

CITY OF BRENHAM, TEXAS

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025



PREPARED BY THE FINANCE DIVISION

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

**TABLE OF CONTENTS
For the Fiscal Year Ended September 30, 2025**

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	19
Statement of Activities	21
Fund Financial Statements:	
Balance Sheet – Governmental Funds	22
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	24
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	25
Statement of Revenues, Expenses, and Changes in Fund Balances Budget and Actual - General Fund	26
Statement of Net Position – Proprietary Funds	27
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	29
Statement of Cash Flows – Proprietary Funds	30
Notes to the Financial Statements	33

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios	79
Schedule of Changes in Net Pension Liability and Related Ratios – Texas Municipal Retirement System	81
Schedule of Contributions – Texas Municipal Retirement System	82
Schedule of the City's Proportionate Share of the Net Pension Liability – Texas Emergency Services Retirement System	83
Schedule of Contributions – Texas Emergency Services Retirement System	84

COMBINING FUND STATEMENTS AND SCHEDULES

Nonmajor Governmental Funds	
Special Revenue Funds	85
Capital Projects Funds	85
Internal Service Funds	86
Debt Service Fund	86
General Government Capital Projects Fund	86
Combining Balance Sheet – Other Governmental Funds	87
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Other Governmental Funds	88
Combining Balance Sheet – Special Revenue Funds	89
Statement of Revenues, Expenditures, and Changes in Fund Balances – Special Revenue Funds	90
Combining Balance Sheet – Nonmajor Capital Projects Funds	91
Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Funds	92
Internal Service Funds	
Combining Statement of Net Position	93
Statement of Revenues, Expenditures, and Changes in Fund Net Position	94
Combining Statement of Cash Flows – Internal Service Funds	95

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

**TABLE OF CONTENTS
For the Fiscal Year Ended September 30, 2025**

COMBINING FUND STATEMENTS AND SCHEDULES (Cont.)

Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Debt Service Fund	96
General Government Capital Projects Fund	97
Hotel/Motel Tax Fund	98
PD Criminal Law Enforcement Fund	99
Courts Technology/Security Fund	100
Water Impact Fees Fund	101
Wastewater Impact Fees Fund	102
Brenham Community Projects Fund	103
Airport Capital Improvement Fund	104
Parks Capital Improvements Fund	105
Streets and Drainage Improvements Fund	106
Tax Increment Reinvestment Zone (TIRZ) #1 Fund	107
Brenham Community Development Corporation Fund	108
Donations Fund	109
Equipment Fund	110
Public Safety Training Fund	111
Police Department Equipment Fund	112
Tourism and Marketing Fund	113
Airport Fund	114

FEDERAL AWARDS SECTION

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	115
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance	117
Schedule of Findings and Questioned Costs	120
Schedule of Prior Audit Findings	121
Schedule of Expenditures of Federal and State Awards	122
Notes to Schedule of Expenditures of Federal and State Awards	124





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, 2025, 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, 2025, 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* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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 issuance 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 GAS 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 GAS, 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 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 13, 2026 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 City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Brenham, Texas
March 13, 2026

Seidel Schuster

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2025

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, 2025. 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 \$151,180 (net position). Of this amount, \$23,211 (*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 \$14,419.
- As of the close of the current fiscal year, the City of Brenham's governmental funds reported combined ending fund balances of \$25,183 an increase of \$2,487 in comparison with the prior year. Approximately \$10,426 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,426 or 43% of total general fund expenditures.
- The City of Brenham's total bonded debt increased by \$26,212 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, 2025

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 13 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 10 governmental funds are presented in the supplementary information section. The governmental FFS can be found on pages 22-26 of this report.

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

Proprietary FFS. The City of Brenham maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the GWFS. The City of Brenham uses enterprise funds to account for its drainage, water, wastewater, sanitation, gas, and electric distribution operations. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the City of Brenham's various functions. The City of Brenham uses internal service funds to account for its worker's compensation, employee benefits, central fleet and vehicle and equipment replacements. The central fleet fund was closed during the current fiscal year and will not be utilized going forward. At the government-wide level, the financial statements of the worker's compensation, employee benefits, 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 33-77 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 85-114 of this report. Information relating to federal and state grant awards begins on page 115 of this report.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position serves as a useful indicator of the City's financial position. Assets and deferred outflows exceeded liabilities and deferred inflows by \$151,180 (net position) at the close of the fiscal year, compared to assets and deferred outflows exceeding liabilities and deferred inflows by \$136,761 (net position) at the end of the prior fiscal year. The City's total net position increased by \$14,419 during the period.

City of Brenham, Texas						
Net Position						
(Amounts in Thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	\$ 29,749	\$ 26,151	\$ 66,751	\$ 42,441	\$ 96,500	\$ 68,592
Capital assets	81,693	77,563	80,570	70,747	162,263	148,310
Total assets	<u>111,442</u>	<u>103,714</u>	<u>147,321</u>	<u>113,188</u>	<u>258,763</u>	<u>216,902</u>
Deferred Outflows of Resources						
Deferred amount from refundings	-	-	93	125	93	125
Deferred outflows - TMRS Pension	1,920	3,372	680	1,151	2,600	4,523
Deferred outflows - TESRS Pension	302	100	-	-	302	100
Deferred outflows - Post Employment Benefits	21	56	7	20	28	76
Total Deferred Outflows of Resources	<u>2,243</u>	<u>3,528</u>	<u>780</u>	<u>1,296</u>	<u>3,023</u>	<u>4,824</u>
Liabilities						
Long-term debt outstanding	34,806	35,800	50,776	26,841	85,582	62,641
Other liabilities	6,139	4,543	10,876	10,262	17,015	14,805
Total liabilities	<u>40,945</u>	<u>40,343</u>	<u>61,652</u>	<u>37,103</u>	<u>102,597</u>	<u>77,446</u>
Deferred Inflows of Resources						
Deferred inflows - TMRS Pension	661	374	260	131	921	505
Deferred inflows - Post Employment Benefits	890	518	302	169	1,192	687
Deferred inflows - Leases	420	466	110	193	530	659
Deferred inflows - Over Recovered Fuel Costs	-	-	5,366	5,668	5,366	5,668
Total Deferred Inflows of Resources	<u>1,971</u>	<u>1,358</u>	<u>6,038</u>	<u>6,161</u>	<u>8,009</u>	<u>7,519</u>
Net Position						
Net invested in capital assets	62,680	60,559	63,921	55,948	126,601	116,507
Restricted	1,368	1,202	-	-	1,368	1,202
Unrestricted (deficit)	6,721	3,780	16,490	15,272	23,211	19,052
Total net position	<u>\$ 70,769</u>	<u>\$ 65,541</u>	<u>\$ 80,411</u>	<u>\$ 71,220</u>	<u>\$ 151,180</u>	<u>\$ 136,761</u>

The largest portion of the City of Brenham's net position, \$126,601 or 83.74%, 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 \$1,368, less than 1%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$23,211 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, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

City of Brenham, Texas						
Changes in Net Position						
(Amounts in Thousands)						
	Governmental		Business-type		Total	
	Activities		Activities		2025	2024
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 2,867	\$ 2,798	\$ 43,510	\$ 40,627	\$ 46,377	\$ 43,425
Operating grants and contributions	1,611	1,441	-	-	1,611	1,441
Capital grants and contributions	2,911	3,523	7,049	1,361	9,960	4,884
General revenues:						
Property taxes	11,475	10,533	-	-	11,475	10,533
Sales taxes	8,001	7,541	-	-	8,001	7,541
Franchise taxes	3,217	3,143	-	-	3,217	3,143
Hotel Occupancy taxes	967	932	-	-	967	932
Alcoholic Beverage taxes	90	86	-	-	90	86
Other	1,332	1,618	2,256	1,448	3,588	3,066
Total revenues	<u>32,471</u>	<u>31,615</u>	<u>52,815</u>	<u>43,436</u>	<u>85,286</u>	<u>75,051</u>
Expenses:						
General government	8,533	8,323	-	-	8,533	8,323
Public safety	9,679	8,782	-	-	9,679	8,782
Highway/streets	3,764	3,703	-	-	3,764	3,703
Interest, Fiscal & Other Charges	941	1,131	-	-	941	1,131
Culture and recreation	5,967	5,819	-	-	5,967	5,819
Health and welfare	873	922	-	-	873	922
Water	-	-	6,388	5,565	6,388	5,565
Wastewater	-	-	4,512	4,368	4,512	4,368
Electric	-	-	24,443	23,153	24,443	23,153
Gas	-	-	2,605	2,285	2,605	2,285
Sanitation	-	-	2,538	2,512	2,538	2,512
Drainage	-	-	624	709	624	709
Total Expenses	<u>29,757</u>	<u>28,680</u>	<u>41,110</u>	<u>38,592</u>	<u>70,867</u>	<u>67,272</u>
Increase (decrease) in net position before transfers	2,714	2,935	11,705	4,844	14,419	7,779
Transfers	2,514	2,556	(2,514)	(2,556)	-	-
Increase (decrease) in net position	5,228	5,491	9,191	2,288	14,419	7,779
Net position - beginning	65,541	60,050	71,220	68,932	136,761	128,982
Net position - ending	<u>\$ 70,769</u>	<u>\$ 65,541</u>	<u>\$ 80,411</u>	<u>\$ 71,220</u>	<u>\$ 151,180</u>	<u>\$ 136,761</u>

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

Governmental activities. Governmental activities increased the City of Brenham's net position by \$5,228 compared to an increase of \$5,491 in the prior fiscal year. Key elements are noted below.

Revenues increased to \$32,472 from \$31,615 during the year, which can be attributed primarily to an increase in property tax revenue and sales tax revenue, offset in part by a decrease in capital grants and other income. Specific categories are discussed below.

Program Revenues

- The decrease in *Capital Grants and Contributions* is due to acceptance of \$2,911 of new subdivision infrastructure improvements and grants for capital items in the current year compared to \$3,523 of infrastructure improvements and capital accepted in the prior year.

General Revenues

- The increase in *Property Taxes* is attributable to property valuation growth of \$243 million, or 10.4%. New property valuation added to the tax roll accounted for \$79 million, or 3.5%, growth. The property tax rate remained unchanged from the previous year. Homestead properties with a total valuation of \$410 million, which are owned by persons over 65 years of age or disabled persons, have their tax bill frozen by Ordinance. The appraised value of these properties continues to increase or decrease. However, the amount due for property taxes cannot increase but can decrease. This represents 33% of the total homestead eligible properties.
- *Sales Taxes* increased 6.1% over the prior year due to strong retail sales and a one-time audit collection of \$207. When adjusting for the one-time audit collection, sales tax revenue increased 3.4% over the prior year.
- The decrease in *Other Revenues* is attributable to lower investment income due to the decrease in interest rates and lower insurance proceeds.

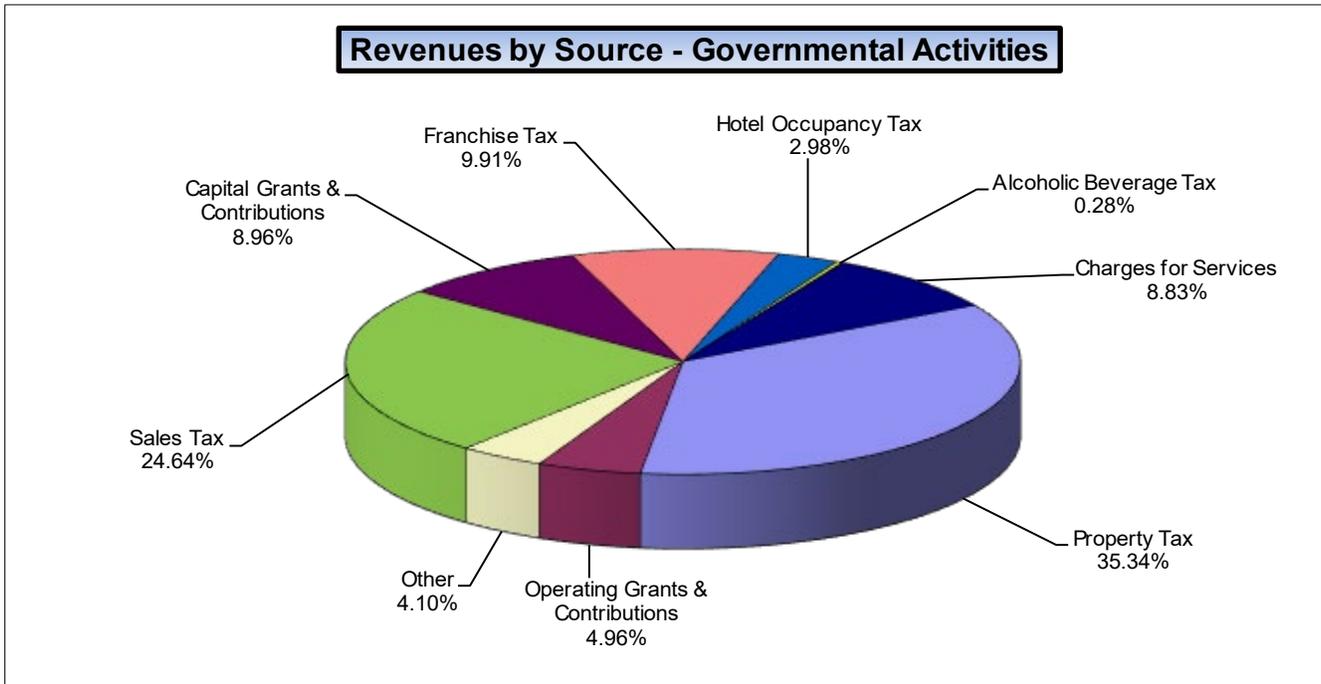
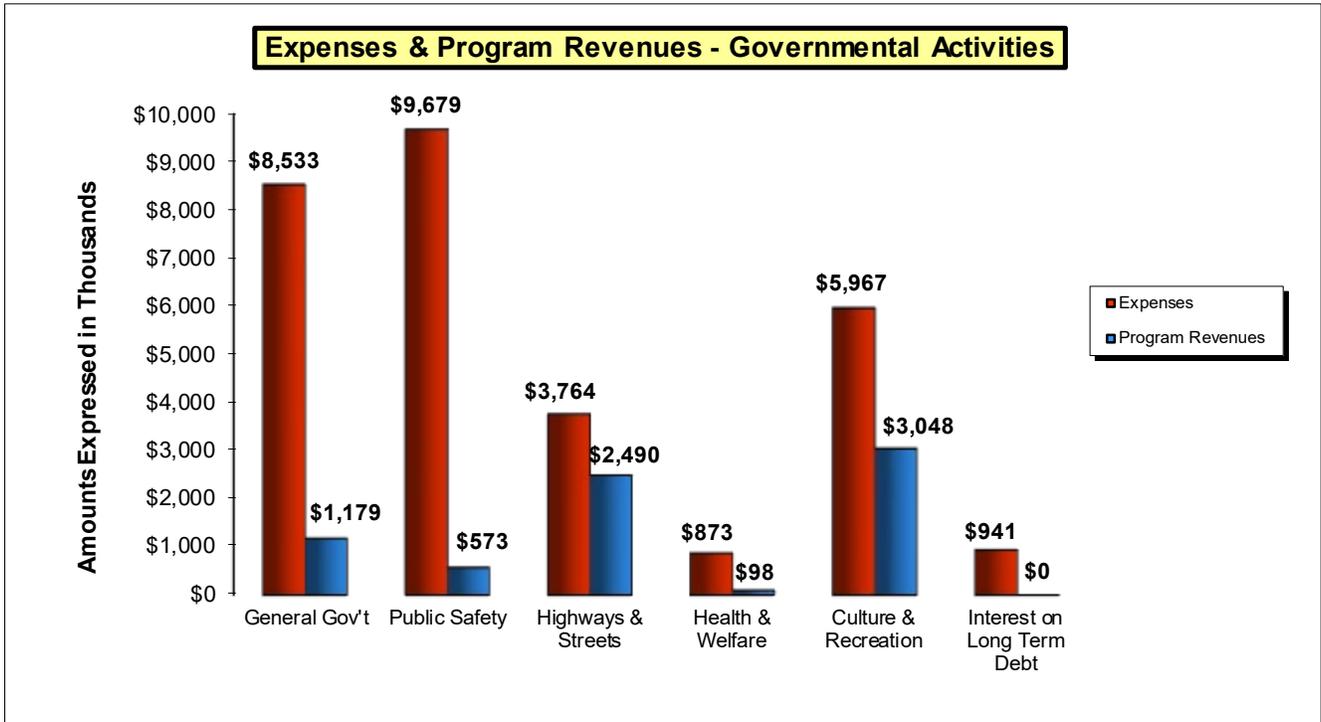
Expenses increased to \$29,757 from \$28,680 during the year. This increase is attributable to several factors:

- *Public Safety* expenditures made up approximately 32% of the total expenditures and increased by 10.2% over the prior year. Personnel costs increased due to the hiring of three (3) additional firefighters and normal step increases for existing public safety personnel. Pension expense also increased.
- *General Government* expenditures made up approximately 29% of the total expenditures and increased by 2.5% over the prior year. Increases in personnel costs, liability and casualty insurance premiums, software license costs, the timing of computer replacements, bond issuance costs, and higher shared costs related to the appraisal district contributed to the higher expenditures in the current year. These increases were offset in part by a decrease in maintenance costs.
- *Highways and Streets* expenses increased by \$61, or 1.6%, due to increases in depreciation and the cost of sales related to airport fuel sales.
- *Interest, Fiscal and Other Charges* expenses decreased \$190, or 16.8%, primarily due to a decrease in rebatable arbitrage liabilities. Interest decreases on previously issued Certificates of Obligation were offset in part by the interest on the 2025 Certificates of Obligation.
- *Culture and Recreation* expenditures increased by \$148, or 2.5%, primarily due to increased personnel costs and the cost of water for the splash pad.
- *Health and Welfare* expenses were \$49, or 5.3%, lower due to savings on veterinarian services facilitated by hiring a part time vet to care for the animals at the shelter.

Transfers decreased during the year by \$42 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, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)



CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

Business-type activities. Business-type activities increased the City of Brenham's net position by \$9,190 compared to an increase of \$2,289 in the prior fiscal year. Key elements are noted below.

Revenues increased to \$52,815 from \$43,436 during the year. This increase is mainly attributable to charges for services in the Electric and Water funds and capital grants and contributions in the Wastewater and Drainage funds. A more detailed explanation follows.

- The *Charges for Services* in the Electric Fund increased \$1,389 to \$25,416. Actual kWh consumption in FY25 was 278.8 million compared to 273.2 million in FY24.
- Gas Fund *Charges for Services* experienced a \$262 increase to \$3,179. The majority of the increase can be attributed to higher commodity pass-through revenues due to an increase in natural gas prices versus the prior year costs. Actual mcf consumption of 384,714 decreased by 5.0% from FY24 mcf consumption of 404,845. This decrease is attributable to the closure of one industrial customer and a reduction in usage of another industrial user.
- Water Fund *Charges for Services* increased \$1,098 during the year to \$7,447. The second of three (3) planned water rate increases was implemented in May 2025. Water consumption increased a modest 0.7% from 801 million gallons to 806 million gallons, primarily due to an increase in the number of customer accounts. Water usage per account decreased slightly due to a wetter and cooler than normal summer.
- *Charges for Services* in the Wastewater Fund were higher by \$70 mainly due to increased gallons from commercial customers in the current year and an increase in the number of residential customers. These increases were offset in part by a decrease in revenue from waste haulers.
- The Sanitation Fund *Charges for Services* were higher by \$59. Increases in the number of accounts were seen in both the residential and commercial collection categories during FY25.
- *Capital Grants and Contributions* of \$7,049 were received in FY25, up from \$1,361 in FY24. Developers contribution revenue totaled \$426 for the Electric Fund and \$18 for the Gas Fund, compared to \$176 for the Electric Fund and \$18 for the Gas Fund in the prior year. Included in the current year Wastewater Fund *Capital Grants and Contributions* was \$1,618 related to the wastewater plant project funded by the American Rescue Plan Act (ARPA), \$602 related to wastewater projects funded by Brenham Community Development Corporation (BCDC), and \$106 of wastewater infrastructure improvements accepted from developers. In comparison, previous year Wastewater Fund *Capital Grants and Contributions* included \$244 of ARPA funded projects and \$300 of BCDC funded capital. The Water Fund accepted \$185 of water infrastructure improvements from developers and had developers contribution revenue of \$4 for the current year. In the previous year, Water Fund *Capital Grants and Contributions* of \$136 were related to ARPA funded water capital projects. The Drainage Fund reported \$4,090 of *Capital Grants and Contributions* related to drainage projects funded by the Texas Community Development Block Grant Program during FY24, up from \$487 the prior year.
- The significant increase in *Other Revenues* is attributable to a \$777K increase in investment income due to the temporary investment of water and wastewater bond proceeds.

Expenses increased to \$41,111 from \$38,591 or 6.5% during the year with specific changes noted below.

