Transfers in (out)	(275,000)	-	-	(275,000)
Net cash provided (used) by non capital financing activities	<u>(275,000)</u>	<u>-</u>	<u>-</u>	<u>(275,000)</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition and Construction of Capital Assets	-	-	(86,374)	(86,374)
Principal paid on bonds, financing leases and notes payable	-	(29,106)	(144,942)	(174,048)
Interest and fees paid on financing leases and notes payable	-	(1,383)	(13,620)	(15,003)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(30,489)</u>	<u>(244,936)</u>	<u>(275,425)</u>
Cash Flows from Investing Activities				
Investment income received	8,665	5,274	12,096	26,035
Net cash provided (used) by investing activities	<u>8,665</u>	<u>5,274</u>	<u>12,096</u>	<u>26,035</u>
Net increase (decrease) in cash and cash equivalents	(250,045)	51,826	(75,250)	(273,469)
Cash and cash equivalents, beginning of the year	403,306	166,428	534,034	1,103,768
Cash and cash equivalents, end of the year	<u>\$ 153,261</u>	<u>\$ 218,254</u>	<u>\$ 458,784</u>	<u>\$ 830,299</u>
Reconciliation of cash and cash equivalents to statement of net position				
Cash and equivalents	\$ -	\$ 218,254	\$ 458,784	\$ 677,038
Restricted cash and equivalents	153,261	-	-	153,261
Cash and cash equivalents, end of year	<u>\$ 153,261</u>	<u>\$ 218,254</u>	<u>\$ 458,784</u>	<u>\$ 830,299</u>
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (loss)	\$ 16,290	\$ 4,129	\$ (98,124)	\$ (77,705)
Adjustments to reconcile net cash provided (used) by operating activities				
Depreciation	-	71,170	256,686	327,856
Changes in assets and liabilities affecting cash provided by operations:				
(Increase) decrease in inventory	-	1,275	-	1,275
Increase (decrease) in accounts payable and other current liabilities	-	467	(972)	(505)
Net cash provided (used) by operating activities	<u>\$ 16,290</u>	<u>\$ 77,041</u>	<u>\$ 157,590</u>	<u>\$ 250,921</u>

City of Brenham
Debt Service
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,870,585	\$ 2,870,585	\$ 2,883,113	\$ 12,528
Investment Income	6,000	6,000	94,863	88,863
Total revenues	<u>2,876,585</u>	<u>2,876,585</u>	<u>2,977,976</u>	<u>101,391</u>
Expenditures				
Debt Service:				
Interest, Fiscal & Other Charges	643,489	643,489	635,103	8,386
Principal Retirement	2,233,572	2,233,572	2,236,668	(3,096)
Total Expenditures	<u>2,877,061</u>	<u>2,877,061</u>	<u>2,871,771</u>	<u>5,290</u>
Net change in fund balance	(476)	(476)	106,205	106,681
Fund balance - beginning	<u>699,427</u>	<u>699,427</u>	<u>699,427</u>	<u>-</u>
Fund balance - ending	<u>\$ 698,951</u>	<u>\$ 698,951</u>	<u>\$ 805,632</u>	<u>\$ 106,681</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, 2023

	<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	\$ 156,799	\$ 146,799
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>156,799</u>	<u>146,799</u>
Expenditures				
Capital Outlay	2,003,904	2,003,904	627,418	1,376,486
Debt Service:				
Interest, Fiscal & Other Charges	-	-	6,246	(6,246)
Issuance Costs	-	-	203,929	(203,929)
Total Expenditures	<u>2,003,904</u>	<u>2,003,904</u>	<u>837,593</u>	<u>1,166,311</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,993,904)</u>	<u>(1,993,904)</u>	<u>(680,794)</u>	<u>1,313,110</u>
Other Financing Sources (Uses)				
Transfers In	26,000	26,000	-	(26,000)
Transfers Out	(3,000,000)	(3,000,000)	(2,000,000)	1,000,000
Issuance of Bonds	10,000,000	10,000,000	9,530,000	(470,000)
Premium on Bonds Issued	-	-	467,443	467,443
Total other financing sources and (uses)	<u>7,026,000</u>	<u>7,026,000</u>	<u>7,997,443</u>	<u>971,443</u>
Net change in fund balance	5,032,096	5,032,096	7,316,649	2,284,553
Fund balance - beginning	1,544,119	1,544,119	1,544,119	-
Fund balance - ending	<u>\$ 6,576,215</u>	<u>\$ 6,576,215</u>	<u>\$ 8,860,768</u>	<u>\$ 2,284,553</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, 2023

