

CITY OF BRENHAM, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2010



PREPARED BY THE FINANCE DIVISION

**CITY OF BRENHAM, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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February 25, 2011

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Brenham, Texas for the fiscal year ended September 30, 2010. State law requires that all general-purpose local governments publish, within six months of the close of the fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The purpose of the CAFR is to provide accurate and meaningful information concerning the City's financial condition and performance.

This report consists of management's representations concerning the finances of the City of Brenham. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Brenham has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Brenham's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Brenham's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Brenham's financial statements have been audited by Seidel, Schroeder & Company, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Brenham for the fiscal year ended September 30, 2010 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Brenham's financial statements for the fiscal year ended September 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Brenham's MD&A can be found immediately following the report of the independent auditors.

THE CITY AND ITS ORGANIZATION

Profile of the Government

The City of Brenham, incorporated in 1858, is located in central part of the state, between Houston and Austin. The City of Brenham currently occupies a land area of approximately ten square miles and serves a population of approximately 15,716. The City of Brenham is empowered to levy a

THE CITY AND ITS ORGANIZATION – (continued)

property tax on both real estate and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City of Brenham has operated under the council-manager form of government since 1920. Policy-making and legislative authority are vested in a governing council consisting of the Mayor and six other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the government's manager and attorney. The government's manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. The Mayor and Council members serve three-year terms. Four of the council members are elected by ward. The Mayor and the two remaining council members are elected at large.

City Services

The City of Brenham provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities and cultural events. In addition, Sanitation, Gas, Water, Sewer, and Electric operations are provided by the City of Brenham. The City is financially accountable for a legally separate entity, Brenham Community Development Corporation which is reported as a separate component unit within the City of Brenham's financial statements. Additional information on this entity can be found in the notes to the financial statements.

Annual Budget Process

The annual budget serves as the foundation for the City of Brenham's financial planning and control. All agencies of the City of Brenham are required to submit requests for appropriations to the government's manager on or before the 15th of July each year. The government's manager uses these requests as the starting point for developing a proposed budget. The government's manager then presents this proposed budget to the council for review prior to August 30. The council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City of Brenham's fiscal year. The appropriated budget is prepared by fund and department. While department heads may make transfers of appropriations within a department up to \$2,500, transfers over that amount require the approval of the City Manager or the Assistant City Manager. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund. Budget-to-actual comparisons are provided in this report for the General Fund, which is presented on page 68 as part of the required supplementary information.

ECONOMIC CONDITION AND OUTLOOK

The information presented in the financial statements is perhaps best understood when it is considered within the context of the City's economy. The following information is provided to highlight a broad range of economic forces that support the City's operations.

Local Economy

As with some parts of the nation, the City of Brenham's economy is rebounding from the recession. There were several main factors supporting this economic turnaround for the City.

- **Sales Tax Recovery** – For the first half of FY10, sales tax, which is the City's largest revenue source for funding general government operations, declined and trailed prior year results. However, beginning in March sales tax began to climb and exceeded the prior fiscal year actual for the last seven months of the year. Actual performance for FY10 was on target with budgeted levels.

ECONOMIC CONDITION AND OUTLOOK – (continued)

- Unemployment Rate for the County – The unemployment rate for Washington County in September 2010 was 5.9 percent, which is lower than the rate of 6.9 percent one year ago. The current rate compares favorably to the state's average unemployment rate of 7.9 percent.
- Stabilization of Property Valuations – The City of Brenham's property valuations declined less than 1% from \$982,776,938 in FY10 to \$976,451,381 in FY11. However, with no planned annexations on the near horizon, property values need to rebound to historic growth levels in order to sustain tax revenue resources used to support General Fund operations and service debt.

Economic Development

The City is fortunate to have major industries with headquarters or divisions located within the city's boundaries including an ice cream manufacturer, a steel lighting standards manufacturer, a national brand mattress manufacturer, and a globally distributed salad dressing manufacturer. Also located within the City are a nationally known retail super center and two nationally known home improvement retail stores. Other top employers include the regional home office of a state-wide insurance provider and Scott & White, a regional health care facility. The state also has a major economic presence in the area thanks to Blinn College, the oldest junior college in the state, and to a major mental health facility, which together provide employment for nearly 1,800 educators, health care professionals and staff.