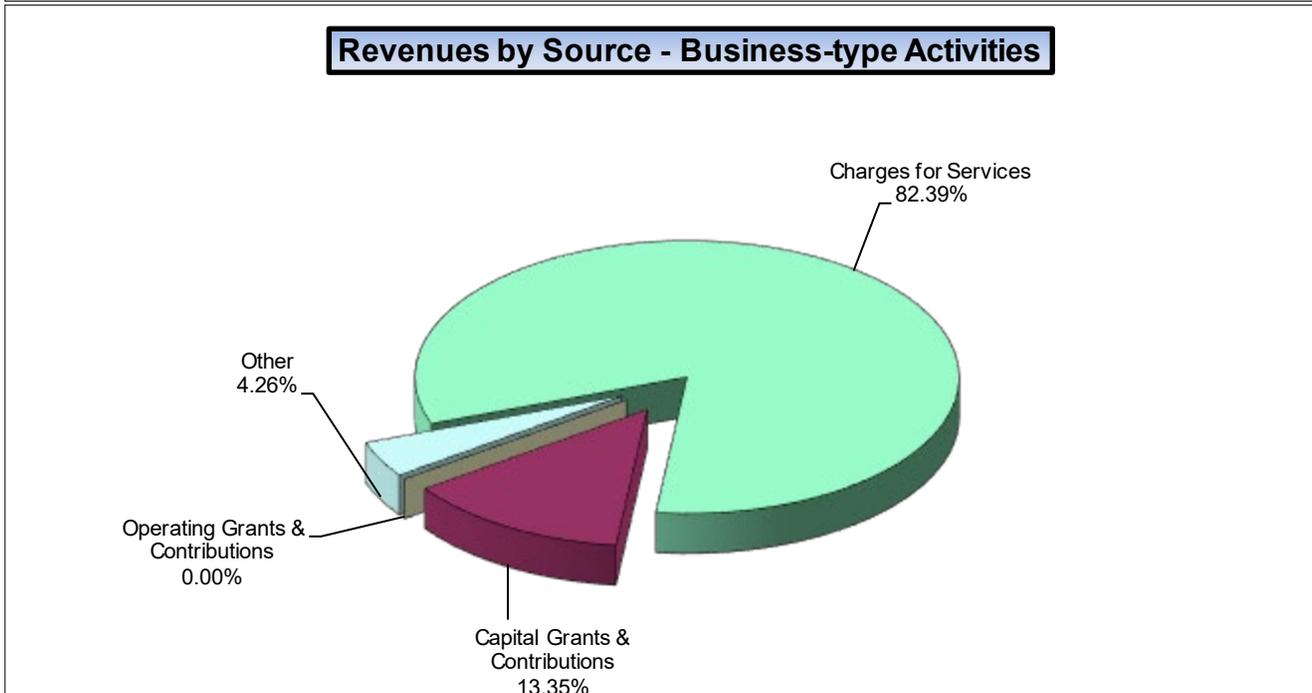
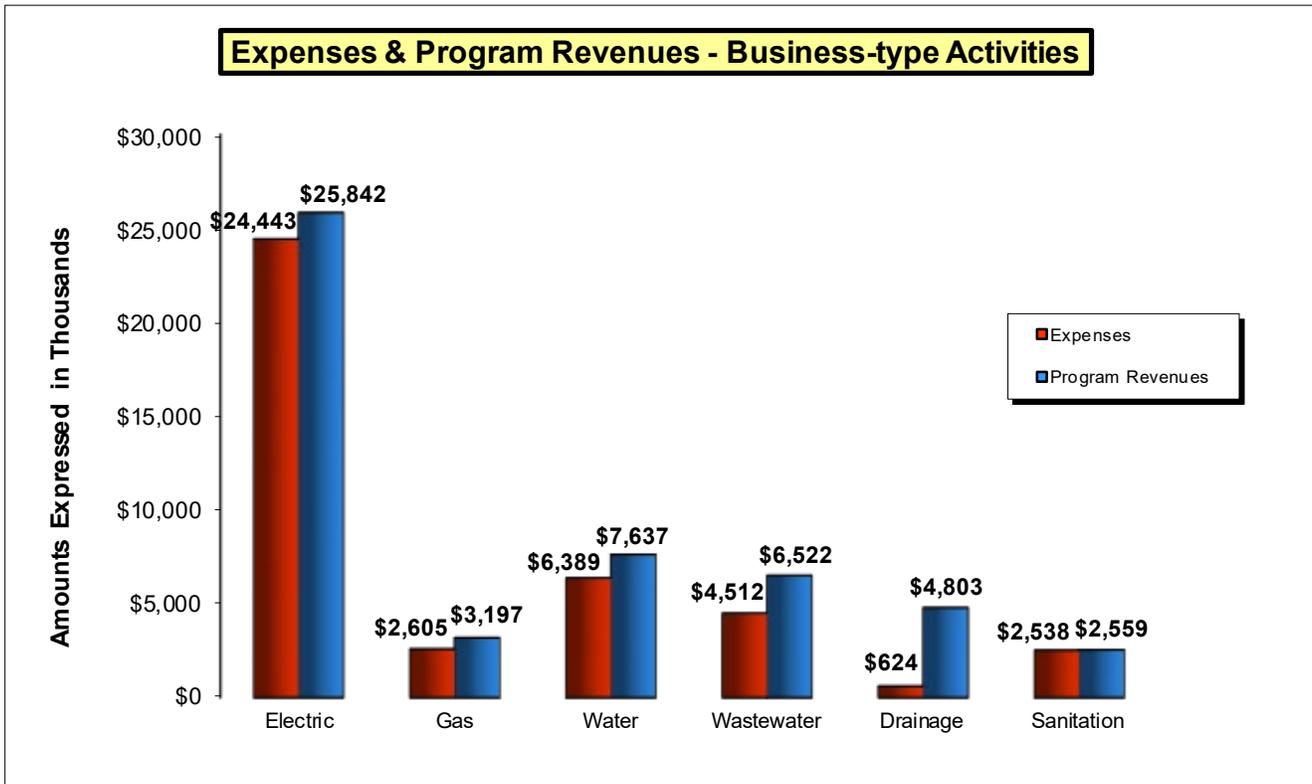
- Electric Fund expenses increased \$1,290, or 5.6%, primarily due to higher costs for wholesale power and increased maintenance costs. Maintenance costs included increases of \$42 for pole reinforcement and \$54 for vehicle and large equipment maintenance.
- Gas Fund expenses increased by \$320, or 14%, due to higher purchase costs per mcf and higher personnel costs, offset in part by lower supplies cost related to gas line replacement.
- Water Fund expenses increased by \$824, or 14.8%. Interest expense and fiscal charges increased by \$820 due to bond issuance costs and interest on Certificates of Obligation issued in 2025.
- Wastewater Fund expenses increased by \$144, or 3.3%, mainly due to an increase in the cost of chemicals used in the treatment plant, higher interest expense and fiscal charges, and increased depreciation.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

- Drainage Fund expenses decreased \$85 primarily due to costs associated with a discontinued project that were included in the previous year. Those savings were offset in part by an increase in grant administration fees and an increase in street drainage maintenance work.

Transfers-out decreased by \$42, as previously explained in the governmental activities section.



CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2025

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 \$25,183 an increase of \$2,487 in comparison with the prior year. The General Fund highlights are discussed in the following section.

The fund balance of the *General Government Capital Projects Fund* increased by \$925 in FY25 due to the issuance of 2025 Certificates of Obligation, offset in part by expenditures of 2023 and 2025 bond proceeds. During FY25, \$1,902 was paid towards engineering and construction of Fire Station No. 2 and \$619 of expenditures were for capital purchases for General Fund departments. Capital purchases included vehicles and equipment for the street department, a truck and mower for the parks department, a portable generator, and a new generator for the emergency dispatch building. The fund balance of the combined *Other Governmental Funds* decreased by \$86 primarily due to the use of prior year BCDC contributions related to the Jackson Street Park improvement project and the use of 2023 bond proceeds for street reconstruction projects. These fund balance decreases were offset in part by an increase in the TIRZ No. 1 fund balance.

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 \$9,266; those of the Gas Fund were \$769; the Water Fund \$3,941; the Wastewater Fund \$146; Sanitation Fund \$526; and the Drainage Fund \$1,314. 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*, six (6) other governmental funds were combined with the General Fund. One of the six (6) 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 is used to track 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. The remaining two (2) funds, the PD Equipment Fund and the Public Safety Training Fund are used for specific public safety purposes.

Adjustments to Budget Basis column: Adjustments of \$258 for intergovernmental revenue are related to grant revenue for tourism event, public safety and airport operations; adjustments of \$1,078 in charges for services are related to activity in the Tourism and Marketing Fund and the Airport Fund; contributions and donations adjustments of \$276 are mainly from downtown events and donations for the library, parks, animal shelter and public safety; and miscellaneous adjustment of \$16 is for opioid settlement proceeds. Adjustments in culture and recreation, general government, public safety, highway and streets, health and welfare, and capital outlay are related to activity in the Donations Fund, Tourism and Marketing Fund, Airport Fund, Equipment Fund, PD Equipment Fund, and Public Safety Training Fund, as well as adjustments for GASB required entries related to subscription agreements and leases.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2025

GENERAL BUDGETARY HIGHLIGHTS - (continued)

Revenues Budgeted Amounts and Actual – the original revenue budget was \$21,804, the final amended budget was \$22,202, and actual budget basis revenue was \$22,195. The increase of \$397 to the revenue budget was for additional ad valorem tax collections due to final valuations and collection of delinquent amounts.

Variance with Final Budget – the unfavorable budget to actual variance of \$7 is primarily due to the following factors:

- Taxes were lower by \$197 due to lower than budgeted sales tax collections. Sales tax revenue was up 6.1% over the previous year, however.
- Fines and Forfeitures were lower by \$239, which can be attributed to lower than budgeted traffic fines and court fines.
- Licenses and Permits were higher by \$203 due to additional building permit fees. Higher than normal building permits were pulled during the year due to the July 1 expiration of the impact fee grandfather period. Building permit fees are expected to return to a normal level next year.
- Investment Income was \$195 higher than budgeted. This category was budgeted conservatively due to the uncertainty of interest rate cuts by the Federal Reserve.

Expenditures Budgeted Amounts and Actual – the original expenditure budget was \$23,858 compared to the final amended budget of \$22,807. Actual expenditures on a budget basis were \$22,330.

Variance with Final Budget – the General Fund's actual expenditures were favorable to budget by \$477 primarily from lower personnel costs, lower maintenance costs, and lower fuel costs in Public Safety. Lower personnel costs were due to vacancies throughout the year. These savings were offset in part by overages in General Government from personnel costs related to medical insurance funding.

Other Financing Sources Budgeted Amounts and Actual

- Transfers-In – the original budget for transfers-in was \$2,750 and final budget for transfers-in was \$2,821. Actual transfers-in of \$2,654 were lower than budget because of an overall decrease in the indirect departments' expenses included in the shared service allocations.
- Transfers-Out – the original budget for transfers-out was \$159 and final budget for transfers-out was \$1,659. The transfers-out budget was increased for a \$1,500 transfer to the Equipment Fund to be used for future capital purchases. Actual transfers-out of \$1,535 were below budget due to a lower transfer to the Airport Fund.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2025

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, 2025 totals \$162,263 (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 \$13,953.

City of Brenham, Texas						
Capital Assets						
(Amounts in Thousands)						
(net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land and Improvements	\$ 5,053	\$ 5,053	\$ 584	\$ 584	\$ 5,637	\$ 5,637
Buildings	16,970	17,754	305	265	17,275	18,019
Improvements other than buildings	6,959	7,110	23,834	23,448	30,793	30,558
Furniture, fixtures, and equipment	1,259	965	469	636	1,728	1,601
Machinery	438	340	-	-	438	340
Vehicles	3,686	3,510	2,187	1,862	5,873	5,372
Intangibles	161	169	71	64	232	233
Infrastructure	41,819	41,212	41,280	39,820	83,099	81,032
Lease right to use assets	171	47	88	73	259	120
Subscription right to use assets	829	233	133	151	962	384
Construction in progress	4,348	1,170	11,619	3,844	15,967	5,014
Total	<u>\$ 81,693</u>	<u>\$ 77,563</u>	<u>\$ 80,570</u>	<u>\$ 70,747</u>	<u>\$ 162,263</u>	<u>\$ 148,310</u>

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

- Governmental Activities capital assets showed a net increase of \$4,130 with major changes in the following categories: Buildings decreased \$784, primarily due to current year depreciation. Furniture, Fixtures, and Equipment increased \$294, primarily due to the purchase of Axon body worn cameras and dash cameras for the police department and the purchase of a virtual server. Subscription Right to Use Assets increased \$596, primarily due to the software license related to the Axon body cameras and dashboard cameras and the renewal of the Accela software license for development services, in addition to various other software license renewals. Construction in Progress increased \$3,178, mainly due to Fire Station No. 2 construction and the improvement project at Jackson Street Park. The Jackson Street Park project was completed in the fall of 2025 and Fire Station No. 2 is slated for opening in the spring of 2026. Infrastructure showed an increase of \$607, primarily due to acceptance of streets and storm drainage in the Brenham Market Square area and the annexation of Dixie Road and Old Masonic.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2025

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

- Business-type capital assets showed an overall increase of \$9,823 with major changes in the following categories: Improvements Other Than Buildings increased \$386 primarily due to completion of the Industrial Blvd. lift station project and other wastewater improvements, offset in part by annual depreciation. Infrastructure increased \$1,460 mainly due to the completion of projects which included new utility lines, lift stations, meters, and transformers. Vehicles increased by \$325 due to the purchase of a new bucket truck for the electric department. Construction in Progress increased \$7,775 due to water, wastewater, and drainage projects which were in progress at year end. Water projects included the treatment plant expansion, groundwater wells project and main replacements, which are bond funded. Wastewater projects included blower and treatment plant rehab projects, which are mainly grant funded, and main replacement and lift station projects, which are bond funded.

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

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 \$73,650. Of this amount, \$25,027 is tax-supported debt backed by the full faith and credit of the government. The remaining \$48,623 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			
	2025	2024	2025	2024	2025	2024
General Obligation Bonds	\$ -	\$ -	\$ 1,855	\$ 2,420	\$ 1,855	\$ 2,420
Certificates of Obligation	23,784	23,391	43,577	19,015	67,361	42,406
Unamortized Credits/Charges	1,243	976	3,191	1,636	4,434	2,612
Total	\$ 25,027	\$ 24,367	\$ 48,623	\$ 23,071	\$ 73,650	\$ 47,438

The City of Brenham's total bonded debt increased by \$26,212 or 55.26% during the current fiscal year, with an increase of \$660 in governmental activities and an increase of \$25,552 in business-type activities. The increase in debt for business-type activities was primarily to fund the surface water treatment plant expansion. City Council awarded the bid for this project to Dudley Construction LLC on October 16, 2025.

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 tax rate not exceeding \$1.65 per \$100 valuation for any one year. The tax rate of \$0.4584 per \$100 valuation for the year ended September 30, 2025 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 48-53 of this report.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2025

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The economic backdrop for Brenham's FY25-26 Budget is overall favorable, with the City continuing to experience moderate growth. The following factors were considered in preparing the City of Brenham's Budget for the 2026 fiscal year:

- Sales tax revenue is budgeted as essentially flat due to the one-time audit collection in FY24-25. When adjusting for the one-time audit collection, sales tax revenue is projected to increase by 3.1%.
- Property tax revenue is budgeted to increase by 4.0% due to the increase in property valuations and the continued residential and commercial development. For FY25-26, over 17% of the City's taxable value has their property tax bill frozen by Ordinance, as those are homestead properties owned by persons over 65 years of age or disabled persons. This limits the growth in property tax revenue, even as property values increase.
- General Fund expenditure budget shows a modest 1.9% increase when comparing the FY24-25 adopted budget to the FY25-26 adopted budget. Personnel costs are budgeted to increase due to normal step increases in pay and the addition of four (4) personnel in the fire department. Spending in other areas is carefully monitored to stay within the conservative budget.
- The third of three (3) planned water rate increases will be implemented in FY25-26. The water rate increases are needed to fund infrastructure projects, including the expansion of the surface water treatment plant and the addition of a second water source. A 14% wastewater rate increase was implemented on October 16, 2025 in order to fund infrastructure projects and cover rising costs of operation. It had been eleven (11) years since the wastewater rates had been adjusted. The City has also included a gas rate study in the FY25-26 budget.

The City experienced a 6.4% increase in certified taxable property values for the 2026 fiscal year and set the tax rate at \$0.4676, which was slightly below the no-new-revenue rate of \$0.4691. Components are shown below:

- Overall tax rate increased from \$0.4584 to \$0.4676
- M&O tax rate increased from \$0.3164 to \$0.3256
- I&S tax rate remained unchanged at \$0.1420

The City's FY25-26 Budget is balanced as required by law. It reflects economic strength with a watchful eye on uncertainty in several factors, such as interest rates and inflation, that could affect the 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, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Equivalents	\$ 13,044,599	\$ 18,561,030	\$ 31,605,629	\$ 3,642,176
Receivables - Property Tax (net)	393,183	-	393,183	-
Receivables - Sales Tax	1,359,391	-	1,359,391	453,130
Receivables - Occupancy Taxes	95,732	-	95,732	-
Receivables - Account (net)	349,132	5,873,473	6,222,605	-
Receivables - Interest	5,854	81,254	87,108	-
Lease Receivable, Current	27,238	15,109	42,347	-
Internal Balances	(2,023,789)	2,023,789	-	-
Due from Other Governments	142,007	751,043	893,050	-
Inventory at Cost	218,651	2,627,808	2,846,459	-
Notes Receivable, Current	-	141,469	141,469	-
Prepaid Water Agreement	-	483,307	483,307	-
Prepays - Other	219,366	-	219,366	-
Restricted Cash	15,515,201	35,566,938	51,082,139	-
Notes Receivable, Long Term	-	160,981	160,981	-
Lease Receivable, Noncurrent	402,334	104,282	506,616	-
Accrued Interest, Noncurrent	-	160,514	160,514	-
Other Assets, Long Term	-	200,000	200,000	-
Capital Assets, Not Being Depreciated	9,411,985	12,247,412	21,659,397	4,186,210
Other Capital and Right to Use Assets, Net	72,281,245	68,322,972	140,604,217	21,030
Total assets	<u>111,442,129</u>	<u>147,321,381</u>	<u>258,763,510</u>	<u>8,302,546</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amount from Refundings	-	92,700	92,700	-
Deferred Outflows - TMRS Pension	1,920,242	680,220	2,600,462	-
Deferred Outflows - TESRS Pension	302,249	-	302,249	-
Deferred Outflows - Post Employment Benefits	20,509	7,268	27,777	-
Total deferred outflows	<u>2,243,000</u>	<u>780,188</u>	<u>3,023,188</u>	<u>-</u>
LIABILITIES				
Accounts Payable and Other Current Liabilities	2,502,997	4,453,670	6,956,667	117,090
Other Liabilities	-	4,303	4,303	-
Accrued Interest	125,212	248,263	373,475	241,444
Unearned Revenue	118,986	1,970,661	2,089,647	-
Consumer Deposits	-	1,638,255	1,638,255	-
Noncurrent Liabilities, due within one year				
Compensated Absences, Current	292,426	115,842	408,268	2,346
Other Long Term Payable, Current	21,533	-	21,533	-
Bonds Payable, Current	2,653,973	-	2,653,973	-
Subscription Liability, Current	233,193	46,945	280,138	3,700
Lease Liability, Current	46,502	27,086	73,588	-
Revenue Bonds Payable, Current	-	2,211,027	2,211,027	-
Notes Payable, Current	144,592	159,965	304,557	141,469
Noncurrent Liabilities, due in more than one year				
Compensated Absences, Long Term	346,042	89,995	436,037	469
Rebatable Arbitrage, Long Term	396,810	359,662	756,472	-
Post Employment Benefits	885,295	376,133	1,261,428	-
Net Pension Liability - TMRS	9,324,264	3,053,229	12,377,493	-
Net Pension Liability - TESRS	615,258	-	615,258	-
Subscription Liability, Long Term	482,822	81,755	564,577	7,694
Lease Liability, Long Term	126,053	61,687	187,740	-
Long Term Debt, Net	22,629,496	46,753,713	69,383,209	160,981
Total liabilities	<u>40,945,454</u>	<u>61,652,191</u>	<u>102,597,645</u>	<u>675,193</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - TMRS Pension	661,123	260,338	921,461	-
Deferred Inflows - Post Employment Benefits	890,055	301,709	1,191,764	-
Deferred Inflows - Leases	419,609	109,726	529,335	-
Deferred Inflows - Over Recovered Fuel Costs	-	5,366,213	5,366,213	-
Total deferred inflows	<u>1,970,787</u>	<u>6,037,986</u>	<u>8,008,773</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	62,680,130	63,920,884	126,601,014	3,893,396
Restricted for Debt Service	1,367,798	-	1,367,798	-
Restricted for Economic Development	-	-	-	1,928,343
Restricted for Recreation	-	-	-	1,805,614
Unrestricted (deficit)	6,720,960	16,490,508	23,211,468	-
Total net position	<u>\$ 70,768,888</u>	<u>\$ 80,411,392</u>	<u>\$ 151,180,280</u>	<u>\$ 7,627,353</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, 2025