	<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	\$ 800,000	\$ 800,000	\$ 931,651	\$ 131,651
Investment Income	1,200	1,200	23,948	22,748
Total revenues	<u>801,200</u>	<u>801,200</u>	<u>955,599</u>	<u>154,399</u>
Expenditures				
Current:				
Culture and Recreation	15,504	15,504	39,375	(23,871)
Total Expenditures	<u>15,504</u>	<u>15,504</u>	<u>39,375</u>	<u>(23,871)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>785,696</u>	<u>785,696</u>	<u>916,224</u>	<u>130,528</u>
Other Financing Sources (Uses)				
Transfers Out	(630,000)	(630,000)	(630,000)	-
Total other financing sources and (uses)	<u>(630,000)</u>	<u>(630,000)</u>	<u>(630,000)</u>	<u>-</u>
Net change in fund balance	155,696	155,696	286,224	130,528
Fund balance - beginning	578,725	578,725	578,725	-
Fund balance - ending	<u>\$ 734,421</u>	<u>\$ 734,421</u>	<u>\$ 864,949</u>	<u>\$ 130,528</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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ 350	\$ 350	\$ 3,153	\$ 2,803
Program Income/Restitution	10,000	10,000	30,037	20,037
Total revenues	<u>10,350</u>	<u>10,350</u>	<u>33,190</u>	<u>22,840</u>
Expenditures				
Current:				
Public Safety	7,320	7,320	15,014	(7,694)
Total Expenditures	<u>7,320</u>	<u>7,320</u>	<u>15,014</u>	<u>(7,694)</u>
Net change in fund balance	3,030	3,030	18,176	15,146
Fund balance - beginning	62,765	62,765	62,765	-
Fund balance - ending	<u>\$ 65,795</u>	<u>\$ 65,795</u>	<u>\$ 80,941</u>	<u>\$ 15,146</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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$ 43,650	\$ 43,650	\$ 40,147	\$ (3,503)
Investment Income	800	800	2,275	1,475
Total revenues	<u>44,450</u>	<u>44,450</u>	<u>42,422</u>	<u>(2,028)</u>
Expenditures				
Current:				
General Government	19,528	19,528	25,946	(6,418)
Total Expenditures	<u>19,528</u>	<u>19,528</u>	<u>25,946</u>	<u>(6,418)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>24,922</u>	<u>24,922</u>	<u>16,476</u>	<u>(8,446)</u>
Other Financing Sources (Uses)				
Transfers Out	(15,000)	(15,000)	(14,327)	673
Total other financing sources and (uses)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(14,327)</u>	<u>673</u>
Net change in fund balance	9,922	9,922	2,149	(7,773)
Fund balance - beginning	74,252	74,252	74,252	-
Fund balance - ending	<u>\$ 84,174</u>	<u>\$ 84,174</u>	<u>\$ 76,401</u>	<u>\$ (7,773)</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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions and Donations	\$ -	\$ -	\$ 12,000	\$ 12,000
Investment Income	-	-	3	3
Total revenues	<u>-</u>	<u>-</u>	<u>12,003</u>	<u>12,003</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>12,003</u>	<u>12,003</u>
Other Financing Sources (Uses)				
Transfers Out	-	-	(12,000)	(12,000)
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>(12,000)</u>	<u>(12,000)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
Fund balance - beginning	995	995	995	-
Fund balance - ending	<u>\$ 995</u>	<u>\$ 995</u>	<u>\$ 998</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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 974,625	\$ 974,625	\$ 208,315	\$ (766,310)
Investment Income	-	-	4	4
Total revenues	<u>974,625</u>	<u>974,625</u>	<u>208,319</u>	<u>(766,306)</u>
Expenditures				
Current:				
Highways and Streets	1,082,125	1,082,125	193,652	888,473
Capital Outlay	-	-	15,539	(15,539)
Total Expenditures	<u>1,082,125</u>	<u>1,082,125</u>	<u>209,191</u>	<u>872,934</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(107,500)</u>	<u>(107,500)</u>	<u>(872)</u>	<u>106,628</u>
Other Financing Sources (Uses)				
Transfers In	107,500	107,500	86,667	(20,833)
Total other financing sources and (uses)	<u>107,500</u>	<u>107,500</u>	<u>86,667</u>	<u>(20,833)</u>
Net change in fund balance	-	-	85,795	85,795
Fund balance - beginning	153	153	153	-
Fund balance - ending	<u>\$ 153</u>	<u>\$ 153</u>	<u>\$ 85,948</u>	<u>\$ 85,795</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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ -	\$ -	\$ 14,050	\$ 14,050
Total revenues	<u>-</u>	<u>-</u>	<u>14,050</u>	<u>14,050</u>
Other Financing Sources (Uses)				
Transfers Out	-	-	(513,331)	(513,331)
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>(513,331)</u>	<u>(513,331)</u>
Net change in fund balance	-	-	(499,281)	(499,281)
Fund balance - beginning	499,281	499,281	499,281	-
Fund balance - ending	<u>\$ 499,281</u>	<u>\$ 499,281</u>	<u>\$ -</u>	<u>\$ (499,281)</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, 2023