The City benefited from several major business relocations, expansion of Blinn College facilities and the acquisition of new industrial park land. Highlights are noted below.

- Advanced Data Storage, a transfer/distribution company, opened their new \$4 million facility in the Brenham Business Center with the expectation of adding 10-15 new employees initially.
- Stanpac USA, a packing manufacturer, relocated to Brenham from Dallas, Texas and will be creating 90 new jobs when the plant becomes operational. Their plans include renovating the former Mt. Vernon Mills facility which closed in 2009.
- Quest Chemicals also relocated to Brenham from Houston, Texas and identified an existing building for its plant operations. They will be creating up to 100 new jobs during the first year of operation.
- Construction of the A.W. Hodde Jr. Technical Education Center at Blinn College, also located in the Brenham Business Center, was completed and its doors opened for employee training. On the main campus, the College also began a \$15 million student housing project, construction of a new agriculture facility and expansion of the music building.
- The Southwest Industrial Park was expanded with the acquisition of over 120 acres for new unrestricted industrial sites.

Another factor contributing to Brenham's economic success includes a tax abatement policy and establishment of Enterprise Zones to encourage employment and provide incentives for business development and expansion. The collection of a three-eighth cent sales tax allocated for economic development and recreation use has allowed the City to create a business park and recreational facilities, providing for new development opportunities.

Brenham is economically feasible for business and residential sites due to the low utility and property tax rates. The City owns all of the utilities – electric, gas, water and sewer – as well as a full range of sanitation services. Through the City's ownership, overhead is shared, allowing a lower rate structure to insure cost recovery.

FINANCIAL INFORMATION

Long-term Financial Planning

Along with five-year projected operating budgets, the City has developed a five-year strategic plan that encompasses department requests as well as those projects included in the "Envision 2020" Comprehensive Plan. The projects/requests are grouped into four major areas: human resources, information technology, vehicles/equipment, and infrastructure. The plan is updated annually and reviewed with the Council to evaluate department requests as they relate to maintaining current service levels or enhancing service levels. The strategic plan is the basis for budget discussion and policy decision-making. The City has also adopted financial policies to help achieve a long-term, stable and positive financial condition.

Major Initiatives

During the past few fiscal years, including FY10, the City has experienced favorable net revenues over expenditures which were transferred to separate governmental funds for the following major initiatives:

- Continuing to provide funding for the Street Overlay Project. Funding of \$217,844 for the second phase of this major infrastructure project was allocated in the FY11 budget and expenditures are recorded in the Streets & Drainage Fund.
- In the upcoming FY11 fiscal year, the first year debt service costs of the U.S. Highway 290 Transportation Project was funded from existing funds deferring a tax rate increase until a later fiscal year. This project will aid mobility and safety for the 26,000 vehicles per day traveling US Highway 290, and is a joint project with the City, Washington County, and the Texas Department of Transportation. Design will be complete in 2010 with the two-year construction beginning in mid 2011.
- Even with the addition of nine (9) new public safety positions in fiscal year 2009-10, the City maintained current levels of service to the community and citizens without increasing the property tax rate for the fiscal year 2011.

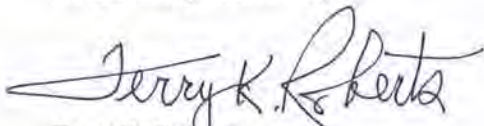
AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFAO) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual report for the fiscal year ended September 30, 2009. This is the second consecutive year that the City has received this award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements.

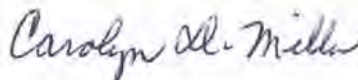
A Certificate of Achievement is valid for a period of one-year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the dedicated and efficient staff of the Finance Division and they are to be commended for their exemplary performance. Credit is also to be given to the Mayor and City Council for their interest and support in planning and conducting the operations of the City in a responsible and progressive manner.