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	\$ 8,533,250	\$ 1,112,952	\$ 11,152	\$ 55,079	\$ (7,354,067)	\$ -	\$ (7,354,067)	\$ -
Public Safety	9,678,915	2,588	513,806	57,058	(9,105,463)	-	(9,105,463)	-
Highways and Streets	3,763,572	623,547	182,000	1,684,619	(1,273,406)	-	(1,273,406)	-
Health and Welfare	872,364	50,927	47,177	-	(774,260)	-	(774,260)	-
Culture and Recreation	5,967,262	1,077,092	856,526	1,114,174	(2,919,470)	-	(2,919,470)	-
Interest, Fiscal & Other Charges	941,361	-	-	-	(941,361)	-	(941,361)	-
Total governmental activities	<u>29,756,724</u>	<u>2,867,106</u>	<u>1,610,661</u>	<u>2,910,930</u>	<u>(22,368,027)</u>	<u>-</u>	<u>(22,368,027)</u>	<u>-</u>
Business-type activities:								
Electric	24,443,274	25,416,225	-	425,917	-	1,398,868	1,398,868	-
Gas	2,604,943	3,179,110	-	17,791	-	591,958	591,958	-
Water	6,388,450	7,447,033	-	189,640	-	1,248,223	1,248,223	-
Wastewater	4,512,175	4,195,793	-	2,325,801	-	2,009,419	2,009,419	-
Sanitation	2,538,180	2,559,112	-	-	-	20,932	20,932	-
Drainage	623,896	712,806	-	4,089,969	-	4,178,879	4,178,879	-
Total business-type activities	<u>41,110,918</u>	<u>43,510,079</u>	<u>-</u>	<u>7,049,118</u>	<u>-</u>	<u>9,448,279</u>	<u>9,448,279</u>	<u>-</u>
Total primary government	<u>\$ 70,867,642</u>	<u>\$ 46,377,185</u>	<u>\$ 1,610,661</u>	<u>\$ 9,960,048</u>	<u>\$ (22,368,027)</u>	<u>\$ 9,448,279</u>	<u>\$ (12,919,748)</u>	<u>\$ -</u>
Component unit:								
Brenham Community Devel Corp	\$ 2,345,141	\$ -	\$ 100,000	\$ 79,373				\$ (2,165,768)
Total component unit	<u>\$ 2,345,141</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 79,373</u>				<u>\$ (2,165,768)</u>
General Revenues:								
Property Taxes					11,474,987	-	11,474,987	-
Sales Taxes					8,001,495	-	8,001,495	2,667,165
Franchise Taxes					3,216,856	-	3,216,856	-
Hotel Occupancy Taxes					966,853	-	966,853	-
Alcoholic Beverage Taxes					89,635	-	89,635	-
Investment Income not Restricted					1,198,559	2,037,452	3,236,011	157,221
Miscellaneous					84,383	186,382	270,765	5,361
Gain on Sale of Capital Assets					49,535	32,604	82,139	-
Transfers					2,513,714	(2,513,714)	-	-
Total general revenues, payments to/from component unit and transfers					<u>27,596,017</u>	<u>(257,276)</u>	<u>27,338,741</u>	<u>2,829,747</u>
Change in net position					<u>5,227,990</u>	<u>9,191,003</u>	<u>14,418,993</u>	<u>663,979</u>
Net position - beginning					<u>65,540,898</u>	<u>71,220,389</u>	<u>136,761,287</u>	<u>6,963,374</u>
Net position - ending					<u>\$ 70,768,888</u>	<u>\$ 80,411,392</u>	<u>\$ 151,180,280</u>	<u>\$ 7,627,353</u>

**City of Brenham
Balance Sheet
Governmental Funds
September 30, 2025**

	<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	\$ 11,992,747	\$ -	\$ -	\$ 682,115	\$ 12,674,862
Receivables (Net)					
Property Taxes	263,811	129,372	-	-	393,183
Sales Tax	1,359,391	-	-	-	1,359,391
Occupancy Tax	-	-	-	95,732	95,732
Accounts	337,421	-	-	-	337,421
Lease Receivable	429,572	-	-	-	429,572
Due from Other Governments	140,630	1,377	-	-	142,007
Due from Other Funds	226,421	-	-	2,531	228,952
Inventory at Cost	218,651	-	-	-	218,651
Other Current Assets	34,300	-	-	20,000	54,300
Restricted Cash	-	1,241,098	9,626,992	3,964,447	14,832,537
Total Assets	<u>\$ 15,002,944</u>	<u>\$ 1,371,847</u>	<u>\$ 9,626,992</u>	<u>\$ 4,764,825</u>	<u>\$ 30,766,608</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts Payable & Other Current Liabilities	\$ 1,568,140	\$ 4,049	\$ 724,973	\$ 205,832	\$ 2,502,994
Due to Other Funds	1,496,718	-	2,531	-	1,499,249
Unearned Revenues	118,986	-	-	-	118,986
Rebatable Arbitrage, Long Term	-	-	315,018	81,792	396,810
Total Liabilities	<u>3,183,844</u>	<u>4,049</u>	<u>1,042,522</u>	<u>287,624</u>	<u>4,518,039</u>
Deferred Inflows of Resources:					
Deferred Inflows Related to Leases	419,609	-	-	-	419,609
Unavailable Revenues	521,813	124,429	-	-	646,242
Total Deferred Inflows of Resources	<u>941,422</u>	<u>124,429</u>	<u>-</u>	<u>-</u>	<u>1,065,851</u>
Total Liabilities and Deferred Inflows of Resources	<u>4,125,266</u>	<u>128,478</u>	<u>1,042,522</u>	<u>287,624</u>	<u>5,583,890</u>
Fund Balances:					
Nonspendable	252,951	-	-	-	252,951
Restricted	198,768	1,243,369	8,584,470	3,979,112	14,005,719
Committed	-	-	-	453,366	453,366
Assigned	-	-	-	44,723	44,723
Unassigned	10,425,959	-	-	-	10,425,959
Total Fund Balances	<u>10,877,678</u>	<u>1,243,369</u>	<u>8,584,470</u>	<u>4,477,201</u>	<u>25,182,718</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 15,002,944</u>	<u>\$ 1,371,847</u>	<u>\$ 9,626,992</u>	<u>\$ 4,764,825</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, 2025

Total fund balances - total governmental funds \$ 25,182,718

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. 81,049,917

Gross capital assets	153,761,159
Accumulated depreciation & amortization	(72,711,242)
	81,049,917

Certain deferred inflows and outflows of resources are not reported in the governmental funds: 691,822

Deferred outflows - TMRS Pension	(1,920,242)
Deferred outflows - TESRS Pension	(302,249)
Deferred outflows - Post Employment Benefits	(20,509)
Deferred inflows - TMRS Pension	661,123
Deferred inflows - Post Employment Benefits	890,055
	(691,822)

Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. (37,672,749)

Bonds payable	23,783,405
Add: Issuance premium	1,243,200
Note payable	151,602
Subscription liability	716,015
Lease liability	172,555
Other long term payable	21,533
Compensated absences	638,468
Post employment benefits	885,295
Net pension liability - TMRS	9,324,264
Net pension liability - TESRS	615,258
	37,672,749

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. 865,083

Other long term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds. 646,243

Other long term assets are not available to pay for current period expenditures and therefore are not reported in the funds. 5,854

Net position of governmental activities \$ 70,768,888

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, 2025

	General Fund	Debt Service Fund	General Govt. Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 18,860,679	\$ 3,314,157	\$ -	\$ 1,585,121	\$ 23,759,957
Licenses and Permits	607,879	-	-	-	607,879
Intergovernmental	736,401	-	-	-	736,401
Charges for Services	1,758,957	-	-	26,044	1,785,001
Impact Fee Revenue	-	-	-	37,898	37,898
Fines and Forfeitures	410,809	-	-	-	410,809
Investment Income	523,274	142,231	408,530	115,767	1,189,802
Payment from Component Unit	465,690	-	32,058	1,104,161	1,601,909
Contributions and Donations	275,643	-	-	83,762	359,405
Miscellaneous	183,896	-	-	25,040	208,936
Total revenues	23,823,228	3,456,388	440,588	2,977,793	30,697,997
Expenditures					
Current:					
Culture and Recreation	4,976,681	-	-	213,404	5,190,085
General Government	7,852,385	-	-	63,723	7,916,108
Health and Welfare	776,976	-	-	-	776,976
Highways and Streets	1,969,532	-	-	-	1,969,532
Public Safety	8,740,774	-	3,862	17,713	8,762,349
Debt service:					
Interest, Fiscal & Other Charges	13,983	887,954	91,468	13,994	1,007,399
Principal Retirement	366,764	2,397,112	-	-	2,763,876
Issuance Costs	-	-	36,287	-	36,287
Capital Outlay	2,188,426	-	2,520,477	1,786,041	6,494,944
Total expenditures	26,885,521	3,285,066	2,652,094	2,094,875	34,917,556
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,062,293)	171,322	(2,211,506)	882,918	(4,219,559)
Other Financing Sources (Uses)					
Transfers In	3,597,243	-	-	87,841	3,685,084
Transfers Out	(87,841)	-	-	(1,056,825)	(1,144,666)
Issuance of Bonds	-	-	2,790,000	-	2,790,000
Premium on Bonds Issued	-	-	346,287	-	346,287
Proceeds from Subscription Arrangements	847,695	-	-	-	847,695
Proceeds from Leases	156,622	-	-	-	156,622
Insurance Proceeds	25,160	-	-	-	25,160
Total other financing sources and (uses)	4,538,879	-	3,136,287	(968,984)	6,706,182
Net change in Fund Balances	1,476,586	171,322	924,781	(86,066)	2,486,623
Fund balances - beginning	9,401,092	1,072,047	7,659,689	4,563,267	22,696,095
Fund balances - ending	\$ 10,877,678	\$ 1,243,369	\$ 8,584,470	\$ 4,477,201	\$ 25,182,718

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, 2025

Net change in fund balances - total governmental funds \$ 2,486,623

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. 4,358,179

Capital outlay	6,494,944
Depreciation expense	(3,656,124)
Amortization expense	(284,439)
Donation of capital assets	1,814,050
Proceeds from sale	(49,535)
Loss on disposal	(10,252)
Gain on disposal	49,535
	4,358,179

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. (75,259)

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. (1,297,712)

Debt issued:	
2025 Certificates of Obligation	(2,790,000)
Bond premium on new debt	(346,287)
Leases	(156,622)
Subscriptions	(847,695)
Repayments:	
To bond, certificate, and note holders	2,431,890
Principal payments on leases	31,119
Principal payments on subscriptions	279,334
Payments on other liabilities	21,533
Amortization:	
Bond premiums, discounts, & charges	79,016
	(1,297,712)

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. (155,246)

Compensated absences	(12,038)
Accrued interest payable	(12,979)
Post retirement benefits	33,316
Pension Costs - TMRS, Net	33,953
Pension Costs - TESRS, Net	(197,498)
	(155,246)

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. (88,595)

Change in net position of governmental activities \$ 5,227,990

**City of Brenham
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2025**

	Budgeted Amounts		Actual	Adjustments to Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Revenues						
Taxes	\$ 18,659,841	\$ 19,057,184	\$ 18,860,679	\$ -	\$ 18,860,679	\$ (196,505)
Licenses and Permits	405,275	405,275	607,879	-	607,879	202,604
Intergovernmental	527,843	527,843	736,401	(258,065)	478,336	(49,507)
Charges for Services	586,256	586,256	1,758,957	(1,078,221)	680,736	94,480
Fines and Forfeitures	649,325	649,325	410,809	-	410,809	(238,516)
Investment Income	328,500	328,500	523,274	-	523,274	194,774
Payment from Component Unit	472,690	472,690	465,690	-	465,690	(7,000)
Contributions and Donations	-	-	275,643	(275,643)	-	-
Miscellaneous	174,717	174,717	183,896	(16,312)	167,584	(7,133)
Total revenues	21,804,447	22,201,790	23,823,228	(1,628,241)	22,194,987	(6,803)
Expenditures						
Current:						
Culture and Recreation	3,640,748	3,640,748	4,976,681	(1,457,986)	3,518,695	122,053
General Government	8,651,815	7,603,503	7,852,385	(112,235)	7,740,150	(136,647)
Health and Welfare	775,823	735,823	776,976	(52,027)	724,949	10,874
Highways and Streets	1,412,379	1,379,979	1,969,532	(708,212)	1,261,320	118,659
Public Safety	9,335,857	9,405,791	8,740,774	(28,390)	8,712,384	693,407
Debt Service:						
Interest, Fiscal & Other Charges	6,519	6,519	13,983	(315)	13,668	(7,149)
Principal Retirement	34,778	34,778	366,764	(7,992)	358,772	(323,994)
	23,857,919	22,807,141	24,697,095	(2,367,157)	22,329,938	477,203
Capital Outlay	557,838	543,868	2,188,426	(1,644,593)	543,833	35
Total Expenditures	24,415,757	23,351,009	26,885,521	(4,011,750)	22,873,771	477,238
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,611,310)	(1,149,219)	(3,062,293)	2,383,509	(678,784)	470,435
Other Financing Sources (Uses)						
Transfers In	2,750,364	2,821,357	3,597,243	(943,270)	2,653,973	(167,384)
Transfers Out	(158,683)	(1,658,683)	(87,841)	(1,447,546)	(1,535,387)	123,296
Proceeds from Subscription Arrangements	-	-	847,695	(847,695)	-	-
Proceeds from Leases	-	-	156,622	(156,622)	-	-
Insurance Proceeds	19,629	19,629	25,160	-	25,160	5,531
Total other financing sources and (uses)	2,611,310	1,182,303	4,538,879	(3,395,133)	1,143,746	(38,557)
Net change in fund balance	-	33,084	1,476,586	(1,011,624)	464,962	431,878
Fund balance - beginning	7,918,722	7,918,722	9,401,092	(1,482,370)	7,918,722	-
Fund balance - ending	\$ 7,918,722	\$ 7,951,806	\$ 10,877,678	\$ (2,493,994)	\$ 8,383,684	\$ 431,878

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, 2025

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	\$ 11,285,577	\$ 684,573	\$ 1,519,127	\$ 4,433,820	\$ 403,735	\$ 234,198	\$ 18,561,030	\$ 369,735
Interest Receivable, Current	81,254	-	-	-	-	-	81,254	-
Receivables - Accounts, Net	3,391,334	245,599	1,227,938	573,834	348,519	86,249	5,873,473	11,712
Receivables - Interfund	1,496,718	-	-	-	-	738,154	2,234,872	-
Lease Receivable, Current	15,109	-	-	-	-	-	15,109	-
Due from Other Governments	25,469	-	-	-	-	725,574	751,043	-
Inventory at Cost	1,747,262	215,318	569,858	95,370	-	-	2,627,808	-
Prepaid Water Agreement	-	-	483,307	-	-	-	483,307	-
Prepays - Other	-	-	-	-	-	-	-	165,064
Notes Receivable, Net	141,469	-	-	-	-	-	141,469	-
Restricted Cash	1,971,292	-	25,795,241	7,800,405	-	-	35,566,938	682,664
Total current assets	20,155,485	1,145,490	29,595,471	12,903,429	752,254	1,784,175	66,336,304	1,229,175
Noncurrent assets:								
Interest Receivable, Noncurrent	160,514	-	-	-	-	-	160,514	-
Lease Receivable, Noncurrent	104,282	-	-	-	-	-	104,282	-
Other Assets, Long Term	-	200,000	-	-	-	-	200,000	-
Capital Assets, Net	16,827,955	2,760,716	29,227,511	25,935,120	215,950	5,603,132	80,570,384	643,312
Notes Receivable, Long Term	160,981	-	-	-	-	-	160,981	-
Total noncurrent assets	17,253,732	2,960,716	29,227,511	25,935,120	215,950	5,603,132	81,196,161	643,312
Total assets	37,409,217	4,106,206	58,822,982	38,838,549	968,204	7,387,307	147,532,465	1,872,487
Deferred Outflows of Resources								
Deferred Amount from Refundings	-	-	92,700	-	-	-	92,700	-
Deferred Outflows - TMRS Pension	347,224	73,749	134,752	108,973	-	15,522	680,220	-
Deferred Outflows - OPEB	3,860	906	1,406	1,068	-	28	7,268	-
Total deferred outflows	351,084	74,655	228,858	110,041	-	15,550	780,188	-
Liabilities								
Current liabilities:								
Accounts Payable & Other Current Liabilities	\$ 2,172,599	\$ 100,335	\$ 406,226	\$ 1,092,527	\$ 226,073	\$ 455,910	\$ 4,453,670	\$ -
Other Liabilities	-	900	2,353	1,050	-	-	4,303	-
Accrued Interest	9,812	6	179,759	58,631	-	55	248,263	4,058
Unearned Revenue	158,204	27,883	21,987	1,762,587	-	-	1,970,661	-
Interfund Payable	-	-	-	738,154	-	-	738,154	226,420
Compensated Absences, Current	73,533	15,517	15,439	8,789	-	2,564	115,842	-
Subscription Liability, Current	46,945	-	-	-	-	-	46,945	-
Lease Liability, Current	25,322	575	1,189	-	-	-	27,086	-
Revenue Bonds Payable, Current	91,027	-	1,675,000	445,000	-	-	2,211,027	-
Note Payable, Current	24,827	-	-	113,291	-	21,847	159,965	108,598
Consumer Deposits	1,638,255	-	-	-	-	-	1,638,255	-
Total current liabilities	4,240,524	145,216	2,301,953	4,220,029	226,073	480,376	11,614,171	339,076
Noncurrent liabilities:								
Compensated Absences	28,467	20,849	23,161	17,229	-	289	89,995	-
Post Employment Benefits	215,138	40,219	71,067	47,802	-	1,907	376,133	-
Net Pension Liability - TMRS	1,680,795	319,849	591,449	455,781	-	5,355	3,053,229	-
Subscription Liability, Long Term	81,755	-	-	-	-	-	81,755	-
Lease Liability, Long Term	49,478	2,150	10,059	-	-	-	61,687	-
Rebatable Arbitrage, Long Term	-	-	173,384	186,278	-	-	359,662	-
Long Term Debt, Net	1,292,502	-	33,717,424	11,721,605	-	22,182	46,753,713	141,258
Total noncurrent liabilities	3,348,135	383,067	34,586,544	12,428,695	-	29,733	50,776,174	141,258
Total liabilities	7,588,659	528,283	36,888,497	16,648,724	226,073	510,109	62,390,345	480,334
Deferred Inflows of Resources								
Deferred Inflows - Leases	109,726	-	-	-	-	-	109,726	-
Deferred Inflows - TMRS Pension	130,663	27,258	47,638	47,196	-	7,583	260,338	-
Deferred Inflows - OPEB	144,306	36,707	63,715	44,989	-	11,992	301,709	-
Deferred Inflows - Over Recovered Fuel Costs	5,304,429	61,784	-	-	-	-	5,366,213	-
Total deferred inflows	5,689,124	125,749	111,353	92,185	-	19,575	6,037,986	-
Net Position								
Net Investment in Capital Assets	15,216,099	2,757,991	18,110,558	22,061,183	215,950	5,559,103	63,920,884	393,456
Unrestricted	9,266,419	768,838	3,941,432	146,498	526,181	1,314,070	15,963,438	998,697
Total net position	\$ 24,482,518	\$ 3,526,829	\$ 22,051,990	\$ 22,207,681	\$ 742,131	\$ 6,873,173	\$ 79,884,322	\$ 1,392,153

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

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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, 2025

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	\$ 25,416,225	\$ 3,179,110	\$ 7,447,033	\$ 4,195,793	\$ 2,559,112	\$ 712,806	\$ 43,510,079	\$ 2,860,523
Total Operating Revenues	25,416,225	3,179,110	7,447,033	4,195,793	2,559,112	712,806	43,510,079	2,860,523
Operating expenses:								
Cost of Sales and Services	18,013,280	1,561,239	497,607	-	-	-	20,072,126	-
Salaries	2,535,736	533,597	986,812	856,045	-	128,299	5,040,489	-
Supplies	204,705	55,627	1,075,207	405,151	-	19,311	1,760,001	2
Maintenance	178,077	5,961	341,830	295,765	-	252,253	1,073,886	23,196
Contractual Services	379,198	31,102	376,476	1,075,305	2,520,257	159,101	4,541,439	2,653,130
Amortization	71,261	301	1,443	-	-	-	73,005	-
Depreciation	928,465	169,899	1,295,731	1,043,455	13,658	60,783	3,511,991	233,853
Gross Revenue Tax	1,706,662	218,812	496,020	265,733	-	-	2,687,227	-
Miscellaneous	308,479	25,731	34,727	73,614	931	3,354	446,836	11,581
Total operating expenses	24,325,863	2,602,269	5,105,853	4,015,068	2,534,846	623,101	39,207,000	2,921,762
Operating Income (loss)	1,090,362	576,841	2,341,180	180,725	24,266	89,705	4,303,079	(61,239)
Nonoperating revenues (expenses):								
Investment Income	710,903	38,905	736,521	523,669	21,210	2,433	2,033,641	12,863
Interest, Fiscal & Other Charges	(86,608)	(41)	(1,255,646)	(489,344)	-	(1,497)	(1,833,136)	(5,754)
Gain on Sale of Capital Assets	-	-	13,466	12,488	6,650	-	32,604	8,120
Miscellaneous, Net	20,942	-	15,064	2,034	148,343	-	186,383	(181,319)
Total non operating revenue (expenses)	645,237	38,864	(490,595)	48,847	176,203	936	419,492	(166,090)
Income (loss) before contributions and transfers	1,735,599	615,705	1,850,585	229,572	200,469	90,641	4,722,571	(227,329)
Capital Contributions	429,802	17,791	284,221	2,325,801	-	4,089,969	7,147,584	-
Transfers In	694,029	8,438	50,585	18,390	5,157	441	777,040	-
Transfers Out	(1,522,702)	(524,548)	(563,884)	(398,850)	(138,000)	-	(3,147,984)	(169,474)
Total Transfers In/(Out)	(828,673)	(516,110)	(513,299)	(380,460)	(132,843)	441	(2,370,944)	(169,474)
Change in net position	1,336,728	117,386	1,621,507	2,174,913	67,626	4,181,051	9,499,211	(396,803)
Total net position - beginning	23,145,790	3,409,443	20,430,483	20,032,768	674,505	2,692,122		1,788,956
Total net position - ending	\$ 24,482,518	\$ 3,526,829	\$ 22,051,990	\$ 22,207,681	\$ 742,131	\$ 6,873,173		\$ 1,392,153