	<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
Contributions and Donations	-	-	6,521	6,521
Payment from Component Unit	1,859,662	1,859,662	1,905,435	45,773
Miscellaneous	-	-	17,000	17,000
Total revenues	<u>1,859,662</u>	<u>1,859,662</u>	<u>1,995,356</u>	<u>135,694</u>
Expenditures				
Current:				
Culture and Recreation	131,926	131,926	265,671	(133,745)
Capital Outlay	1,808,096	1,808,096	500,497	1,307,599
Total Expenditures	<u>1,940,022</u>	<u>1,940,022</u>	<u>766,168</u>	<u>1,173,854</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(80,360)	(80,360)	1,229,188	1,309,548
Fund balance - beginning	252,279	252,279	252,279	-
Fund balance - ending	<u>\$ 171,919</u>	<u>\$ 171,919</u>	<u>\$ 1,481,467</u>	<u>\$ 1,309,548</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, 2023

	<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	\$ 97,118	\$ 94,118
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>97,118</u>	<u>94,118</u>
Expenditures				
Current:				
Highways and Streets	-	-	8,500	(8,500)
Capital Outlay	5,137,333	5,137,333	2,557,721	2,579,612
Debt Service:				
Interest, Fiscal & Other Charges	-	-	24,314	(24,314)
Total Expenditures	<u>5,137,333</u>	<u>5,137,333</u>	<u>2,590,535</u>	<u>2,546,798</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,134,333)</u>	<u>(5,134,333)</u>	<u>(2,493,417)</u>	<u>2,640,916</u>
Other Financing Sources (Uses)				
Transfers In	3,000,000	3,000,000	2,513,331	(486,669)
Total other financing sources and (uses)	<u>3,000,000</u>	<u>3,000,000</u>	<u>2,513,331</u>	<u>(486,669)</u>
Net change in fund balance	(2,134,333)	(2,134,333)	19,914	2,154,247
Fund balance - beginning	2,196,956	2,196,956	2,196,956	-
Fund balance - ending	<u>\$ 62,623</u>	<u>\$ 62,623</u>	<u>\$ 2,216,870</u>	<u>\$ 2,154,247</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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 576,499	\$ 576,499	\$ 531,298	\$ (45,201)
Investment Income	1,500	1,500	22,454	20,954
Total revenues	<u>577,999</u>	<u>577,999</u>	<u>553,752</u>	<u>(24,247)</u>
Expenditures				
Current:				
General Government	70,000	70,000	62,738	7,262
Total Expenditures	<u>70,000</u>	<u>70,000</u>	<u>62,738</u>	<u>7,262</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	507,999	507,999	491,014	(16,985)
Fund balance - beginning	387,761	387,761	387,761	-
Fund balance - ending	<u>\$ 895,760</u>	<u>\$ 895,760</u>	<u>\$ 878,775</u>	<u>\$ (16,985)</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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,098,898	\$ 2,098,898	\$ 2,435,808	\$ 336,910
Intergovernmental	850,000	850,000	100,000	(750,000)
Investment Income	9,000	9,000	203,389	194,389
Contribution from Developer	-	-	27,302	27,302
Sales of Property	-	-	309,017	309,017
Miscellaneous	3,417	3,417	117,307	113,890
Total revenues	<u>2,961,315</u>	<u>2,961,315</u>	<u>3,192,823</u>	<u>231,508</u>
Expenditures				
Current:				
Economic Development	635,109	635,109	686,144	(51,035)
Debt Service:				
Interest and Fiscal Charges	78,299	78,299	78,492	(193)
Principal Retirement	147,278	147,278	156,075	(8,797)