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	(308,208)
	<u>\$ 9,191,003</u>

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, 2025

	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	\$ 23,971,811	\$ 3,192,965	\$ 7,332,085	\$ 4,654,550	\$ 2,544,636	\$ 544,346	\$ 42,240,393	\$ -
Receipts from interfund services provided	-	-	-	-	-	-	-	2,882,429
Gross revenue tax paid to General Fund	(1,706,662)	(218,812)	(496,020)	(265,733)	-	-	(2,687,227)	-
Payments to suppliers	(18,991,793)	(2,019,536)	(3,142,929)	(495,643)	(2,648,515)	(442,150)	(27,740,566)	(2,646,131)
Payments to employees	(2,563,051)	(535,866)	(1,001,165)	(869,931)	-	(132,167)	(5,102,180)	-
Net cash provided (used) by operating activities	710,305	418,751	2,691,971	3,023,243	(103,879)	(29,971)	6,710,420	236,298
Cash Flows from Non Capital Financing Activities								
Transfers in	694,030	8,438	50,585	18,390	5,157	441	777,041	-
Transfers out	(1,522,702)	(524,548)	(563,884)	(398,850)	(138,000)	-	(3,147,984)	(169,475)
Interest paid on consumer deposits	(38,902)	-	-	-	-	-	(38,902)	-
Net cash provided (used) by noncapital financing activities	(867,574)	(516,110)	(513,299)	(380,460)	(132,843)	441	(2,409,845)	(169,475)
Cash Flows from Capital and Related Financing Activities								
Acquisition and construction of capital assets	(1,744,735)	(165,591)	(2,926,271)	(4,294,137)	-	(3,758,583)	(12,889,317)	(6,274)
Capital Contributions	233,124	26,094	3,998	-	-	4,089,969	4,353,185	-
Proceeds from issuance of bonds	-	-	23,671,000	3,089,000	-	-	26,760,000	-
Repayment of subscription liability	(50,874)	-	-	-	-	-	(50,874)	-
Repayment of lease liability	(21,401)	(289)	(1,060)	-	-	-	(22,750)	-
Principal paid on bonds and notes payable	(111,525)	-	(955,000)	(441,730)	-	(70,513)	(1,578,768)	(106,357)
Insurance proceeds	15,909	-	2,287	500	-	-	18,696	13,804
Payment from Component Unit	-	-	-	602,360	-	-	602,360	-
Proceeds from sales of capital assets	-	-	26,188	12,488	6,650	-	45,326	8,120
Interest and fees paid on bonds, finance leases and notes payable	(62,194)	(35)	(817,342)	(407,981)	-	(2,065)	(1,289,617)	(7,335)
Net cash provided (used) by capital and related financing activities	(1,741,696)	(139,821)	19,003,800	(1,439,500)	6,650	258,808	15,948,241	(98,042)
Cash Flows from Investing Activities								
Principal received on notes receivable	139,904	-	-	-	-	-	139,904	-
Proceeds from lease receivable	15,030	-	-	-	143,428	-	158,458	-
Investment income received	760,178	38,905	736,519	523,668	21,265	2,433	2,082,968	12,863
Net cash provided (used) by investing activities	915,112	38,905	736,519	523,668	164,693	2,433	2,381,330	12,863
Net increase (decrease) in cash and cash equivalents	(983,853)	(198,275)	21,918,991	1,726,951	(65,379)	231,711	22,630,146	(18,356)
Cash and cash equivalents, beginning of year	14,240,722	882,848	5,395,377	10,507,274	469,114	2,487	31,497,822	1,070,755
Cash and cash equivalents, end of year	\$ 13,256,869	\$ 684,573	\$ 27,314,368	\$ 12,234,225	\$ 403,735	\$ 234,198	\$ 54,127,968	\$ 1,052,399
Reconciliation of cash and cash equivalents to statement of net position								
Cash and equivalents	\$ 11,285,577	\$ 684,573	\$ 1,519,127	\$ 4,433,820	\$ 403,735	\$ 234,198	\$ 18,561,030	\$ 369,735
Restricted cash and equivalents	1,971,292	-	25,795,241	7,800,405	-	-	35,566,938	682,664
Cash and cash equivalents, end of year	\$ 13,256,869	\$ 684,573	\$ 27,314,368	\$ 12,234,225	\$ 403,735	\$ 234,198	\$ 54,127,968	\$ 1,052,399

Reconciliation of operating income to net cash provided

(used) by operating activities									
Operating income (loss)	\$ 1,090,362	\$ 576,841	\$ 2,341,180	\$ 180,725	\$ 24,266	\$ 89,705	\$ 4,303,079	\$ (61,239)	
Adjustments to reconcile net cash provided (used) by operating activities									
Depreciation and amortization	999,726	170,200	1,297,174	1,043,455	13,658	60,783	3,584,996	233,853	
Provision for uncollectible accounts	26,074	948	7,701	1,552	2,539	539	39,353	-	
Other income (expense)	36,543	-	34,763	26,533	3,400	-	101,239	-	
Changes in assets and liabilities affecting cash provided by operations:									
(Increase) decrease in accounts receivable	(3,616)	12,907	(157,413)	(46,407)	(20,414)	(2,442)	(217,385)	2,500	
(Increase) decrease in other receivables	-	-	-	-	-	-	-	-	
(Increase) decrease in inventory	(16,031)	(34,514)	(65,384)	15,855	-	-	(100,074)	1,319	
(Increase) decrease in interfund receivables	(1,496,718)	-	-	477,078	-	194,197	(825,443)	19,406	
(Increase) decrease in intergovernmental receivables	-	-	-	-	-	(360,757)	(360,757)	-	
Increase (decrease) in interfund payables	(21,509)	(314,277)	(840,979)	738,154	(129,356)	-	(567,967)	207,014	
(Increase) decrease in other assets	-	-	(29,637)	-	-	-	(29,637)	(165,014)	
Increase (decrease) in accounts payable and other current liabilities	429,768	10,015	118,919	600,183	2,028	(8,129)	1,152,784	(1,541)	
Increase (decrease) in over-recovered fuel costs	(300,282)	(1,101)	-	-	-	-	(301,383)	-	
Increase (decrease) in salaries & benefits payable	(2,487)	2,918	(2,976)	1,502	-	369	(674)	-	
Increase (decrease) in compensated absences	(6,518)	(552)	(8,571)	(5,779)	-	(1,538)	(22,958)	-	
Increase (decrease) in postemployment benefits	(2,628)	(1,647)	(1,705)	(453)	-	(731)	(7,164)	-	
Increase (decrease) in pension benefits	(15,682)	(2,987)	(1,101)	(9,155)	-	(1,967)	(30,892)	-	
Increase (decrease) in consumer deposits	(6,697)	-	-	-	-	-	(6,697)	-	
Net cash provided (used) by operating activities	<u>\$ 710,305</u>	<u>\$ 418,751</u>	<u>\$ 2,691,971</u>	<u>\$ 3,023,243</u>	<u>\$ (103,879)</u>	<u>\$ (29,971)</u>	<u>\$ 6,710,420</u>	<u>\$ 236,298</u>	

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, 2025

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, 2025

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, 2025

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, a fleet management services program, and an employee benefits administration program all used to service 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, the Vehicle Equipment Replacement Fund (VERF), and the Employee Benefits Fund are included in the governmental activities column while the fleet management Internal Service Fund is presented in the business-type column. In FY25, the use of the fleet management Internal Service Fund was discontinued and the fund was closed.

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

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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, 2025

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

A liability is recorded for leave that is earned, accumulates, and is more likely than not to be used or otherwise paid or settled. Vacation leave meets these criteria and is accrued at employees' current pay rates at year-end. While sick leave accumulates, the City presumes that current year leave is used before amounts accumulated in the prior year and the City's historical usage patterns show that employees use current-year sick leave. Because accumulated sick leave is not more likely than not to be used or paid/settled in future periods, no sick leave liability is recognized.

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, 2025

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 \$88,238 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, 2025, 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, 2025

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.

13. Change in Accounting Principle

Effective October 1, 2024, the City implemented GASB Statement No. 101, Compensated Absences, which required the recognition of liabilities for compensated absences that have not been used and leave that has been used, but not paid or settled. The adoption of GASB No. 101 had no impact on the City's net position and no restatement of net position was made.

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. Seven director positions report to the City Manager: Assistant City Manager, Chief of Police, Fire Chief, Chief Financial Officer, General Manager of Public Utilities and City Secretary. Directors of Public Works, Development Services, Tourism and Marketing report to the Assistant City Manager, while the directors of Finance, Human Resources and Economic Development report to the Chief Financial Officer. 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, six 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, 2025, 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, Parks Capital Improvements Fund, and Water and Wastewater Impact Fee Funds. Internal Service funds with budgets adopted include the Workers' Compensation Fund, Vehicle Equipment Replacement Fund, Central Fleet Fund and the Employee Benefits Fund. All annual budget appropriations lapse at the end of the fiscal year.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

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.

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, 2025, 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, 2025, the City had funds in a State Money Pool (TexPool) which had a balance of \$20,017,159 which was included in cash and cash equivalents and restricted cash at September 30, 2025. "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 \$1.00018 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.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

The City also had funds in TexSTAR, another public funds investment pool, which had a balance of \$61,669,206 and was included in cash and cash equivalents and restricted cash at September 30, 2025. "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 \$1.000246 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.

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 \$4,636,103 and the bank balances totaled \$6,044,993. Of the bank and certificates of deposit balances, \$500,000 was covered by federal depository insurance and \$5,544,993 was collateralized with securities held by the pledging financial institution's trust department or agent in the government's name.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

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	\$ 220,639
Assessments	126,782
	<u>347,421</u>
Less Allowance for Uncollectibles	(10,000)
Accounts Receivable, Net	<u>\$ 337,421</u>

Proprietary Funds

	Electric Fund	Gas Fund	Water Fund	Wastewater Fund	Sanitation Fund	Drainage Fund	Total
Accounts	\$ 3,441,334	\$ 250,599	\$ 1,242,938	\$ 583,834	\$ 353,519	\$ 88,249	\$5,960,473
Less Allowance for Uncollectibles	(50,000)	(5,000)	(15,000)	(10,000)	(5,000)	(2,000)	(87,000)
Accounts Receivable, Net	<u>\$ 3,391,334</u>	<u>\$ 245,599</u>	<u>\$ 1,227,938</u>	<u>\$ 573,834</u>	<u>\$ 348,519</u>	<u>\$ 86,249</u>	<u>\$5,873,473</u>

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:

Components	Unavailable	Unearned	Total
Delinquent property taxes receivable (General Fund)	\$ 253,326	\$ -	\$ 253,326
Delinquent property taxes receivable (Debt Service Fund)	124,429	-	124,429
Franchise fees receivable	147,180	-	147,180
Lien assessments and pending seizures	121,307	-	121,307
Charges for Services not yet earned	-	118,986	118,986
Total deferred/unearned revenue for governmental funds	<u>\$ 646,242</u>	<u>\$ 118,986</u>	<u>\$ 765,228</u>
Balances not expected to be collected within one year	\$ 121,307	\$ -	\$ 121,307

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Receivables – Property Taxes

The following information relates to property taxes receivable for the year ended September 30, 2025:

Original Certified Tax Roll	\$ 2,583,794,938
Approved Rate (Per \$100 Valuation)	0.4584
Original Levy	11,844,116
Supplements	<u>(448,765)</u>
Adjusted Levy	<u>\$ 11,395,351</u>
Collections on Current Tax Roll	11,258,051
Total Collections	11,469,690
Property Taxes Receivable	\$ 393,183

D. Notes Receivable

Notes receivable at September 30, 2025 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	\$ 232,450
Note receivable from component unit Brenham Community Development Corporation, principal amount \$500,000; Interest payable at 3.250%; maturing September 2026, unsecured	<u>70,000</u>
	<u>\$ 302,450</u>
Less Current Portion	<u>(141,469)</u>
	<u>\$ 160,981</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets

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

<u>Governmental Activities</u>	Beginning <u>Balance</u>	<u>Increases</u>	Reclass/CIP <u>to Complete</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital Assets, Not Being Depreciated:					
Land	\$ 4,892,346	\$ -	\$ -	\$ -	\$ 4,892,346
Land Improvements	160,718	-	-	-	160,718
Intangibles-Easements	10,593	-	-	-	10,593
Construction in Progress	1,169,761	3,510,004	(331,437)	-	4,348,328
Total Not Being Depreciated	<u>6,233,418</u>	<u>3,510,004</u>	<u>(331,437)</u>	<u>-</u>	<u>9,411,985</u>
Capital Assets, Being Depreciated:					
Buildings	32,669,241	35,170	-	(15,984)	32,688,427
Improvements Other Than Buildings	19,148,705	405,381	-	(57,156)	19,496,930
Furniture, Fixtures and Equipment	2,507,404	436,134	-	(116,419)	2,827,119
Machinery	1,152,776	284,556	-	-	1,437,332
Vehicles	10,517,407	876,730	331,437	(308,947)	11,416,627
Radios	702,316	-	-	-	702,316
Intangibles-Software	271,368	-	-	-	271,368
Infrastructure	74,097,584	2,072,079	-	(214,467)	75,955,196
Total Being Depreciated	<u>141,066,801</u>	<u>4,110,050</u>	<u>331,437</u>	<u>(712,973)</u>	<u>144,795,315</u>
Less Accumulated Depreciation for:					
Buildings	(14,914,904)	(812,244)	-	8,924	(15,718,224)
Improvements Other Than Bldgs.	(12,039,040)	(556,113)	-	57,156	(12,537,997)
Furniture, Fixtures and Equipment	(1,787,335)	(84,614)	-	116,419	(1,755,530)
Machinery	(812,265)	(187,054)	-	-	(999,319)
Vehicles	(7,007,781)	(1,032,282)	-	308,947	(7,731,116)
Radios	(457,725)	(57,312)	-	-	(515,037)
Intangibles-Software	(112,619)	(7,900)	-	-	(120,519)
Infrastructure	(32,885,896)	(1,461,560)	-	211,272	(34,136,184)
Total Accumulated Depreciation	<u>(70,017,565)</u>	<u>(4,199,079)</u>	<u>-</u>	<u>702,718</u>	<u>(73,513,926)</u>
Total Being Depreciated, Net	<u>71,049,236</u>	<u>(89,029)</u>	<u>331,437</u>	<u>(10,255)</u>	<u>71,281,389</u>
Lease Right to Use Assets:					
Equipment	70,675	156,622	-	-	227,298
Total Lease Right to Use Assets	<u>70,675</u>	<u>156,622</u>	<u>-</u>	<u>-</u>	<u>227,298</u>
Less Accumulated Amortization for:					
Equipment	(24,064)	(31,935)	-	-	(55,998)
Total Accumulated Amortization	<u>(24,064)</u>	<u>(31,935)</u>	<u>-</u>	<u>-</u>	<u>(55,998)</u>
Lease Right to Use Assets, Net	<u>46,611</u>	<u>124,687</u>	<u>-</u>	<u>-</u>	<u>171,300</u>
Subscription Right to Use Assets:					
Software	635,229	847,695	-	(380,546)	1,102,378
Total Subscription Right to Use Assets	<u>635,229</u>	<u>847,695</u>	<u>-</u>	<u>(380,546)</u>	<u>1,102,378</u>
Less Accumulated Amortization for:					
Software	(401,864)	(252,504)	-	380,546	(273,822)
Total Accumulated Amortization	<u>(401,864)</u>	<u>(252,504)</u>	<u>-</u>	<u>380,546</u>	<u>(273,822)</u>
Subscription Right to Use Assets, Net	<u>233,365</u>	<u>595,191</u>	<u>-</u>	<u>-</u>	<u>828,556</u>
Capital Assets, Net	<u>\$ 77,562,630</u>	<u>\$ 4,140,853</u>	<u>\$ -</u>	<u>\$ (10,255)</u>	<u>\$ 81,693,230</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

II. DETAILED NOTES ON ALL FUNDS (Continued)

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclass/CIP to Complete</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:					
Land	\$ 584,385	\$ -	\$ -	\$ -	\$ 584,385
Intangibles-Easements	36,845	7,562	-	-	44,407
Construction in Progress	3,843,693	9,170,512	(1,395,585)	-	11,618,620
Total Not Being Depreciated	<u>4,464,923</u>	<u>9,178,074</u>	<u>(1,395,585)</u>	<u>-</u>	<u>12,247,412</u>
Capital Assets, Being Depreciated:					
Buildings	864,476	64,324	5,550	(80,450)	853,900
Improvements Other Than Buildings	44,064,733	1,215,935	200,476	(15,657)	45,465,487
Furniture, Fixtures and Equipment	2,655,514	60,595	-	(230,964)	2,485,145
Vehicles	5,660,942	1,165,976	-	(990,159)	5,836,759
Intangibles-Software	219,926	-	-	-	219,926
Infrastructure	83,103,902	2,247,204	1,189,559	(106,843)	86,433,822
Total Being Depreciated	<u>136,569,493</u>	<u>4,754,034</u>	<u>1,395,585</u>	<u>(1,424,073)</u>	<u>141,295,039</u>
Less Accumulated Depreciation for:					
Buildings	(599,819)	(19,246)	-	70,085	(548,980)
Improvements Other Than Bldgs.	(20,616,872)	(1,030,041)	-	15,657	(21,631,256)
Furniture, Fixtures and Equipment	(2,019,375)	(210,042)	-	212,853	(2,016,564)
Vehicles	(3,798,909)	(651,247)	-	800,421	(3,649,735)
Intangibles-Software	(193,029)	-	-	-	(193,029)
Infrastructure	(43,283,404)	(1,924,558)	-	54,012	(45,153,950)
Total Accumulated Depreciation	<u>(70,511,408)</u>	<u>(3,835,134)</u>	<u>-</u>	<u>1,153,028</u>	<u>(73,193,514)</u>
Total Being Depreciated, Net	<u>66,058,085</u>	<u>918,900</u>	<u>1,395,585</u>	<u>(271,045)</u>	<u>68,101,525</u>
Lease Right to Use Assets:					
Equipment	105,404	39,107	-	-	144,511
Total Lease Right to Use Assets	<u>105,404</u>	<u>39,107</u>	<u>-</u>	<u>-</u>	<u>144,511</u>
Less Accumulated Amortization for:					
Equipment	(32,859)	(23,620)	-	-	(56,478)
Total Accumulated Amortization	<u>(32,859)</u>	<u>(23,620)</u>	<u>-</u>	<u>-</u>	<u>(56,478)</u>
Lease Right to Use Assets, Net	<u>72,545</u>	<u>15,487</u>	<u>-</u>	<u>-</u>	<u>88,033</u>
Subscription Right to Use Assets:					
Software	225,347	31,389	-	-	256,737
Total Subscription Right to Use Assets	<u>225,347</u>	<u>31,389</u>	<u>-</u>	<u>-</u>	<u>256,737</u>
Less Accumulated Amortization for:					
Software	(73,939)	(49,385)	-	-	(123,323)
Total Accumulated Amortization	<u>(73,939)</u>	<u>(49,385)</u>	<u>-</u>	<u>-</u>	<u>(123,323)</u>
Subscription Right to Use Assets, Net	<u>151,408</u>	<u>(17,996)</u>	<u>-</u>	<u>-</u>	<u>133,414</u>
Capital Assets, Net	<u>\$ 70,746,961</u>	<u>\$ 10,094,465</u>	<u>\$ -</u>	<u>\$ (271,045)</u>	<u>\$ 80,570,384</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

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

	Depreciation Expense	Amortization Expense
<u>Governmental Activities</u>		
Culture and Recreation	\$ 731,929	\$ 19,986
General Government	349,486	217,441
Health and Welfare	90,737	2,674
Highways and Streets	1,787,400	-
Public Safety	696,572	44,338
Total Governmental Activities	\$ 3,656,124	\$ 284,439
<u>Business-type Activities</u>		
Electric	\$ 928,465	\$ 71,261
Gas	169,899	301
Water	1,295,731	1,443
Sewer	1,043,455	-
Sanitation	13,658	-
Drainage	60,783	-
Total Business-type Activities	\$ 3,511,991	\$ 73,005
<u>Internal Service Funds</u>		
Vehicle Equipment Replacement (VERF)	233,853	-
Total Internal Service Funds	\$ 233,853	\$ -

As of September 30, 2025, capital assets of the component unit consist of land (not being depreciated) with a balance of \$3,299,682, land improvements (not being depreciated) with a balance of \$886,527 and other improvements and subscription assets (being depreciated and amortized) with a balance of \$21,030.

F. Contractual Commitments

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

In November 2022, the City entered into gas supply and transport contract with a term of five years, expiring October 31, 2027, with Houston Ship Channel daily midpoint pricing. For the year ending September 30, 2025, \$1,561,239 was paid under this contract.

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, 2025 was \$497,607.

A contract with a third party to purchase the City's excess water (up to 774 acre-feet mentioned above) on a year-to-year basis. For the fiscal year ending September 30, 2025 \$38,507 was received under this contract.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

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, 2025 was \$18,013,280.

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. During FY25, the initial 5-year term of this agreement expired, and the City exercised the first of five one-year renewal periods. For the year ending September 30, 2025, the City paid \$2,520,257 under this contract.

The City has the following active construction projects as of September 30, 2025:

	Contract Amount	Spent-to-Date	Remaining Commitment
Streets & Drainage	\$ 6,607,014	\$ 4,766,364	\$ 1,840,650
Electric	246,500	-	246,500
Water	6,177,528	4,066,479	2,111,049
Wastewater	5,741,673	2,717,862	3,023,811
Parks	1,367,523	1,002,457	365,066
Public Safety	6,856,945	2,376,394	4,480,551
Total	\$ 26,997,183	\$ 14,929,555	\$ 12,067,628

As of September 30, 2025, the City had commitments to purchase approximately \$5,082,412 of vehicles and equipment including: 2 fire trucks, street department heavy equipment, maintenance department truck and portable generator, and vehicles for the gas, water and wastewater departments.

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, 2025 the balances were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Employee Benefits Trust Fund	\$ 226,421
		\$ 226,421
Other Governmental Funds	General Govt. Capital Projects Fund	\$ 2,531
		\$ 2,531
Electric Fund	General Fund	\$ 1,496,718
		\$ 1,496,718
Drainage Fund	Wastewater Fund	\$ 738,154
		\$ 738,154

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

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 of donations made to the Brenham Community Projects Fund for general government projects, and transfers of hotel occupancy tax collections for tourism and promotion activities.

During the fiscal year, the City transferred capital assets with a net book value of \$96,657 from the Fleet Management Internal Service Fund to governmental funds and capital assets with a net book value of \$98,465 to the proprietary funds. The transfers reflect the current use of these assets in governmental activities and business-type activities. In the internal service fund, the transaction is reported as an other operating expense. In the government-wide financial statements, the transfer decreases capital assets and net position in business-type activities (where internal service funds are reported) and increases capital assets and net position in governmental activities, and is reflected as a transfer on the Statement of Activities. Because governmental funds do not report capital assets, the transfer is not recorded in the governmental funds and results in a reconciling item between transfers reported in the fund level financial statements and the government-wide statement of activities and the resulting governmental fund balance and governmental statement of net position, where the internal service fund was reported.

The following schedule shows fund level transfers and payments within the reporting entity as of September 30, 2025:

Transfers From:	Transfers To:								Net Transfers From	
	Governmental Activities		Business Type Activities							
	General	Other Gov'l	Electric	Gas	Water	Wastewater	Sanitation	Drainage		
Governmental Activities										
Major Funds										
General Fund	\$ -	\$ 87,841	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 87,841
Other Gov'l Funds	1,056,825	-	-	-	-	-	-	-	-	1,056,825
Internal Service	26,704	-	59,759	8,438	50,585	18,390	5,157	441	-	169,474
Business-type Activities										
Major Funds										
Electric	1,522,702	-	-	-	-	-	-	-	-	1,522,702
Gas	304,057	-	220,491	-	-	-	-	-	-	524,548
Water	295,420	-	268,464	-	-	-	-	-	-	563,884
Wastewater	253,535	-	145,315	-	-	-	-	-	-	398,850
Sanitation	138,000	-	-	-	-	-	-	-	-	138,000
Total Transfers To	\$ 3,597,243	\$ 87,841	\$ 694,029	\$ 8,438	\$ 50,585	\$ 18,390	\$ 5,157	\$ 441	\$ -	\$ 4,462,124

Contributions from the Brenham Community Development (BCDC) component unit to the primary government totaled \$1,601,909 in FY25. \$575,973 in payments were reported as operating grants and contributions while \$1,025,936 was reported as capital grants and contributions.

H. Long-Term Debt

During the fiscal year, the City issued \$28.165 million of new certificates of obligation of which \$2.790 million was recognized in the governmental funds and \$25.375 was recognized in the enterprise funds. The debt was issued for the purpose of the acquisition of vehicles and heavy equipment for general government departments and water and wastewater utility system improvements.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

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, 2025:

	Balance 9/30/2024	Additions	FY25 Retirements	Balance 9/30/2025	Due Within One Year	Long Term
Governmental Activities						
Long Term Debt						
2006 COB - Gen	\$ 1,440,000	\$ -	\$ (700,000)	\$ 740,000	\$ 740,000	\$ -
2012 COB -Gen	880,000	-	(100,000)	780,000	100,000	680,000
2014 COB-Gen	2,410,000	-	(200,000)	2,210,000	205,000	2,005,000
2016 COB-Gen	770,517	-	(52,112)	718,405	53,973	664,432
2017 COB-Gen	1,930,000	-	(120,000)	1,810,000	125,000	1,685,000
2019 COB-Gen	1,170,000	-	(65,000)	1,105,000	65,000	1,040,000
2020 COB-Gen	2,720,000	-	(135,000)	2,585,000	140,000	2,445,000
2022 COB-Gen	3,660,000	-	(170,000)	3,490,000	180,000	3,310,000
2023 COB-Gen	8,410,000	-	(855,000)	7,555,000	1,035,000	6,520,000
2025 COB-Gen	-	2,790,000	-	2,790,000	10,000	2,780,000
	23,390,517	2,790,000	(2,397,112)	23,783,405	2,653,973	21,129,432
Unamort Bond Premium	975,929	346,287	(79,016)	1,243,200	NA	1,243,200
	24,366,446	3,136,287	(2,476,128)	25,026,605	2,653,973	22,372,632
Brenham National Bank 7 Year Note Payable - VERF	57,410	-	(28,368)	29,042	29,042	-
Citizens State Bank Excavator Note Payable - VERF	65,548	-	(21,522)	44,026	21,847	22,179
Brenham National Bank SCBA Note Payable - VERF	233,256	-	(56,470)	176,786	57,709	119,077
Brenham National Bank PD HVAC Note Payable	186,380	-	(34,778)	151,602	35,994	115,608
Subtotal-Long Term Debt	24,909,040	3,136,287	(2,617,266)	25,428,061	2,798,565	22,629,496
Other Long-Term Liabilities						
Lease Liability	47,053	156,622	(31,120)	172,555	46,502	126,053
Subscription Liability	147,653	847,695	(279,333)	716,015	233,193	482,822
Other Long Term Payable	43,066	-	(21,533)	21,533	21,533	-
Compensated Absences	626,430	584,852	(572,814)	638,468	292,426	346,042
Subtotal-Other Long-Term Liabilities	864,202	1,589,169	(904,800)	1,548,571	593,654	954,917
Total Governmental	\$ 25,773,242	\$ 4,725,456	\$ (3,522,066)	\$ 26,976,632	\$ 3,392,219	\$ 23,584,413

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

	Balance 9/30/2024	Additions	FY25 Retirements	Balance 9/30/2025	Due Within One Year	Long Term
Business Type Activities						
Long Term Debt						
2016 COB- Electric	1,299,483	-	(87,888)	1,211,595	91,027	1,120,568
2016 GOB Ref-Water	2,420,000	-	(565,000)	1,855,000	590,000	1,265,000
2017 COB-Water	470,000	-	(30,000)	440,000	30,000	410,000
2017 COB-Wastewater	385,000	-	(25,000)	360,000	25,000	335,000
2019 COB-Water	1,165,000	-	(65,000)	1,100,000	65,000	1,035,000
2020 COB-Water	595,000	-	(30,000)	565,000	30,000	535,000
2020 COB-Wastewater	1,100,000	-	(55,000)	1,045,000	60,000	985,000
2022 COB-Water	2,575,000	-	(120,000)	2,455,000	125,000	2,330,000
2022 COB-Wastewater	1,925,000	-	(90,000)	1,835,000	95,000	1,740,000
2024 COB-Water	4,405,000	-	(145,000)	4,260,000	150,000	4,110,000
2024 COB-Wastewater	5,095,000	-	(165,000)	4,930,000	175,000	4,755,000
2025 COB-Water	-	22,445,000	-	22,445,000	685,000	21,760,000
2025 COB-Wastewater	-	2,930,000	-	2,930,000	90,000	2,840,000
	21,434,483	25,375,000	(1,377,888)	45,431,595	2,211,027	43,220,568
Unamort Bond Premium-Electric	159,275	-	(13,413)	145,862	NA	145,862
Unamort Bond Premium-Water	890,090	1,514,419	(132,086)	2,272,423	NA	2,272,423
Unamort Bond Premium-Wastewater	711,772	198,027	(44,039)	865,760	NA	865,760
16 Ref Deferred Chrg-Water	(124,943)	-	32,243	(92,700)	NA	(92,700)
	23,070,677	27,087,446	(1,535,183)	48,622,940	2,211,027	46,411,913
Bank of Brenham Street Sweeper Note-Drainage	48,994	-	(48,994)	-	-	-
Citizens State Bank Excavator Note Payable-Drainage	65,548	-	(21,519)	44,029	21,847	22,182
Bank of Brenham Camera Trailer Note-Wastewater	128,284	-	(40,680)	87,604	42,728	44,876
Bank of Brenham Chipper Truck Note-Electric	74,540	-	(23,637)	50,903	24,827	26,076
Bank of Brenham Dump Truck-Wastewater	85,453	-	(19,288)	66,165	20,609	45,556
Bank of Brenham Slinger Truck-Wastewater	207,131	-	(46,762)	160,369	49,954	110,415
Subtotal-Long Term Debt	23,680,627	27,087,446	(1,736,063)	49,032,010	2,370,992	46,661,018
Other Long-Term Liabilities						
Lease Liability	72,418	39,107	(22,752)	88,773	27,086	61,687
Subscription Liability	148,185	31,389	(50,874)	128,700	46,945	81,755
Compensated Absences	228,795	236,812	(259,770)	205,837	115,842	89,995
Subtotal-Other Long-Term Liabilities	449,398	307,308	(333,396)	423,310	189,873	233,437
Total Proprietary	\$ 24,130,025	\$ 27,394,754	\$ (2,069,459)	\$ 49,455,320	\$ 2,560,865	\$ 46,894,455
Component Unit Governmental Activities						
Long Term Debt						
Note Payable-BCDC to City Elec Fund-FY10	\$ 307,354	\$ -	\$ (74,904)	\$ 232,450	\$ 71,469	\$ 160,981
Note Payable-BCDC to City Elec Fund-FY17	135,000	-	(65,000)	70,000	70,000	-
Subtotal-Long Term Debt	442,354	-	(139,904)	302,450	141,469	160,981
Other Long-Term Liabilities						
Subscription Liability	14,999	-	(3,605)	11,394	3,700	7,694
Compensated Absences	4,313	9,383	(10,881)	2,815	2,346	469
Subtotal-Other Long-Term Liabilities	19,312	9,383	(14,486)	14,209	6,046	8,163
Total Governmental - BCDC	\$ 461,666	\$ 9,383	\$ (154,390)	\$ 316,659	\$ 147,515	\$ 169,144

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

The annual debt service requirement to maturity for all bonded outstanding debt as of September 30, 2025 follows:

FISCAL YEAR ENDING 9/30	PRIMARY GOVERNMENT					
	GENERAL OBLIGATION		CERTIFICATES OF OBLIGATION		TOTAL	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2026	\$ 590,000	\$ 69,200	\$ 4,275,000	\$ 2,723,337	\$ 4,865,000	\$ 2,792,537
2027	620,000	45,600	2,860,000	2,534,151	3,480,000	2,579,751
2028	645,000	20,800	3,285,000	2,416,688	3,930,000	2,437,488
2029	-	-	3,415,000	2,279,038	3,415,000	2,279,038
2030	-	-	3,565,000	2,140,638	3,565,000	2,140,638
2031-2035	-	-	19,390,000	8,430,513	19,390,000	8,430,513
2036-2040	-	-	17,730,000	4,636,877	17,730,000	4,636,877
2041-2043	-	-	12,840,000	1,383,048	12,840,000	1,383,048
	<u>\$ 1,855,000</u>	<u>\$ 135,600</u>	<u>\$67,360,000</u>	<u>\$ 26,544,287</u>	<u>\$ 69,215,000</u>	<u>\$ 26,679,887</u>

The annual debt service requirement to maturity for all notes payable outstanding debt as of September 30, 2025 follows:

FISCAL YEAR ENDING 9/30	NOTES PAYABLE	
	PRINCIPAL	INTEREST
	2026	\$ 304,557
2027	286,918	21,484
2028	179,241	9,588
2029	39,813	1,396
	<u>\$ 810,529</u>	<u>\$ 65,967</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

Debt outstanding at September 30, 2025 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%	\$ 740,000
\$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%	780,000
\$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%	2,210,000
\$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%	1,930,000
\$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%	1,855,000
\$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%	2,610,000
\$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%	2,205,000
\$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%	4,195,000
\$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%	7,780,000
\$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%	7,555,000
\$10,080,000; 2024 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$310,000 to \$735,000 through August 15, 2043; interest rate 4.0-5.0%	9,190,000
\$28,165,000; 2025 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$785,00 to \$1,865,000 through August 15, 2045; interest rate 4.0-5.0%	28,165,000
\$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)	29,042
\$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)	88,058
\$402,129 note payable dated July 14, 2021 due in annual installments of \$61,474 including interest, through October 15, 2027; uncollateralized (SCBA)	176,786
\$252,502 note payable dated May 20, 2022 due in annual installments of \$41,296 including interest, through May 20, 2029; uncollateralized (PD HVAC)	151,602
\$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.	21,533
\$209,682 note payable dated April 12, 2023 due in annual installments of \$47,063 including interest, through September 15, 2027; uncollateralized (Camera Trailer)	87,604
\$121,305 note payable dated February 24, 2023 due in annual installments of \$27,346 including interest, through September 1, 2027; uncollateralized (Chipper Truck)	50,903
\$109,641 note payable dated April 26, 2024 due in annual installments of \$25,172 including interest, through June 15, 2028; uncollateralized (Dump Truck)	66,165
\$262,767 note payable dated May 30, 2024 due in annual installments of \$60,981 including interest, through September 15, 2028; uncollateralized (Slinger Truck)	160,369
Compensated Absences for accrued vacation	844,305
	<u>\$70,891,367</u>
Unamortized Bond Premium	4,527,245
Deferred Charges on Bonds	<u>(92,700)</u>
	<u>\$75,325,912</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

Debt outstanding for Brenham Community Development Corporation Component Unit at September 30, 2025 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	\$ 232,450
\$500,000 note payable to primary government dated May 5, 2017, interest payable at 3.25%, unsecured, annual payments 2017 through 2026	70,000
	\$ 302,450

FISCAL YEAR ENDING 9/30	COMPONENT UNIT	
	NOTES PAYABLE	
	PRINCIPAL	INTEREST
2026	\$ 141,469	\$ 82,771
2027	68,191	83,774
2028	65,064	86,901
2029	27,726	40,143
	\$ 302,450	\$ 293,589

I. Leases

GASB Statement No. 87, *Leases*, requires the recognition of certain lease assets and liabilities for leases and recognizes 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.

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.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

Leased assets are reported as capital assets 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.

The City measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term and (3) lease receipts. The City uses an estimated borrowing rate as the discount rate. The lease term includes the non-cancellable period of the lease and options to extend the lease if they are reasonably certain to be exercised. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

1. Lease receivable

During the year, the City leased land and building space. The leases have varying terms between two years and thirty years. The City recognized \$137,337 in lease and interest revenue during the current fiscal year related to these leases. As of September 30, 2025, the City's receivable for lease payments was \$548,963. 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, 2025, the balance of the deferred inflow of resources was \$529,335.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

The future amounts to be received under the lease agreements as of September 30, 2025 were as follows:

Governmental Activities			
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2026	\$ 27,237	\$ 10,956	\$ 38,193
2027	20,231	10,462	30,693
2028	18,252	9,989	28,241
2029	18,681	9,560	28,241
2030	18,709	9,121	27,830
2031-2035	82,121	39,184	121,305
2036-2040	87,008	28,509	115,517
2041-2045	84,724	17,084	101,808
2046-2050	66,122	5,963	72,085
2051-2054	6,487	427	6,914
	\$ 429,572	\$ 141,255	\$ 570,827

Business-Type Activities			
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2026	\$ 15,109	\$ 632	\$ 15,741
2027	15,189	552	15,741
2028	17,631	471	18,102
2029	17,724	378	18,102
2030	17,818	284	18,102
2031-2035	35,920	285	36,205
	\$ 119,391	\$ 2,602	\$ 121,993
	\$ 548,963	\$ 143,857	\$ 692,820

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

2. Lease liability

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 four years and 10 years. As of September 30, 2025, the value of the lease liability was \$261,328.

The future principal and interest lease payments as of September 30, 2025, were as follows:

Governmental Activities			
<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2026	\$ 46,502	\$ 4,405	\$ 50,907
2027	39,253	3,120	42,373
2028	37,111	2,019	39,130
2029	33,042	984	34,026
2030	16,647	139	16,786
	<u>\$ 172,555</u>	<u>\$ 10,667</u>	<u>\$ 183,222</u>

Business-Type Activities			
<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2026	\$ 27,086	\$ 2,171	\$ 29,257
2027	27,936	1,422	29,358
2028	14,179	748	14,927
2029	9,737	446	10,183
2030	5,900	191	
2031-2033	3,935	165	4,100
	<u>\$ 88,773</u>	<u>\$ 5,143</u>	<u>\$ 87,825</u>
	<u>\$ 261,328</u>	<u>\$ 15,810</u>	<u>\$ 271,047</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Subscription-Based Information Technology Arrangements

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, requires the recognition of certain subscription assets and liabilities for subscriptions and recognizes inflows of resources or outflows of resources based on the payment provisions of the contract.

1. Subscription Liabilities

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 2029.

The future principal and interest subscription payments as of September 30, 2025, were as follows:

Governmental Activities			
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2026	\$ 233,193	\$ 19,580	\$ 252,773
2027	235,558	13,215	248,773
2028	141,335	6,803	148,138
2029	105,929	2,889	108,818
	\$ 716,015	\$ 42,487	\$ 758,502

Business-Type Activities			
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2026	\$ 46,945	\$ 3,893	\$ 50,838
2027	45,554	2,499	48,053
2028	36,201	1,143	37,344
	\$ 128,700	\$ 7,535	\$ 136,235
	\$ 844,715	\$ 50,022	\$ 894,737

Component Unit			
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2026	\$ 3,700	\$ 300	\$ 4,000
2027	3,797	203	4,000
2028	3,897	103	4,000
	\$ 11,394	\$ 606	\$ 12,000

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

K. Rebatable 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 “rebatable arbitrage”. Arbitrage rebate payments must be made to the federal government every five years and within 60 days of final maturity. A rebatable arbitrage liability is recognized in all funds and in the government-wide and proprietary fund financial statements when incurred and measurable.

At September 30, 2025 the primary government reported a liability for rebatable arbitrage in the following funds. These amounts were reported as interest, fiscal and other charges.

Streets & Drainage Improvements Fund	\$	81,792
General Government Capital Projects Fund		315,018
Water Fund		173,384
Wastewater Fund		186,278
		<u>\$ 756,472</u>

L. 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	\$ 9,626,992	\$ 33,595,646
Customer Deposits	-	1,971,292
Debt Service	1,241,098	-
Hotel/Motel Tax	247,854	-
PD Criminal Law Enforcement	102,224	-
Streets/Drainage Improvements	1,520,734	-
Tax Increment Reinvestment Zone #1	2,092,556	-
Community Projects	1,079	-
Employee Benefits	477,589	-
Worker's Compensation	205,075	-
	<u>\$ 15,515,201</u>	<u>\$ 35,566,938</u>

M. 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.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

N. Classification of Fund Balance:

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

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

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

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

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

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.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

The following schedule presents details of fund balance components at September 30, 2025:

	General Fund	Debt Service Fund	General Govt. Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Inventory	\$ 218,651	\$ -	\$ -	\$ -	\$ 218,651
Prepaid Assets	34,300	-	-	-	34,300
Restricted for:					
Debt Service	-	1,243,369	-	-	1,243,369
Grantor and Contributor Purposes	161,925	-	-	1,079	163,004
Public Safety	36,843	-	5,960,046	93,744	6,090,633
Economic Development	-	-	-	2,120,142	2,120,142
Capital Projects	-	-	2,624,424	37,898	2,662,322
Transportation & Aviation Projects	-	-	-	1,363,754	1,363,754
Court Technology and Security	-	-	-	79,591	79,591
Tourism Promotion	-	-	-	282,904	282,904
Committed to:					
Park Capital Improvements	-	-	-	433,366	433,366
Transportation and Aviation Projects	-	-	-	20,000	20,000
Assigned to:					
Culture and Recreation	-	-	-	44,723	44,723
Unassigned:					
	10,425,959	-	-	-	10,425,959
Total Fund Balances:	<u>\$ 10,877,678</u>	<u>\$ 1,243,369</u>	<u>\$ 8,584,470</u>	<u>\$ 4,477,201</u>	<u>\$ 25,182,718</u>

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, 2025 was \$205,125.

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.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

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, 2025 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 amount, if any, of expenditures for grants which may be disallowed by the grantor agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

C. Deferred Compensation Plans

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

D. Retirement

The aggregate amount for all pension plans as of September 30, 2025 are as follows:

	<i>TMRS</i>	<i>TESRS</i>	<i>Total</i>
<i>Net Pension Liability</i>	\$ 12,377,493	\$ 615,258	\$ 12,992,751
<i>Deferred Outflows of Resources</i>	\$ (2,600,462)	\$ (302,249)	\$ (2,902,711)
<i>Deferred Inflows of Resources</i>	\$ 921,461	\$ -	\$ 921,461
<i>Current Year Pension Expense</i>	\$ 2,489,919	\$ 226,938	\$ 2,716,857

1. Texas Municipal Retirement System

Plan Description

The City of Brenham participates as one of 942 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.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

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 2024</i>	<i>Plan Year 2025</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

Employees covered by benefit terms.