Capital Outlay	2,018,379	2,018,379	8,797	2,009,582
Total Expenditures	<u>2,879,065</u>	<u>2,879,065</u>	<u>929,508</u>	<u>1,949,557</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	<u>82,250</u>	<u>82,250</u>	<u>2,263,315</u>	<u>2,181,065</u>
Other Financing Sources (Uses)				
Payment to Primary Government	(2,004,062)	(2,004,062)	(2,054,119)	(50,057)
Proceeds from Subscription Arrangements	-	-	8,797	(8,797)
Total other financing sources and (uses)	<u>(2,004,062)</u>	<u>(2,004,062)</u>	<u>(2,045,322)</u>	<u>(58,854)</u>
Net change in fund balance	(1,921,812)	(1,921,812)	217,993	2,122,211
Fund balance - beginning	3,632,432	3,632,432	3,632,432	-
Fund balance - ending	<u>\$ 1,710,620</u>	<u>\$ 1,710,620</u>	<u>\$ 3,850,425</u>	<u>\$ 2,122,211</u>

Net change in fund balance - component unit \$ 217,993

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.

Depreciation expense (875)

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

Sale of land (26,204)

Loss on disposal (25,935)

Contribution of Infrastructure Assets to Primary Government (154,270)

Leased and subscription assets and liabilities are not current financial resources. 3,529

Bond principal payments are expenditures in the component unit, but they reduce long term liabilities in the statement of net position. 147,278

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 10,545

Accrued interest payable 30,742

Change in net position of component unit \$ 202,803

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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions and Donations	\$ 91,500	\$ 91,500	\$ 150,076	\$ 58,576
Miscellaneous	-	-	17,187	17,187
Total revenues	<u>91,500</u>	<u>91,500</u>	<u>167,263</u>	<u>75,763</u>
Expenditures				
Current:				
Culture and Recreation	12,500	12,500	18,771	(6,271)
General Government	55,000	55,000	79,064	(24,064)
Health and Welfare	17,750	17,750	34,173	(16,423)
Public Safety	2,500	2,500	823	1,677
Total Expenditures	<u>87,750</u>	<u>87,750</u>	<u>132,831</u>	<u>(45,081)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,750</u>	<u>3,750</u>	<u>34,432</u>	<u>30,682</u>
Other Financing Sources (Uses)				
Transfers In	-	-	12,000	12,000
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>12,000</u>	<u>12,000</u>
Net change in fund balance	3,750	3,750	46,432	42,682
Fund balance - beginning	377,582	377,582	377,582	-
Fund balance - ending	<u>\$ 381,332</u>	<u>\$ 381,332</u>	<u>\$ 424,014</u>	<u>\$ 42,682</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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current:				
General Government	\$ -	\$ -	\$ 6,590	\$ (6,590)
Public Safety	-	-	29,000	(29,000)
Capital Outlay	<u>66,263</u>	<u>66,263</u>	<u>252,502</u>	<u>(186,239)</u>
Total Expenditures	<u>66,263</u>	<u>66,263</u>	<u>288,092</u>	<u>(221,829)</u>
Net change in fund balance	(66,263)	(66,263)	(288,092)	(221,829)
Fund balance - beginning	393,949	393,949	393,949	-
Fund balance - ending	<u>\$ 327,686</u>	<u>\$ 327,686</u>	<u>\$ 105,857</u>	<u>\$ (221,829)</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, 2023