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

	<u>2024</u>
<u>Membership</u>	
Inactive employees or beneficiaries currently receiving benefits	172
Inactive employees entitled to but not yet receiving benefits	190
Active employees	<u>209</u>
Total	571

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 17.73% and 17.29% in 2024 and 2025, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2025 were \$2,554,765 and were equal to the required contribution.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

Actuarial assumptions

The Total Pension Liability in the December 31, 2024 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

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are 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 the most recent Scale MP- 2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023 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 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 by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.1%
Core Fixed Income	6.00%	5.0%
Non-Core Fixed Income	6.00%	6.8%
Hedge Funds	5.00%	6.4%
Private Equity	13.00%	8.5%
Private Debt	13.00%	8.2%
Real Estate	12.00%	6.7%
Infrastructure	6.00%	6.0%
Other Private Markets	4.00%	7.3%
Total	100.00%	

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

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 12/31/2023	\$ 71,471,537	\$ 56,690,178	\$ 14,781,359
Changes for the year:			
Service Cost	1,736,528	-	1,736,528
Interest	4,775,900	-	4,775,900
Change of benefit terms	-	-	-
Difference between expected and actual experience	149,758	-	149,758
Changes of assumptions	-	-	-
Contributions - employer	-	2,517,462	(2,517,462)
Contributions - employee	-	709,946	(709,946)
Net investment income	-	5,877,304	(5,877,304)
Benefit payments, including refunds of employee contributions	(3,171,459)	(3,171,459)	-
Administrative expense	-	(37,777)	37,777
Other changes	-	(883)	883
Net changes	3,490,727	5,894,593	(2,403,866)
Balance at 12/31/2024	\$ 74,962,264	\$ 62,584,771	\$ 12,377,493

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	\$22,388,644	\$12,377,493	\$4,122,076

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

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, 2025, the City of Brenham recognized pension expense of \$2,489,919 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	\$ 651,099	\$ -
Differences in assumption changes	-	287,476
Differences between projected and actual investment earnings	-	633,985
Contributions subsequent to the measurement date	1,949,363	-
Total	\$ 2,600,462	\$ 921,461

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling \$1,949,363 will be recognized as a reduction of the net pension liability for the year ending September 30, 2026.

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

Measurement Year	Pension Expense
2025	\$ 302,470
2026	721,769
2027	(884,460)
2028	(410,141)
Total	<u>\$ (270,362)</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

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, 2024, there were 244 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, 2024, the pension system membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	4,122
Terminated Members Entitled to Benefits but Not Yet Receiving Them	1,806
Active Participants (Vested and Non-vested)	3,394

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, 2025

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, 2024 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, 2024, total contributions (dues, prior service, and interest on prior service financing) of \$29,560 were paid by the City. The State appropriated \$1,292,763 for the fiscal year ending August 31, 2024 to the plan as a whole.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

Net Pension Liability

The System's net pension liability was measured as of August 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2024.

Total pension liability	\$ 245,843,265
Plan fiduciary net position	138,468,453
System's net pension liability	\$ 107,374,812
Plan fiduciary net position as a percentage of the total pension liability	56.30%

Actuarial Assumptions

The total pension liability in the August 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	8/31/2024
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*	7.25%
Projected Salary Increase	N/A
*Includes Inflation At	2.75%
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 4.60%) and by adding expected inflation (2.75%). In addition, the final 7.25% 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, 2025

IV. OTHER INFORMATION (Continued)

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities		
Large Cap Domestic	20.00%	5.71%
Small/Mid Cap Domestic	10.00%	5.98%
Developed International	15.00%	6.19%
Emerging Markets	5.00%	7.38%
Global infrastructure	5.00%	6.63%
Real Estate	10.00%	4.50%
Multi asset income	5.00%	3.75%
Fixed Income	30.00%	1.97%
Cash	0.00%	0.00%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 5.38%. The projection of cash flows used to determine the discount rate assumed that contributions of the governing bodies will be made at the contribution rate as of August 31, 2024 actuarial valuation. Based on those assumptions, the System's fiduciary net position was projected to make projected future benefit payments of current active and inactive employees through 2051. Therefore, the discount rate of 5.38% is the single rate of return that results in a present value of all projected benefits equal to the sum of (a) the present value of benefits through 2051 discounted at the long-term expected rate of return of 7.25% and (b) the present value of benefits after 2051 discounted at the 3.87% discount rate based on the Bond Buyer Index of general obligation bonds with 20 years to maturity at/near August 31, 2024.

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 5.38%, 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 (4.38%) or 1 percentage point higher (6.38%) than the current rate:

	1% Decrease in Discount Rate (4.38%)	Discount Rate (5.38%)	1% Increase in Discount Rate (6.38%)
City's proportionate share of the net pension liability	\$849,115	\$615,258	\$ 430,646

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

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

At August 31, 2025, the City reported a liability of \$615,258 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	\$ 615,258
State's proportionate share that is associated with the City*	154,091
Total	\$ 769,349

**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, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2024. 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, 2024. The City used the assumption that any differences in the net pension liability measured as of August 31, 2024 versus September 30, 2024 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, 2023 through August 31, 2024.

At August 31, 2024 the employer's proportion of the collective net pension liability was 0.573%.

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, 2025 the City recognized pension expense of \$207,288. The City recognized on-behalf revenues of \$9,825 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, 2025

IV. OTHER INFORMATION (Continued)

At August 31, 2024, the City reported its proportionate share of the TESRS's deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between projected and actual investment earnings	\$ 33,039
Differences due to changes in actuarial assumptions	219,168
Differences in expected and actual experience	20,602
Contributions paid to TESRS subsequent to the measurement data	29,440
Total	\$ 302,249

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling \$29,440 will be recognized as a reduction of the net liability for the year ending September 30, 2026.

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
2025	\$ 161,995
2026	120,707
2027	(3,679)
2028	(6,214)
Total	<u>\$ 272,809</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, 2025

IV. OTHER INFORMATION (Continued)

Employees covered by benefit terms. At October 1, 2024, 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	4
Inactive employees entitled to but not yet receiving benefit payments	0
Active plan members	196
	200

Total OPEB Liability. The City's total OPEB liability of \$1,261,428 was measured as of September 30, 2025 and was determined by an actuarial valuation as of October 1, 2024.

Actuarial Assumptions. The total OPEB in the October 1, 2024 actuarial valuation was determined using the following actuarial assumptions as of the September 30, 2025 measurement date:

Discount rate	4.90%
Actuarial cost method	Entry Age Normal
Inflation	2.30%
Salary increases including inflation	2.75%
Healthcare cost trend rate	Initial rate of 7.10% decreasing to 6.40% after the first year then decreasing to 4.10% after 11 years then increasing to 4.20% in year 27 then declining to an ultimate rate of 3.70% after 50 years

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

Mortality rates were based on the Pub 2016 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 9/30/2024	\$ 1,856,009
Changes for the year:	
Service Cost	55,585
Interest on total OPEB liability	72,486
Effect of plan changes	-
Effect of economic/demographic gains or losses	(540,871)
Effect of assumptions, changes or inputs	(163,451)
Benefit payments	(18,330)
Net changes	(594,581)
Balance at 9/30/2025	\$ 1,261,428

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

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 4.90%, 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 (3.90%) or 1 percentage point higher (5.90%) than the current rate.

	1% Decrease in Discount Rate (3.90%)	Discount Rate (4.90%)	1% Increase in Discount Rate (5.90%)
Total OPEB Liability	\$1,417,378	\$1,261,428	\$1,125,850

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	\$1,091,057	\$1,261,428	\$1,467,616

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

For the year ended September 30, 2025, the City recognized OPEB expense/(benefit) of (\$40,480). At September 30, 2025, 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	\$ -	\$ 622,940
Changes of assumptions	27,777	568,824
Total	\$ 27,777	\$ 1,191,764

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

Year ended September 30:		
2026	\$	(163,185)
2027		(187,224)
2028		(277,364)
2029		(266,334)
2030		(161,664)
Thereafter		(108,216)
Total	\$	<u>(1,163,987)</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

F. 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, 2025, the City has created one Tax Increment Financing Zone:

Tax Increment Reinvestment Zone #1: In December 2018, the City approved an ordinance creating a TIRZ known as “Tax Increment Reinvestment Zone Number One, City of Brenham, Texas” (“Zone One”). Zone One encompasses approximately 2,201 acres of land generally located along U.S. Highway 290, South Market Street, and West Main Street corridors within the city limits. In December 2019, the City approved an ordinance amending the boundaries of the zone to include an additional 199 acres bringing total acreage of Zone One to 2,400 acres. In FY25, Zone One funds of \$41,517 were used for the second economic incentive payment to a developer. The City contributes 50% of its incremental tax revenues to Zone One.

In FY24, the appraisal district notified the City that previously reported TIRZ values provided to the City were incorrect and that incremental tax revenue deposits made to the Tax Increment Financing Fund in years 2020 through 2024 had been overstated. In FY25, the amount of the total correction was calculated, approved by the TIRZ Board, and is reflected in the financial statements.

The following schedule is a history of relevant data with regard to this TIRZ and includes the corrections noted above.

<u>Fiscal Year</u>	<u>Net Taxable Value</u>	<u>Base Value*</u>	<u>Captured Value</u>	<u>TIRZ Incremental Tax Revenue</u>
2020	\$298,021,083	\$ 278,498,294	\$ 19,522,789	\$ 50,174
2021	344,246,741	309,569,532	34,677,209	89,120
2022	370,042,202	309,569,532	60,472,670	155,415
2023	500,569,586	309,569,532	191,000,054	452,384
2024	578,982,490	309,569,532	269,412,958	617,494
2025	666,456,065	309,569,532	356,886,533	817,984

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

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

G. 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 2025, the City abated property taxes of \$77,040, or 0.68%, of the \$11,395,351 total levy.

H. Economic Development Agreements

In FY19 the City entered into a Chapter 380 Economic Development Agreement with a developer of a retail shopping center, and at the same time the County entered into a Chapter 381 Economic Development Agreement with the developer. The City's agreement was amended in November 2020 and again in November 2024. In accordance with the terms of the agreement, the City reimbursed the developer for certain infrastructure costs. The City also makes annual payments to the developer for a percentage of the 1 cent sales tax collected from within the development property. The percentage for years 1 through 5 is 90% and may be reduced to 80% and then 70% over the term of the agreement. Payment will continue annually through December 31, 2033, or until the cumulative payments from both the City and the County total \$7,000,000, whichever occurs first. As of September 30, 2025, the City has recognized a total sales tax reimbursement of \$702,910 under 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, 2025, the City has recognized \$46,494 of reimbursement payments.

In FY24, The City and BCDC entered into a Chapter 380 Agreement Economic Development Agreement with a retail developer to reimburse 80% 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. The City and BCDC have recognized \$85,754 of sales tax reimbursements each.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

I. Related Party Transactions

In 2025, the City paid for services totaling \$66,809 that were provided by a related party of the City Council.

J. Subsequent Events

On October 2, 2025, the City Council approved the purchase of a digger derrick truck for the Electric department for a cost of \$344,063.

On October 2, 2025, the City Council approved the acceptance of public infrastructure improvements in the following subdivisions:

- Heritage Oaks, Phase 2 at a value of \$392,220
- Vintage Farms, Phase 6 at a value of \$1,544,252
- Ebenezer Development at a value of \$479,985
- Wilkins Valley Phase 1 and 2 at a value of \$2,389,419

On October 16, 2025, the City Council approved the purchase of seven (7) police vehicles through the Interlocal Purchasing System (TIPS) for a total of \$407,892.

On October 16, 2025, the City Council awarded a bid in the amount of \$25,770,000 for rehabilitation and expansion of the City's Surface Water Treatment Plant.

On December 4, 2025, the City Council approved the acceptance of public infrastructure improvements for the Phase 7 of the Vintage Farms subdivision at a value of \$289,910.

On January 22, 2026, the City Council approved a 5-year lease purchase agreement with Cadence Equipment Finance in the amount of \$369,340, with an interest rate of 5.75%, for the purchase of a street sweeper for the Drainage Fund.

At the January 22, 2026 council meeting, a resolution was approved indicating the City's intent to issue up to \$14,460,000 of Combination Tax and Revenue Certificates of Obligation, Series 2026 with an estimated closing date of April 23, 2026. The proceeds from the sale are to be used for water and wastewater system improvements and streets and drainage improvement projects.

On February 5, 2026, the City Council awarded a bid in the amount of \$4,136,965 for phase 1 of the Brenham Family Park.

On February 5, 2026, the City Council approved a professional services agreement for \$1,260,000 related to engineering services for utility line relocations along US Highway 290. At the same meeting, Council approved a reimbursement resolution to declare the City's intent to reimburse itself for these relocation costs through a future bond issuance. In addition, Council approved a resolution for an interfund loan up to \$1,260,000 from the Electric Fund to the Gas, Water and Wastewater Funds to be utilized for cash flow purposes until bond proceeds are available.

On February 5, 2026, the City Council approved a professional services agreement for \$305,000 related to engineering services for wastewater system improvement projects.

On March 5, 2026, the City Council approved a professional services agreement for \$375,000 related to engineering services for water system improvements.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

K. New Pronouncements

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

- Statement No. 103, "Financial Reporting Model Improvements." The requirements for this statement are effective for FY26.
- Statement No. 104, "Disclosure of Certain Capital Assets." The requirements for this statement are effective for FY26.
- Statement No. 104, "Subsequent Events." The requirements for this statement are effective for FY27.

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REQUIRED SUPPLEMENTARY
INFORMATION

City of Brenham, Texas
Required Supplementary Information
September 30, 2025

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

	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB Liability								
Service Cost	\$ 81,913	\$ 72,565	\$ 80,218	\$ 138,863	\$ 116,390	\$ 53,301	\$ 53,898	\$ 55,585
Interest on total OPEB liability	53,194	60,179	46,875	44,136	69,696	107,675	80,283	72,486
Effect of economic/demographic gains or losses	-	(47,313)	-	1,105,573	-	(855,510)	-	(540,871)
Effect of assumptions, changes or inputs	(95,711)	271,845	82,095	(165,473)	(518,026)	(14,048)	(184,752)	(163,451)
Benefit payments	(67,223)	(35,993)	(48,780)	(16,929)	(10,600)	(10,300)	(4,800)	(18,330)
Net Change in Total OPEB Liability	(27,827)	321,283	160,408	1,106,170	(342,540)	(718,882)	(55,371)	(594,581)
Total OPEB Liability - Beginning	1,412,768	1,384,941	1,706,224	1,866,632	2,972,802	2,630,262	1,911,380	1,856,009
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>	<u>\$ 1,856,009</u>	<u>\$ 1,261,428</u>
Covered employee payroll	10,974,567	11,151,153	11,489,506	12,324,263	13,196,310	13,036,729	14,077,122	14,689,080
Total OPEB liability as a percentage of covered-employee payroll	12.62%	15.30%	16.25%	24.12%	19.93%	14.66%	13.18%	8.59%

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, 2025

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
Last 10 Years

Measurement Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Pension Liability										
Service Cost	\$ 1,217,054	\$ 1,221,386	\$ 1,304,264	\$ 1,288,102	\$ 1,306,775	\$ 1,328,395	\$ 1,435,398	\$ 1,456,731	\$ 1,544,915	\$ 1,736,528
Interest (on the Total Pension Liability)	3,311,366	3,339,042	3,472,820	3,647,237	3,764,714	3,957,807	4,064,047	4,310,203	4,550,927	4,775,900
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(335,369)	(353,462)	189,213	(827,317)	81,072	(1,115,213)	879,145	756,234	1,021,927	149,758
Change of assumptions	65,360	-	-	-	243,804	-	-	-	(723,044)	-
Benefit payments, including refunds of employee contributions	(2,077,364)	(2,119,688)	(2,413,309)	(2,335,218)	(2,418,698)	(2,674,368)	(2,626,787)	(2,858,205)	(3,143,746)	(3,171,459)
Net Change in Total Pension Liability	2,181,047	2,087,278	2,552,988	1,772,804	2,977,667	1,496,621	3,751,803	3,664,963	3,250,979	3,490,727
Total Pension Liability - Beginning	47,735,387	49,916,434	52,003,712	54,556,700	56,329,504	59,307,171	60,803,792	64,555,595	68,220,558	71,471,537
Total Pension Liability - Ending (a)	<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>	<u>\$71,471,537</u>	<u>\$74,962,264</u>
Plan Fiduciary Net Position										
Contributions - Employer	\$ 672,655	\$ 633,027	\$ 1,058,129	\$ 1,110,351	\$ 1,134,499	\$ 1,162,343	\$ 1,294,475	\$ 2,111,487	\$ 2,280,713	\$ 2,517,462
Contributions - Employee	529,614	520,181	551,014	548,595	566,685	584,681	623,544	634,465	666,486	709,946
Net Investment Income	56,134	2,512,798	5,362,117	(1,294,101)	6,368,980	3,552,297	6,439,405	(4,018,891)	5,894,353	5,877,304
Benefit payments, including refunds of employee contributions	(2,077,364)	(2,119,688)	(2,413,309)	(2,335,218)	(2,418,698)	(2,674,368)	(2,626,787)	(2,858,205)	(3,143,746)	(3,171,459)
Administrative Expense	(34,193)	(28,385)	(27,801)	(25,030)	(36,024)	(23,013)	(29,830)	(34,839)	(37,574)	(37,777)
Other	(1,688)	(1,529)	(1,409)	(1,308)	(1,082)	(897)	204	41,572	(263)	(883)
Net Change in Plan Fiduciary Net Position	(854,842)	1,516,404	4,528,741	(1,996,710)	5,614,360	2,601,043	5,701,011	(4,124,411)	5,659,969	5,894,593
Plan Fiduciary Net Position - Beginning	38,044,613	37,189,771	38,706,175	43,234,916	41,238,206	46,852,566	49,453,609	55,154,620	51,030,209	56,690,178
Plan Fiduciary Net Position - Ending (b)	<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>	<u>\$56,690,178</u>	<u>\$62,584,771</u>
Net Pension Liability - Ending (a) - (b)	\$12,726,663	\$13,297,537	\$11,321,784	\$15,091,298	\$12,454,605	\$11,350,183	\$9,400,975	\$17,190,349	\$14,781,359	\$12,377,493
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	74.50%	74.43%	79.25%	73.21%	79.00%	81.33%	85.44%	74.80%	79.32%	83.49%
Covered Payroll	\$10,592,288	\$10,403,627	\$11,006,445	\$10,971,905	\$11,333,694	\$11,693,615	\$12,470,873	\$12,689,292	\$13,329,727	\$14,198,919
Net Position Liability as a Percentage of Covered Payroll	120.15%	127.82%	102.87%	137.54%	109.89%	97.06%	75.38%	135.47%	110.89%	87.17%

Notes to Schedule:
N/A

**City of Brenham, Texas
Required Supplementary Information
September 30, 2025**

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

Fiscal Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially Determined Contribution	\$ 632,376	\$ 946,741	\$ 1,094,254	\$ 1,119,649	\$ 1,144,189	\$ 1,264,476	\$ 1,976,365	\$ 2,216,482	\$ 2,475,375	\$ 2,554,765
Contributions in relation to the actuarially determined contribution	\$ 632,376	\$ 946,741	\$ 1,094,254	\$ 1,119,649	\$ 1,144,189	\$ 1,264,476	\$ 1,976,365	\$ 2,216,482	\$ 2,475,375	\$ 2,554,765
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 10,290,949	\$ 10,879,880	\$ 10,974,567	\$ 11,151,153	\$ 11,489,506	\$ 12,324,263	\$ 13,196,210	\$ 13,036,729	\$ 14,077,122	\$ 14,689,080
Contributions as a percentage of covered payroll	6.14%	8.70%	9.97%	10.04%	9.96%	10.26%	14.98%	17.00%	17.58%	17.39%

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

20 Years

Asset Valuation Method

10 Year smoothed market; 12% soft corridor

Inflation

2.50%

Salary Increases

3.60 to 11.85%, including inflation

Investment Rate of Return

6.75%

Retirement Age

Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.

Mortality

Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes

There were no benefit changes during the year.

City of Brenham, Texas
Required Supplementary Information
September 30, 2025

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

Measurement Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
City's proportion of the net pension liability	1.1290%	1.2100%	1.0970%	1.2460%	1.1860%	1.2340%	0.9740%	0.8030%	0.5200%	0.5730%
City's proportionate share of the net pension liability	\$ 301,359	\$ 352,450	\$ 263,298	\$ 269,765	\$ 336,178	\$ 311,102	\$ 104,356	\$ 329,472	\$ 225,093	\$ 615,258
State's proportionate share of the net pension liability	104,460	121,846	86,225	74,871	99,721	88,686	28,883	85,524	59,659	154,091
Total	<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>	<u>\$ 284,752</u>	<u>\$ 769,349</u>
Number of Active Members*	32	32	35	31	33	26	23	16	16	15
City's Net Pension Liability per Active Member	\$ 9,417	\$ 11,014	\$ 7,523	\$ 8,702	\$ 10,187	\$ 11,965	\$ 4,537	\$ 20,592	\$ 14,068	\$ 41,017
Plan fiduciary net position as a percentage of the total pension liability	76.90%	76.30%	81.40%	84.26%	80.20%	83.20%	93.10%	75.20%	74.60%	56.30%

*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, 2025**

**SCHEDULE OF CONTRIBUTIONS
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)
Last 10 Years**

Fiscal Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required contribution	\$55,440	\$53,060	\$59,690	\$53,150	\$57,619	\$46,760	\$39,060	\$24,780	\$29,560	\$29,440
Contributions in relation to the contractually required contribution	55,440	53,060	59,690	53,150	57,619	46,760	39,060	24,780	29,560	29,440
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Members *	32	32	35	31	33	26	23	16	16	15
Contributions per Active Member	\$ 1,733	\$ 1,658	\$ 1,705	\$ 1,715	\$ 1,746	\$ 1,798	\$ 1,698	\$ 1,549	\$ 1,848	\$ 1,963

Notes to Schedule of Contributions:

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



CITY OF BRENHAM, TEXAS

Special Revenue Funds

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

Hotel/Motel Tax Fund

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

PD Criminal Law Enforcement Fund

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

Courts Technology/Security Fund

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

Water Impact Fees Fund

This fund is used to account for fees collected from the assessment on new development to assist with the funding of water system capital improvements (via transfers to the Water Fund) that serve or will serve new developments within the City's service area.

Wastewater Impact Fees Fund

This fund is used to account for fees collected from the assessment on new development to assist with the funding of wastewater system capital improvements (via transfers to the Wastewater Fund) that serve or will serve new developments within the City's service area.

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.

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.

Employee Benefits Fund

This fund is used to account for the medical and other benefits provided to City employees, their spouses and dependents, and retirees. Contributions to the fund are made as charges to the departments and contributions from employees and retirees.

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. In FY25, the use of this fund was discontinued and the fund was closed.

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, 2025

	Special Revenue Funds	Nonmajor Capital Projects Funds	Total Other Governmental Funds
Assets			
Cash and Equivalents	\$ 117,489	\$ 564,626	\$ 682,115
Receivables (Net)			
Occupancy Tax	95,732	-	95,732
Interfund Receivables	-	71,633	71,633
Other Current Assets	-	20,000	20,000
Restricted Cash	351,157	3,613,290	3,964,447
Total Assets	\$ 564,378	\$ 4,269,549	\$ 4,833,927
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable & Other Current Liabilities	\$ 60	\$ 205,772	\$ 205,832
Interfund Payables	69,102	-	69,102
Rebatable Arbitrage, Long Term	-	81,792	81,792
Total Liabilities	69,162	287,564	356,726
Fund Balances:			
Restricted	495,216	3,483,896	3,979,112
Committed	-	453,366	453,366
Assigned	-	44,723	44,723
Total Fund Balances	495,216	3,981,985	4,477,201
Total Liabilities and Fund Balances	\$ 564,378	\$ 4,269,549	\$ 4,833,927

City of Brenham
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds

For the Year Ended September 30, 2025

	Special Revenue Funds	Nonmajor Capital Projects Funds	Total Other Governmental Funds
Revenues			
Taxes	\$ 966,853	\$ 618,268	\$ 1,585,121
Charges for Services	26,044	-	26,044
Impact Fee Revenue	37,898	-	37,898
Investment Income	16,639	99,128	115,767
Payment from Component Unit	-	1,104,161	1,104,161
Contributions and Donations	76,460	7,302	83,762
Miscellaneous	6,842	18,198	25,040
Total revenues	<u>1,130,736</u>	<u>1,847,057</u>	<u>2,977,793</u>
Expenditures			
Current:			
Culture and Recreation	18,826	194,578	213,404
General Government	22,206	41,517	63,723
Public Safety	17,713	-	17,713
Capital Outlay	-	1,786,041	1,786,041
Debt Service:			
Interest, Fiscal & Other Charges	-	13,994	13,994
Total expenditures	<u>58,745</u>	<u>2,036,130</u>	<u>2,094,875</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,071,991</u>	<u>(189,073)</u>	<u>882,918</u>
Other Financing Sources (Uses)			
Transfers In	-	87,841	87,841
Transfers Out	(1,056,825)	-	(1,056,825)
Total other financing sources and (uses)	<u>(1,056,825)</u>	<u>87,841</u>	<u>(968,984)</u>
Net change in Fund Balances	15,166	(101,232)	(86,066)
Fund balances - beginning	<u>480,050</u>	<u>4,083,217</u>	<u>4,563,267</u>
Fund balances - ending	<u>\$ 495,216</u>	<u>\$ 3,981,985</u>	<u>\$ 4,477,201</u>

City of Brenham
Combining Balance Sheet
Other Governmental Funds - Special Revenue Funds
September 30, 2025

	Hotel/Motel Tax Fund	PD Crim. Law Enforcement Fund	Courts Tech./Security Fund	Water Impact Fees Fund	Wastewater Impact Fees Fund	Brenham Community Projects Fund, Inc.	Total Special Revenue Funds
Assets							
Cash and Equivalents	\$ -	\$ -	\$ 79,591	\$ 33,558	\$ 4,340	\$ -	\$ 117,489
Receivables (Net)							
Occupancy Tax	95,732	-	-	-	-	-	95,732
Restricted Cash	247,854	102,224	-	-	-	1,079	351,157
Total Assets	<u>\$ 343,586</u>	<u>\$ 102,224</u>	<u>\$ 79,591</u>	<u>\$ 33,558</u>	<u>\$ 4,340</u>	<u>\$ 1,079</u>	<u>\$ 564,378</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts Payable & Other Current Liabilities	\$ 60	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60
Interfund Payables	60,622	8,480	-	-	-	-	69,102
Total Liabilities	<u>60,682</u>	<u>8,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,162</u>
Fund Balances:							
Restricted	282,904	93,744	79,591	33,558	4,340	1,079	495,216
Total Fund Balances	<u>282,904</u>	<u>93,744</u>	<u>79,591</u>	<u>33,558</u>	<u>4,340</u>	<u>1,079</u>	<u>495,216</u>
Total Liabilities and Fund Balances	<u>\$ 343,586</u>	<u>\$ 102,224</u>	<u>\$ 79,591</u>	<u>\$ 33,558</u>	<u>\$ 4,340</u>	<u>\$ 1,079</u>	<u>\$ 564,378</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, 2025

	Hotel/Motel Tax Fund	PD Crim. Law Enforcement Fund	Courts Tech./Security Fund	Water Impact Fees Fund	Wastewater Impact Fees Fund	Brenham Community Projects Fund, Inc.	Total Special Revenue Funds
Revenues							
Taxes	\$ 966,853	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 966,853
Charges for Services	-	-	26,044	-	-	-	26,044
Impact Fee Revenue	-	-	-	33,558	4,340	-	37,898
Investment Income	10,747	5,668	154	-	-	70	16,639
Contributions and Donations	-	-	-	-	-	76,460	76,460
Miscellaneous	-	6,842	-	-	-	-	6,842
Total revenues	<u>977,600</u>	<u>12,510</u>	<u>26,198</u>	<u>33,558</u>	<u>4,340</u>	<u>76,530</u>	<u>1,130,736</u>
Expenditures							
Current:							
Culture and Recreation	18,826	-	-	-	-	-	18,826
General Government	-	-	22,206	-	-	-	22,206
Public Safety	-	17,713	-	-	-	-	17,713
Total expenditures	<u>18,826</u>	<u>17,713</u>	<u>22,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,745</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>958,774</u>	<u>(5,203)</u>	<u>3,992</u>	<u>33,558</u>	<u>4,340</u>	<u>76,530</u>	<u>1,071,991</u>
Other Financing Sources (Uses)							
Transfers Out	(911,400)	-	(9,265)	-	-	(136,160)	(1,056,825)
Total other financing sources and (uses)	<u>(911,400)</u>	<u>-</u>	<u>(9,265)</u>	<u>-</u>	<u>-</u>	<u>(136,160)</u>	<u>(1,056,825)</u>
Net change in Fund Balances	47,374	(5,203)	(5,273)	33,558	4,340	(59,630)	15,166
Fund balances - beginning	235,530	98,947	84,864	-	-	60,709	480,050
Fund balances - ending	<u>\$ 282,904</u>	<u>\$ 93,744</u>	<u>\$ 79,591</u>	<u>\$ 33,558</u>	<u>\$ 4,340</u>	<u>\$ 1,079</u>	<u>\$ 495,216</u>

City of Brenham
Combining Balance Sheet
Other Governmental Funds - Nonmajor Capital Projects Funds
September 30, 2025

	Airport Capital Impr. Fund	Parks Capital Improvements Fund	Streets & Improvements Fund	TIRZ Reinvestment Zone #1 Fund	Total Nonmajor Capital Projects Funds
Assets					
Cash and Cash Equivalents	\$ -	\$ 564,626	\$ -	\$ -	\$ 564,626
Interfund Receivable	-	2,531	-	69,102	71,633
Other Current Assets	20,000	-	-	-	20,000
Restricted Cash	-	-	1,520,734	2,092,556	3,613,290
Total Assets	\$ 20,000	\$ 567,157	\$ 1,520,734	\$ 2,161,658	\$ 4,269,549
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable & Other Current Liabilities	\$ -	\$ 89,068	\$ 75,188	\$ 41,516	\$ 205,772
Rebatable Arbitrage, Long Term	-	-	81,792	-	81,792
Total Liabilities	-	89,068	156,980	41,516	287,564
Fund Balances:					
Restricted	-	-	1,363,754	2,120,142	3,483,896
Committed	20,000	433,366	-	-	453,366
Assigned	-	44,723	-	-	44,723
Total Fund Balances	20,000	478,089	1,363,754	2,120,142	3,981,985
Total Liabilities and Fund Balances	\$ 20,000	\$ 567,157	\$ 1,520,734	\$ 2,161,658	\$ 4,269,549

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, 2025

	Airport Capital Impr. Fund	Parks Capital Improvements Fund	Streets & Drainage Improvements Fund	TIRZ Reinvestment Zone #1 Fund	Total Nonmajor Capital Projects Funds
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ 618,268	\$ 618,268
Investment Income	-	-	76,018	23,110	99,128
Payment from Component Unit	-	1,104,161	-	-	1,104,161
Contributions and Donations	-	7,302	-	-	7,302
Miscellaneous	-	18,198	-	-	18,198
Total revenues	-	1,129,661	76,018	641,378	1,847,057
Expenditures					
Current:					
Culture and Recreation	-	194,578	-	-	194,578
General Government	-	-	-	41,517	41,517
Capital Outlay	-	1,257,403	528,638	-	1,786,041
Debt Service:					
Interest, Fiscal & Other Charges	-	-	13,994	-	13,994
Total expenditures	-	1,451,981	542,632	41,517	2,036,130
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(322,320)	(466,614)	599,861	(189,073)
Other Financing Sources (Uses)					
Transfers In	12,653	-	75,188	-	87,841
Total other financing sources and (uses)	12,653	-	75,188	-	87,841
Net change in Fund Balances	12,653	(322,320)	(391,426)	599,861	(101,232)
Fund balances - beginning	7,347	800,409	1,755,180	1,520,281	4,083,217
Fund balances - ending	\$ 20,000	\$ 478,089	\$ 1,363,754	\$ 2,120,142	\$ 3,981,985

City of Brenham
Internal Service Funds
Combining Statement of Net Position
September 30, 2025

	Workers' Compensation Fund	Central Fleet Fund	Vehicle & Equip. Replacement Fund	Employee Benefits Fund	Total
Assets					
Current assets:					
Cash and Cash Equivalents	\$ -	\$ -	\$ 369,735	\$ -	\$ 369,735
Receivables - Accounts, Net	-	-	-	11,712	11,712
Prepays	50	-	-	165,014	165,064
Restricted Cash	205,075	-	-	477,589	682,664
Total current assets	<u>205,125</u>	<u>-</u>	<u>369,735</u>	<u>654,315</u>	<u>1,229,175</u>
Noncurrent assets:					
Capital Assets, Net	-	-	643,312	-	643,312
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>643,312</u>	<u>-</u>	<u>643,312</u>
Total Assets	<u>\$ 205,125</u>	<u>-</u>	<u>\$ 1,013,047</u>	<u>\$ 654,315</u>	<u>\$ 1,872,487</u>
Liabilities and Fund Balances					
Current liabilities:					
Due to Other Funds	\$ -	\$ -	\$ -	\$ 226,420	\$ 226,420
Accrued Interest	-	-	4,058	-	4,058
Note Payable, Current	-	-	108,598	-	108,598
Total current liabilities	<u>-</u>	<u>-</u>	<u>112,656</u>	<u>226,420</u>	<u>339,076</u>
Noncurrent liabilities:					
Long Term Debt, Net	-	-	141,258	-	141,258
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>141,258</u>	<u>-</u>	<u>141,258</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>253,914</u>	<u>226,420</u>	<u>480,334</u>
Net Position					
Net Investment in Capital Assets	-	-	393,456	-	393,456
Unrestricted	205,125	-	365,677	427,895	998,697
Total Net Position	<u>\$ 205,125</u>	<u>\$ -</u>	<u>\$ 759,133</u>	<u>\$ 427,895</u>	<u>\$ 1,392,153</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, 2025

	Workers' Compensation Fund	Central Fleet Fund	Vehicle & Equip. Replacement Fund	Employee Benefits Fund	Total
Operating revenues:					
Charges for Services	\$ 146,513	\$ -	\$ 113,693	\$ 2,600,317	\$ 2,860,523
Total operating revenues	<u>146,513</u>	<u>-</u>	<u>113,693</u>	<u>2,600,317</u>	<u>2,860,523</u>
Operating expenses:					
Supplies	-	2	-	-	2
Maintenance	-	23,196	-	-	23,196
Contractual Services	136,564	60	-	2,516,506	2,653,130
Depreciation	-	-	233,853	-	233,853
Miscellaneous	-	11,581	-	-	11,581
Total operating expenses	<u>136,564</u>	<u>34,839</u>	<u>233,853</u>	<u>2,516,506</u>	<u>2,921,762</u>
Operating Income (loss)	<u>9,949</u>	<u>(34,839)</u>	<u>(120,160)</u>	<u>83,811</u>	<u>(61,239)</u>
Nonoperating revenues (expenses):					
Investment Income	4,051	-	590	8,222	12,863
Interest, Fiscal & Other Charges	-	-	(5,754)	-	(5,754)
Gain on Sale of Capital Assets	-	8,120	-	-	8,120
Miscellaneous, Net	-	(181,319)	-	-	(181,319)
Total non-operating revenue (expenses):	<u>4,051</u>	<u>(173,199)</u>	<u>(5,164)</u>	<u>8,222</u>	<u>(166,090)</u>
Income (loss) before contributions and transfers	14,000	(208,038)	(125,324)	92,033	(227,329)
Transfers Out	-	(169,474)	-	-	(169,474)
Total Transfers Out	<u>-</u>	<u>(169,474)</u>	<u>-</u>	<u>-</u>	<u>(169,474)</u>
Change in net position	14,000	(377,512)	(125,324)	92,033	(396,803)
Total net position - beginning	191,125	377,512	884,457	335,862	1,788,956
Total net position - ending	<u>\$ 205,125</u>	<u>\$ -</u>	<u>\$ 759,133</u>	<u>\$ 427,895</u>	<u>\$ 1,392,153</u>

City of Brenham, Texas
Internal Service Funds
Combining Statement of Cash Flows
For the Year ended September 30, 2025

	Workers' Compensation Fund	Central Fleet Fund	Vehicle & Equip. Replacement Fund	Employee Benefits Fund	Total
Cash Flows from Operating Activities					
Receipts from/(payments for) interfund services provided	\$ 165,919	\$ -	\$ 113,693	\$ 2,602,817	\$ 2,882,429
Payments to suppliers	(136,564)	(33,647)	-	(2,475,920)	(2,646,131)
Net cash provided (used) by operating activities	<u>29,355</u>	<u>(33,647)</u>	<u>113,693</u>	<u>126,897</u>	<u>236,298</u>
Cash Flows from Non Capital Financing Activities					
Transfers in (out)	-	(169,475)	-	-	(169,475)
Net cash provided (used) by non capital financing activities	<u>-</u>	<u>(169,475)</u>	<u>-</u>	<u>-</u>	<u>(169,475)</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition and Construction of Capital Assets	-	-	(6,274)	-	(6,274)
Principal paid on bonds, financing leases and notes payable	-	-	(106,357)	-	(106,357)
Insurance Proceeds	-	13,804	-	-	13,804
Proceeds from sales of capital assets	-	8,120	-	-	8,120
Interest and fees paid on financing leases and notes payable	-	-	(7,335)	-	(7,335)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>21,924</u>	<u>(119,966)</u>	<u>-</u>	<u>(98,042)</u>
Cash Flows from Investing Activities					
Investment income received	4,051	-	590	8,222	12,863
Net cash provided (used) by investing activities	<u>4,051</u>	<u>-</u>	<u>590</u>	<u>8,222</u>	<u>12,863</u>
Net increase (decrease) in cash and cash equivalents	33,406	(181,198)	(5,683)	135,119	(18,356)
Cash and cash equivalents, beginning of the year	171,669	181,198	375,418	342,470	1,070,755
Cash and cash equivalents, end of the year	<u>\$ 205,075</u>	<u>\$ -</u>	<u>\$ 369,735</u>	<u>\$ 477,589</u>	<u>\$ 1,052,399</u>
Reconciliation of cash and cash equivalents to statement of net position					
Cash and equivalents	\$ -	\$ -	\$ 369,735	\$ -	\$ 369,735
Restricted cash and equivalents	205,075	-	-	477,589	682,664
Cash and cash equivalents, end of year	<u>\$ 205,075</u>	<u>\$ -</u>	<u>\$ 369,735</u>	<u>\$ 477,589</u>	<u>\$ 1,052,399</u>
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (loss)	\$ 9,949	\$ (34,839)	\$ (120,160)	\$ 83,811	\$ (61,239)
Adjustments to reconcile net cash provided (used) by operating activities					
Depreciation	-	-	233,853	-	233,853
Changes in assets and liabilities affecting cash provided by operations:					
(Increase) decrease in accounts receivable	-	-	-	2,500	2,500
(Increase) decrease in inventory	-	1,319	-	-	1,319
Increase (decrease) in interfund receivables	19,406	-	-	-	19,406
Increase (decrease) in interfund payables	-	-	-	207,014	207,014
(Increase) decrease in other prepaids	-	-	-	(165,014)	(165,014)
Increase (decrease) in accounts payable and other current liabilities	-	(127)	-	(1,414)	(1,541)
Net cash provided (used) by operating activities	<u>\$ 29,355</u>	<u>\$ (33,647)</u>	<u>\$ 113,693</u>	<u>\$ 126,897</u>	<u>\$ 236,298</u>

City of Brenham
Debt Service
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,181,352	\$ 3,282,352	\$ 3,314,157	\$ 31,805
Investment Income	4,313	4,313	142,231	137,918
Total revenues	<u>3,185,665</u>	<u>3,286,665</u>	<u>3,456,388</u>	<u>169,723</u>
Expenditures				
Debt Service:				
Interest, Fiscal & Other Charges	837,253	885,187	887,954	(2,767)
Principal Retirement	2,547,112	2,397,112	2,397,112	-
Total Expenditures	<u>3,384,365</u>	<u>3,282,299</u>	<u>3,285,066</u>	<u>(2,767)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(198,700)</u>	<u>4,366</u>	<u>171,322</u>	<u>166,956</u>
Fund balance - beginning	<u>1,072,047</u>	<u>1,072,047</u>	<u>1,072,047</u>	<u>-</u>
Fund balance - ending	<u>\$ 873,347</u>	<u>\$ 1,076,413</u>	<u>\$ 1,243,369</u>	<u>\$ 166,956</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, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ 123,000	\$ 408,530	\$ 408,530	\$ -
Payment from Component Unit	-	32,058	32,058	-
Total revenues	<u>123,000</u>	<u>440,588</u>	<u>440,588</u>	<u>-</u>
Expenditures				
Current:				
Public Safety	-	-	3,862	(3,862)
Capital Outlay	7,683,688	2,483,368	2,520,477	(37,109)
Debt Service:				
Interest, Fiscal & Other Charges	-	-	91,468	(91,468)
Issuance Costs	-	36,287	36,287	-
Total Expenditures	<u>7,683,688</u>	<u>2,519,655</u>	<u>2,652,094</u>	<u>(132,439)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,560,688)</u>	<u>(2,079,067)</u>	<u>(2,211,506)</u>	<u>(132,439)</u>
Other Financing Sources (Uses)				
Issuance of Bonds	-	2,790,000	2,790,000	-
Premium on Bonds Issued	-	346,287	346,287	-
Total other financing sources and (uses)	<u>-</u>	<u>3,136,287</u>	<u>3,136,287</u>	<u>-</u>
Net change in fund balance	<u>(7,560,688)</u>	<u>1,057,220</u>	<u>924,781</u>	<u>(132,439)</u>
Fund balance - beginning	<u>7,659,689</u>	<u>7,659,689</u>	<u>7,659,689</u>	<u>-</u>
Fund balance - ending	<u>\$ 99,001</u>	<u>\$ 8,716,909</u>	<u>\$ 8,584,470</u>	<u>\$ (132,439)</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, 2025