	<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	\$ -	\$ (2,500)
Total revenues	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>(2,500)</u>
Expenditures				
Current:				
Public Safety	2,500	2,500	-	2,500
Total Expenditures	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>2,500</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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Grant Revenues	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Expenditures				
Current:				
Public Safety	5,000	5,000	-	5,000
Total Expenditures	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Grant Revenues	\$ 2,750	\$ 2,750	\$ 2,167	\$ (583)
Total revenues	<u>2,750</u>	<u>2,750</u>	<u>2,167</u>	<u>(583)</u>
Expenditures				
Current:				
Public Safety	5,000	5,000	-	5,000
Total Expenditures	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,250)	(2,250)	2,167	4,417
Fund balance - beginning	13,627	13,627	13,627	-
Fund balance - ending	<u>\$ 11,377</u>	<u>\$ 11,377</u>	<u>\$ 15,794</u>	<u>\$ 4,417</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, 2023

	<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	\$ 123,665	\$ 120,665
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>123,665</u>	<u>120,665</u>
Expenditures				
Current:				
Public Safety	3,000	3,000	58,166	(55,166)
Capital Outlay	-	-	65,499	(65,499)
Total Expenditures	<u>3,000</u>	<u>3,000</u>	<u>123,665</u>	<u>(120,665)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

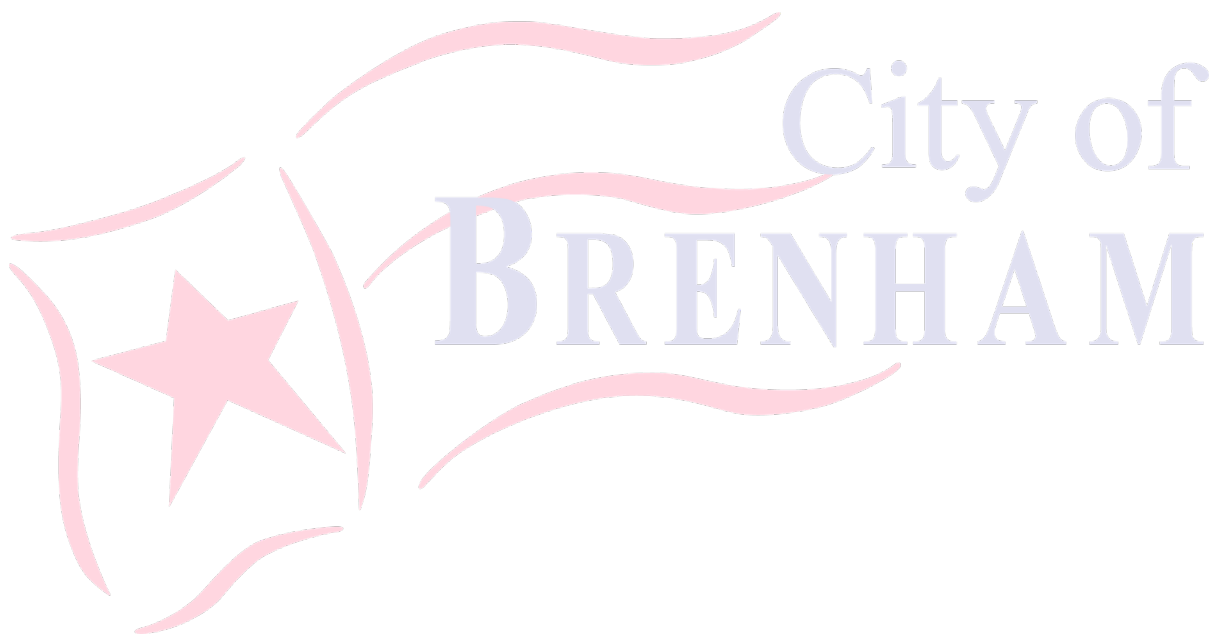
City of Brenham
Tourism and Marketing Fund *(included as part of the General Fund)*
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$ 431,400	\$ 431,400	\$ 494,806	\$ 63,406
Contributions and Donations	150	150	20,200	20,050
Total revenues	<u>431,550</u>	<u>431,550</u>	<u>515,006</u>	<u>83,456</u>
Expenditures				
Current:				
Culture and Recreation	1,146,259	1,146,259	1,289,307	(143,048)
Debt service:				
Interest & Fiscal Charges	-	-	548	(548)
Principal Retirement	-	-	54,401	(54,401)
Capital Outlay	-	-	29,971	(29,971)
Total Expenditures	<u>1,146,259</u>	<u>1,146,259</u>	<u>1,374,227</u>	<u>(227,968)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(714,709)</u>	<u>(714,709)</u>	<u>(859,221)</u>	<u>(144,512)</u>
Other Financing Sources (Uses)				
Transfers In	570,000	570,000	570,000	-
Proceeds on Subscriptions	-	-	29,971	29,971
Total other financing sources and (uses)	<u>570,000</u>	<u>570,000</u>	<u>599,971</u>	<u>29,971</u>
Net change in fund balance	<u>(144,709)</u>	<u>(144,709)</u>	<u>(259,250)</u>	<u>(114,541)</u>
Fund balance - beginning	114,661	114,661	114,661	-
Fund balance - ending	<u>\$ (30,048)</u>	<u>\$ (30,048)</u>	<u>\$ (144,589)</u>	<u>\$ (114,541)</u>

City of Brenham
Airport 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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Grant Revenues	\$ 50,000	\$ 50,000	\$ 48,192	\$ (1,808)
Charges for Services	925,000	925,000	109,368	(815,632)
Total revenues	<u>975,000</u>	<u>975,000</u>	<u>157,560</u>	<u>(817,440)</u>
Expenditures				
Current:				
Highways and Streets	<u>1,107,272</u>	<u>1,107,272</u>	<u>264,698</u>	<u>842,574</u>
Total Expenditures	<u>1,107,272</u>	<u>1,107,272</u>	<u>264,698</u>	<u>842,574</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(132,272)</u>	<u>(132,272)</u>	<u>(107,138)</u>	<u>25,134</u>
Other Financing Sources (Uses)				
Transfers In	<u>131,956</u>	<u>131,956</u>	<u>131,956</u>	<u>-</u>
Total other financing sources and (uses)	<u>131,956</u>	<u>131,956</u>	<u>131,956</u>	<u>-</u>
Net change in fund balance	(316)	(316)	24,818	25,134
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ (316)</u>	<u>\$ (316)</u>	<u>\$ 24,818</u>	<u>\$ 25,134</u>

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CERTIFIED PUBLIC ACCOUNTANTS/BUSINESS ADVISORS

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, 2023, 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 19, 2024.

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 19, 2024

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, 2023. 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, 2023.

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 19, 2024

CITY OF BRENHAM, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2023

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 Treasury ALN 21.027.
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, 2023