	<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	\$ 922,000	\$ 922,000	\$ 966,853	\$ 44,853
Investment Income	9,000	9,000	10,747	1,747
Total revenues	<u>931,000</u>	<u>931,000</u>	<u>977,600</u>	<u>46,600</u>
Expenditures				
Current:				
Culture and Recreation	19,600	19,600	18,826	774
Total Expenditures	<u>19,600</u>	<u>19,600</u>	<u>18,826</u>	<u>774</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>911,400</u>	<u>911,400</u>	<u>958,774</u>	<u>47,374</u>
Other Financing Sources (Uses)				
Transfers Out	(911,400)	(911,400)	(911,400)	-
Total other financing sources and (uses)	<u>(911,400)</u>	<u>(911,400)</u>	<u>(911,400)</u>	<u>-</u>
Net change in fund balance	-	-	47,374	47,374
Fund balance - beginning	235,530	235,530	235,530	-
Fund balance - ending	<u>\$ 235,530</u>	<u>\$ 235,530</u>	<u>\$ 282,904</u>	<u>\$ 47,374</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, 2025

	<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	\$ 5,668	\$ 2,668
Program Income/Restitution	15,000	7,000	6,842	(158)
Total revenues	<u>18,000</u>	<u>10,000</u>	<u>12,510</u>	<u>2,510</u>
Expenditures				
Current:				
Public Safety	1,292	17,713	17,713	-
Total Expenditures	<u>1,292</u>	<u>17,713</u>	<u>17,713</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>16,708</u>	<u>(7,713)</u>	<u>(5,203)</u>	<u>2,510</u>
Fund balance - beginning	98,947	98,947	98,947	-
Fund balance - ending	<u>\$ 115,655</u>	<u>\$ 91,234</u>	<u>\$ 93,744</u>	<u>\$ 2,510</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, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$ 43,325	\$ 43,325	\$ 26,044	\$ (17,281)
Investment Income	800	800	154	(646)
Total revenues	<u>44,125</u>	<u>44,125</u>	<u>26,198</u>	<u>(17,927)</u>
Expenditures				
Current:				
General Government	28,400	28,400	22,206	6,194
Total Expenditures	<u>28,400</u>	<u>28,400</u>	<u>22,206</u>	<u>6,194</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>15,725</u>	<u>15,725</u>	<u>3,992</u>	<u>(11,733)</u>
Other Financing Sources (Uses)				
Transfers Out	(15,000)	(15,000)	(9,265)	5,735
Total other financing sources and (uses)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(9,265)</u>	<u>5,735</u>
Net change in fund balance	725	725	(5,273)	(5,998)
Fund balance - beginning	84,864	84,864	84,864	-
Fund balance - ending	<u>\$ 85,589</u>	<u>\$ 85,589</u>	<u>\$ 79,591</u>	<u>\$ (5,998)</u>

City of Brenham
Water Impact Fees Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Impact Fee Revenue	\$ 187,500	\$ 33,500	\$ 33,558	\$ 58
Total revenues	<u>187,500</u>	<u>33,500</u>	<u>33,558</u>	<u>58</u>
Other Financing Sources (Uses)				
Transfers Out	(150,000)	-	-	-
Total other financing sources and (uses)	<u>(150,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	37,500	33,500	33,558	58
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ 37,500</u>	<u>\$ 33,500</u>	<u>\$ 33,558</u>	<u>\$ 58</u>

City of Brenham
Wastewater Impact Fees Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Impact Fee Revenue	\$ 62,500	\$ 4,340	\$ 4,340	\$ -
Total revenues	<u>62,500</u>	<u>4,340</u>	<u>4,340</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers Out	(50,000)	-	-	-
Total other financing sources and (uses)	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	12,500	4,340	4,340	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ 12,500</u>	<u>\$ 4,340</u>	<u>\$ 4,340</u>	<u>\$ -</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, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions and Donations	\$ -	\$ 76,460	\$ 76,460	\$ -
Investment Income	-	-	70	70
Total revenues	<u>-</u>	<u>76,460</u>	<u>76,530</u>	<u>70</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>76,460</u>	<u>76,530</u>	<u>70</u>
Other Financing Sources (Uses)				
Transfers Out	-	(136,160)	(136,160)	-
Total other financing sources and (uses)	<u>-</u>	<u>(136,160)</u>	<u>(136,160)</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>(59,700)</u>	<u>(59,630)</u>	<u>70</u>
Fund balance - beginning	60,709	60,709	60,709	-
Fund balance - ending	<u>\$ 60,709</u>	<u>\$ 1,009</u>	<u>\$ 1,079</u>	<u>\$ 70</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, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 131,250	\$ 131,250	\$ -	\$ (131,250)
Total revenues	<u>131,250</u>	<u>131,250</u>	<u>-</u>	<u>(131,250)</u>
Expenditures				
Capital Outlay	175,000	175,000	-	175,000
Total Expenditures	<u>175,000</u>	<u>175,000</u>	<u>-</u>	<u>175,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(43,750)</u>	<u>(43,750)</u>	<u>-</u>	<u>43,750</u>
Other Financing Sources (Uses)				
Transfers In	43,750	43,750	12,653	(31,097)
Total other financing sources and (uses)	<u>43,750</u>	<u>43,750</u>	<u>12,653</u>	<u>(31,097)</u>
Net change in fund balance	-	-	12,653	12,653
Fund balance - beginning	7,347	7,347	7,347	-
Fund balance - ending	<u>\$ 7,347</u>	<u>\$ 7,347</u>	<u>\$ 20,000</u>	<u>\$ 12,653</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, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions and Donations	\$ 6,000	\$ 6,000	\$ 7,302	\$ 1,302
Payment from Component Unit	827,000	1,109,000	1,104,161	(4,839)
Miscellaneous	18,000	18,000	18,198	198
Total revenues	<u>851,000</u>	<u>1,133,000</u>	<u>1,129,661</u>	<u>(3,339)</u>
Expenditures				
Current:				
Culture and Recreation	132,000	132,000	194,578	(62,578)
Capital Outlay	<u>1,385,280</u>	<u>1,385,280</u>	<u>1,257,403</u>	<u>127,877</u>
Total Expenditures	<u>1,517,280</u>	<u>1,517,280</u>	<u>1,451,981</u>	<u>65,299</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(666,280)	(384,280)	(322,320)	61,960
Fund balance - beginning	800,409	800,409	800,409	-
Fund balance - ending	<u>\$ 134,129</u>	<u>\$ 416,129</u>	<u>\$ 478,089</u>	<u>\$ 61,960</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, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ 60,000	\$ 60,000	\$ 76,018	\$ 16,018
Payment from Component Unit	118,000	-	-	-
Total revenues	<u>178,000</u>	<u>60,000</u>	<u>76,018</u>	<u>16,018</u>
Expenditures				
Current:				
Capital Outlay	668,000	668,000	528,638	139,362
Debt Service:				
Interest, Fiscal & Other Charges	-	-	13,994	(13,994)
Total Expenditures	<u>668,000</u>	<u>668,000</u>	<u>542,632</u>	<u>125,368</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(490,000)</u>	<u>(608,000)</u>	<u>(466,614)</u>	<u>141,386</u>
Other Financing Sources (Uses)				
Transfers In	-	75,189	75,188	(1)
Total other financing sources and (uses)	<u>-</u>	<u>75,189</u>	<u>75,188</u>	<u>(1)</u>
Net change in fund balance	(490,000)	(532,811)	(391,426)	141,385
Fund balance - beginning	1,755,180	1,755,180	1,755,180	-
Fund balance - ending	<u>\$ 1,265,180</u>	<u>\$ 1,222,369</u>	<u>\$ 1,363,754</u>	<u>\$ 141,385</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, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 716,236	\$ 618,268	\$ 618,268	\$ -
Investment Income	15,000	15,000	23,110	8,110
Total revenues	<u>731,236</u>	<u>633,268</u>	<u>641,378</u>	<u>8,110</u>
Expenditures				
Current:				
General Government	58,755	58,755	41,517	17,238
Capital Outlay	59,850	-	-	-
Total Expenditures	<u>118,605</u>	<u>58,755</u>	<u>41,517</u>	<u>17,238</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	612,631	574,513	599,861	25,348
Fund balance - beginning	1,520,281	1,520,281	1,520,281	-
Fund balance - ending	<u>\$ 2,132,912</u>	<u>\$ 2,094,794</u>	<u>\$ 2,120,142</u>	<u>\$ 25,348</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, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,711,233	\$ 2,711,233	\$ 2,667,165	\$ (44,068)
Intergovernmental	850,000	850,000	100,000	(750,000)
Investment Income	190,000	190,000	157,221	(32,779)
Contribution from Developer	-	-	79,373	79,373
Sales of Property	-	649,688	649,688	-
Miscellaneous	2,849	2,849	5,360	2,511
Total revenues	<u>3,754,082</u>	<u>4,403,770</u>	<u>3,658,807</u>	<u>(744,963)</u>
Expenditures				
Current:				
Economic Development	1,555,038	967,614	473,726	493,888
Debt Service:				
Interest and Fiscal Charges	81,450	81,450	81,844	(394)
Principal Retirement	139,904	139,904	143,508	(3,604)
Capital Outlay	-	319,204	319,059	145
Total Expenditures	<u>1,776,392</u>	<u>1,508,172</u>	<u>1,018,137</u>	<u>490,035</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>1,977,690</u>	<u>2,895,598</u>	<u>2,640,670</u>	<u>(254,928)</u>
Other Financing Sources (Uses)				
Payment to Primary Government	<u>(1,417,690)</u>	<u>(2,216,108)</u>	<u>(2,204,269)</u>	<u>11,839</u>
Total other financing sources and (uses)	<u>(1,417,690)</u>	<u>(2,216,108)</u>	<u>(2,204,269)</u>	<u>11,839</u>
Net change in fund balance	560,000	679,490	436,401	(243,089)
Fund balance - beginning	3,541,815	3,541,815	3,541,815	-
Fund balance - ending	<u>\$ 4,101,815</u>	<u>\$ 4,221,305</u>	<u>\$ 3,978,216</u>	<u>(\$ 243,089)</u>

Net change in fund balance - component unit \$ 436,401

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 position.

Capital outlay	319,059
Depreciation expense	(875)
Amortization expense	(3,800)

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

Sale of land	(281,075)
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Principal payments are expenditures in the component unit, but they reduce long term liabilities in the statement of net position.	143,508
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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	1,498
Accrued interest payable	49,263

Change in net position of component unit	<u>\$ 663,979</u>
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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, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions and Donations	\$ 115,500	\$ 269,589	\$ 275,419	\$ 5,830
Miscellaneous	-	16,312	16,312	-
Total revenues	<u>115,500</u>	<u>285,901</u>	<u>291,731</u>	<u>5,830</u>
Expenditures				
Current:				
Culture and Recreation	4,500	5,773	3,176	2,597
General Government	58,000	58,000	43,345	14,655
Health and Welfare	18,500	52,527	52,027	500
Public Safety	-	26,935	27,165	(230)
Capital Outlay	-	39,314	39,314	-
Total Expenditures	<u>81,000</u>	<u>182,549</u>	<u>165,027</u>	<u>17,522</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>34,500</u>	<u>103,352</u>	<u>126,704</u>	<u>23,352</u>
Other Financing Sources (Uses)				
Transfers In	-	90,660	90,660	-
Total other financing sources and (uses)	<u>-</u>	<u>90,660</u>	<u>90,660</u>	<u>-</u>
Net change in fund balance	34,500	194,012	217,364	23,352
Fund balance - beginning	412,665	412,665	412,665	-
Fund balance - ending	<u>\$ 447,165</u>	<u>\$ 606,677</u>	<u>\$ 630,029</u>	<u>\$ 23,352</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, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current:				
General Government	\$ -	\$ 57,590	\$ 68,890	\$ (11,300)
Capital Outlay	372,630	558,425	403,750	154,675
Total Expenditures	<u>372,630</u>	<u>616,015</u>	<u>472,640</u>	<u>143,375</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(372,630)</u>	<u>(616,015)</u>	<u>(472,640)</u>	<u>154,675</u>
Other Financing Sources (Uses)				
Transfers In	-	1,500,000	1,500,000	-
Transfers Out	-	(75,189)	(75,188)	1
Total other financing sources and (uses)	<u>-</u>	<u>1,424,811</u>	<u>1,424,812</u>	<u>1</u>
Net change in fund balance	(372,630)	808,796	952,172	154,676
Fund balance - beginning	1,055,857	1,055,857	1,055,857	-
Fund balance - ending	<u>\$ 683,227</u>	<u>\$ 1,864,653</u>	<u>\$ 2,008,029</u>	<u>\$ 154,676</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, 2025

	<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	\$ 5,551	\$ 2,801
Total revenues	<u>2,750</u>	<u>2,750</u>	<u>5,551</u>	<u>2,801</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)	5,551	7,801
Fund balance - beginning	19,885	19,885	19,885	-
Fund balance - ending	<u>\$ 17,635</u>	<u>\$ 17,635</u>	<u>\$ 25,436</u>	<u>\$ 7,801</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, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Grant Revenues	\$ 3,500	\$ 44,290	\$ 45,514	\$ 1,224
Total revenues	<u>3,500</u>	<u>44,290</u>	<u>45,514</u>	<u>1,224</u>
Expenditures				
Current:				
Public Safety	3,500	-	1,225	(1,225)
Capital Outlay	160,830	160,830	160,829	1
Total Expenditures	<u>164,330</u>	<u>160,830</u>	<u>162,054</u>	<u>(1,224)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(160,830)	(116,540)	(116,540)	-
Other Financing Sources (Uses)				
Transfers Out	-	(44,290)	(44,290)	-
Total other financing sources and (uses)	<u>-</u>	<u>(44,290)</u>	<u>(44,290)</u>	<u>-</u>
Net change in fund balance	(160,830)	(160,830)	(160,830)	-
Fund balance - beginning	160,830	160,830	160,830	-
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, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$ 650,700	\$ 693,700	\$ 492,708	\$ (200,992)
Intergovernmental	-	-	25,000	25,000
Contributions and Donations	-	-	224	224
Total revenues	<u>650,700</u>	<u>693,700</u>	<u>517,932</u>	<u>(175,768)</u>
Expenditures				
Current:				
Culture and Recreation	1,521,475	1,607,575	1,454,810	152,765
Debt service:				
Interest & Fiscal Charges	-	-	315	(315)
Principal Retirement	-	-	7,992	(7,992)
Capital Outlay	-	52,500	36,384	16,116
Total Expenditures	<u>1,521,475</u>	<u>1,660,075</u>	<u>1,499,501</u>	<u>160,574</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(870,775)</u>	<u>(966,375)</u>	<u>(981,569)</u>	<u>(15,194)</u>
Other Financing Sources (Uses)				
Transfers In	851,400	896,900	896,900	-
Total other financing sources and (uses)	<u>851,400</u>	<u>896,900</u>	<u>896,900</u>	<u>-</u>
Net change in fund balance	(19,375)	(69,475)	(84,669)	(15,194)
Fund balance/(deficit) - beginning	(166,867)	(166,867)	(166,867)	-
Fund balance/(deficit) - ending	<u>\$ (186,242)</u>	<u>\$ (236,342)</u>	<u>\$ (251,536)</u>	<u>\$ (15,194)</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, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Grant Revenues	\$ 100,000	\$ 182,000	\$ 182,000	\$ -
Charges for Services	553,510	553,510	585,514	32,004
Total revenues	<u>653,510</u>	<u>735,510</u>	<u>767,514</u>	<u>32,004</u>
Expenditures				
Current:				
Highways and Streets	768,443	768,443	708,212	60,231
Total Expenditures	<u>768,443</u>	<u>768,443</u>	<u>708,212</u>	<u>60,231</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(114,933)</u>	<u>(32,933)</u>	<u>59,302</u>	<u>92,235</u>
Other Financing Sources (Uses)				
Transfers In	114,933	114,933	22,734	(92,199)
Total other financing sources and (uses)	<u>114,933</u>	<u>114,933</u>	<u>22,734</u>	<u>(92,199)</u>
Net change in fund balance	-	82,000	82,036	36
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ 82,000</u>	<u>\$ 82,036</u>	<u>\$ 36</u>





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 (*Government Auditing Standards*), 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, 2025, 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 13, 2026.

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 13, 2026

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, 2025. 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, 2025.

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.

Seidel Schmedt

Brenham, Texas
March 13, 2026

CITY OF BRENHAM, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2025

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the City of Brenham, Texas were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City of Brenham, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs are reported in the Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the City expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) reported in this schedule.
7. The programs tested as major programs were:
 - U.S. Department of Housing and Urban Development ALN 14.228.
8. The threshold for distinguishing Types A and B programs was \$1,000,000.
9. The City qualified 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, 2025

None

CITY OF BRENNHAM, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL AL NUMBER	GRANT NUMBER	PROGRAM AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT 09/30/24	FEDERAL/ STATE FUNDS RECEIVED	FY 25 FEDERAL/ STATE EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 09/30/25
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	\$ 48,625	\$ (3,333,799)	\$ 4,000,728	\$ 715,554
Texas Community Development Block Grant Program-Hurricane Harvey State MID	14.228	24-065-088-E764	1,044,500	37,741	(112,463)	81,241	6,519
Texas Department of Agriculture (TDA)							
Texas Community Development Block Grant Program-Community Development Fund-2021	14.228	CDV21-0325	350,000	278,450	(282,950)	8,000	3,500
			<u>\$ 6,396,143</u>	<u>\$ 364,816</u>	<u>\$ (3,729,212)</u>	<u>\$ 4,089,969</u>	<u>\$ 725,574</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>							
Bulletproof Vest Partnership 2022 Grant	16.607	2022BUBX22033345	\$ 4,160	\$ 557	\$ (557)	\$ -	\$ -
Bulletproof Vest Partnership 2023 Grant	16.607	2023BUBX23037603	3,715	3,063	(3,063)	652	652
Bulletproof Vest Partnership 2024 Grant	16.607	2024BUBX24040945	4,127	-	-	573	573
			<u>\$ 12,001</u>	<u>\$ 3,620</u>	<u>\$ (3,620)</u>	<u>\$ 1,225</u>	<u>\$ 1,225</u>
<u>U.S. DEPARTMENT OF THE TREASURY</u>							
Texas Division of Emergency Management							
COVID-19 Coronavirus State & Local Fiscal Recovery Fund							
Disaster Grants - State Public Assistance - 2021 CLFRF	21.027	TX0207	\$ 4,434,948	\$ (3,355,160)	\$ -	\$ 1,617,573	\$ (1,737,587)
			<u>\$ 4,434,948</u>	<u>\$ (3,355,160)</u>	<u>\$ -</u>	<u>\$ 1,617,573</u>	<u>\$ (1,737,587)</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>							
Texas Office of the Governor - Homeland Security Grants Division							
BC-Body Worn Camera (BWC) Program	97.067	5077001	\$ 44,289	\$ -	\$ (42,534)	\$ 44,289	\$ 1,755
			<u>\$ 44,289</u>	<u>\$ -</u>	<u>\$ (42,534)</u>	<u>\$ 44,289</u>	<u>\$ 1,755</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION - FAA</u>							
Texas Department of Transportation							
Airport Coronavirus Response Grant Program	20.106	21CRBRNHM-00132	\$ 23,000	\$ -	(23,000)	\$ 23,000	\$ -
Airport Rescue Grant Program Funding	20.106	22CVBRNHM-00133	59,000	-	(59,000)	59,000	-
			<u>\$ 82,000</u>	<u>\$ -</u>	<u>\$ (82,000)</u>	<u>\$ 82,000</u>	<u>\$ -</u>
Total Federal - Cash			<u>\$ 10,969,381</u>	<u>\$ (2,986,724)</u>	<u>\$ (3,857,366)</u>	<u>\$ 5,835,056</u>	<u>\$ (1,009,033)</u>
Federal - Non-Cash							
<u>U.S. DEPARTMENT OF TRANSPORTATION - FAA</u>							
Texas Department of Transportation (1)							
Federally Assisted Airport Development Grant-AWOS Relocation	20.106	24AWBRENM	\$ 180,000	\$ -	\$ -	\$ -	\$ -
			<u>\$ 180,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<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	\$ -	\$ -	\$ -	\$ -
			<u>\$ 490,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Federal - Non-Cash			<u>\$ 670,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Federal Awards - Cash and Non-Cash			<u>\$ 11,639,381</u>	<u>\$ (2,986,724)</u>	<u>\$ (3,857,366)</u>	<u>\$ 5,835,056</u>	<u>\$ (1,009,033)</u>

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL AL NUMBER	GRANT NUMBER	PROGRAM AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT 09/30/24	FEDERAL/ STATE FUNDS RECEIVED	FY 25 FEDERAL/ STATE EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 09/30/25
Nonfederal - State of Texas							
Texas Department of Transportation							
Routine Airport Maintenance Program (RAMP)		M2417 BREN	\$ 100,000	\$ 100,000	\$ (100,000)	\$ -	\$ -
Routine Airport Maintenance Program (RAMP)		M2517 BREN	100,000	-	(100,000)	100,000	-
Routine Airport Maintenance Program (RAMP)		M2617 BREN	100,000	-	-	-	-
			<u>\$ 300,000</u>	<u>\$ 100,000</u>	<u>\$ (200,000)</u>	<u>\$ 100,000</u>	<u>\$ -</u>
Total Nonfederal - State of Texas			\$ 300,000	\$ 100,000	\$ (200,000)	\$ 100,000	\$ -
TOTAL FEDERAL AND STATE AWARDS			\$ 11,939,381	\$ (2,886,724)	\$ (4,057,366)	\$ 5,935,056	\$ (1,009,033)

(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 and State Awards Section
September 30, 2025

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.