None

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CITY OF BRENNHAM, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL AL NUMBER	GRANT NUMBER	PROGRAM AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT 09/30/22	FEDERAL/ STATE FUNDS RECEIVED	FY 23 FEDERAL/ STATE EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 09/30/23
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	91,515	(224,570)	146,075	13,020
Texas Community Development Block Grant Program-2016 Floods	14.228	22-082-023-D556	3,400,594	200,640	(264,030)	109,542	46,152
Texas Department of Agriculture (TDA)							
Texas Community Development Block Grant Program-Community Development Fund-2021	14.228	CDV21-0325	280,000	-	-	44,230	44,230
			8,682,237	292,155	(488,600)	299,847	103,402
<u>U.S. DEPARTMENT OF JUSTICE</u>							
Bulletproof Vest Partnership 2021 Grant	16.607		2,986	-	(640)	2,986	2,346
Bulletproof Vest Partnership 2022 Grant	16.607		4,160	-	-	510	510
Bulletproof Vest Partnership 2023 Grant	16.607		3,715	-	-	-	-
			10,861	-	(640)	3,496	2,856
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>							
Texas Parks & Wildlife							
Crossover Nature Trail Recreation Grant	20.219	693JJ22230000Z940TXRT20002	66,400	-	(66,400)	66,400	-
			66,400	-	(66,400)	66,400	-
<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	(4,405,128)	-	669,747	(3,735,381)
			4,434,948	(4,405,128)	-	669,747	(3,735,381)
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>							
Texas Office of the Governor - Homeland Security Grants Division							
2022 State Homeland Security Program - Regular Projects	97.067	4484601	13,624	-	(13,624)	13,624	-
2022 State Homeland Security Program - Law Enforcement Terrorism Prevention Activities Projects	97.067	4482801	55,025	-	(55,025)	55,025	-
			68,649	-	(68,649)	68,649	-
Texas Office of the Governor - Criminal Justice Division							
Rifle-Resistant Body Armor Program	97.067	4487401	31,414	-	(31,414)	31,414	-
2023 Bullet-Resistant Shield Grant Program	97.067	4663201	20,106	-	(20,106)	20,106	-
			51,520	-	(51,520)	51,520	-
Total Federal - Cash			13,314,615	(4,112,973)	(675,809)	1,159,659	(3,629,123)
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	\$ 966,667	\$ -	(14,663)	\$ 14,663	\$ -
Federally Assisted Airport Development Grant-Master Plan	20.106	22MPBRENM	316,535	-	(193,652)	193,652	-
			\$ 1,283,202	\$ -	\$ (208,315)	\$ 208,315	\$ -
<u>U.S. DEPARTMENT OF TRANSPORTATION - HIGHWAY PLANNING AND CONSTRUCTION</u>							
Texas Department of Transportation (2)							
Federal Off-System Bridge Program	20.205		\$ 490,000	\$ -	\$ -	\$ -	\$ -
			\$ 490,000	\$ -	\$ -	\$ -	\$ -
Total Federal - Non-Cash			\$ 1,773,202	\$ -	\$ (208,315)	\$ 208,315	\$ -
Total Federal Awards - Cash and Non-Cash			\$15,087,817	\$ (4,112,973)	\$ (884,124)	\$ 1,367,974	\$ (3,629,123)

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL AL NUMBER	GRANT NUMBER	PROGRAM AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT 09/30/22	FEDERAL/ STATE FUNDS RECEIVED	FY 23 FEDERAL/ STATE EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 09/30/23
Nonfederal - State of Texas							
Texas Department of Transportation							
Routine Airport Maintenance Program (RAMP)		M2217 BREN	\$ 50,000	\$ 50,000	\$ (50,000)	\$ -	\$ -
Routine Airport Maintenance Program (RAMP)		M2317 BREN	50,000	-	-	48,192	48,192
Routine Airport Maintenance Program (RAMP)		M2417 BREN	100,000	-	-	-	-
			<u>\$ 200,000</u>	<u>\$ 50,000</u>	<u>\$ (50,000)</u>	<u>\$ 48,192</u>	<u>\$ 48,192</u>
Total Nonfederal - State of Texas			\$ 200,000	\$ 50,000	\$ (50,000)	\$ 48,192	\$ 48,192
TOTAL FEDERAL AND STATE AWARDS			<u>\$15,287,817</u>	<u>\$ (4,062,973)</u>	<u>\$ (934,124)</u>	<u>\$ 1,416,166</u>	<u>\$ (3,580,931)</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.

(2) The City is participating in an Advance Funding Agreement with the State Department of Transportation for bridge replacent or rehabilitation. No funds are directly received by the City.

City of Brenham, Texas
Notes to Federal Awards Section
September 30, 2023

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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