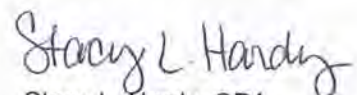
Respectfully submitted,



Terry K. Roberts
City Manager



Carolyn D. Miller, CPA
Chief Financial Officer



Stacy L. Hardy, CPA
Accounting Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Brenham
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

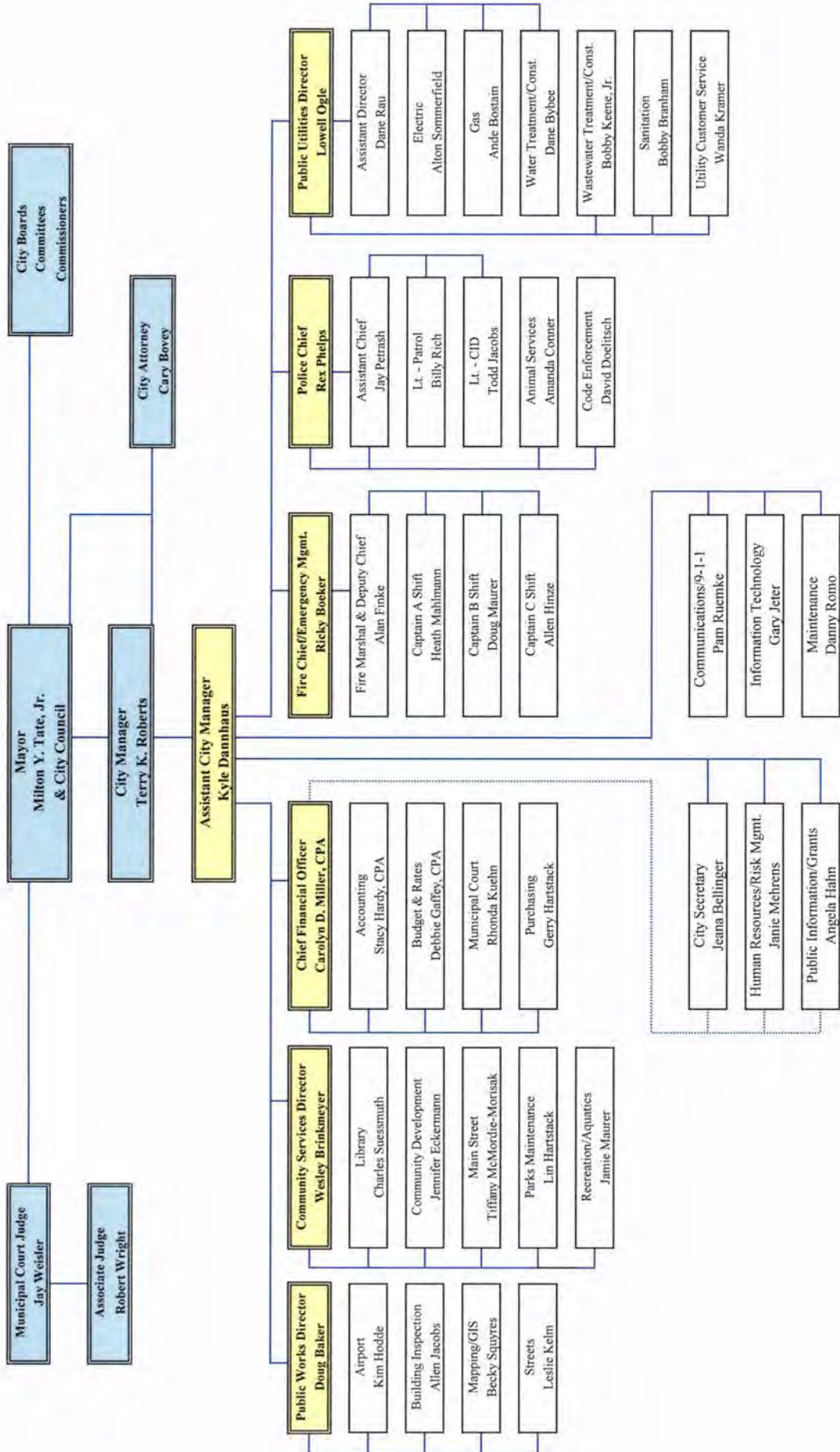


President

Executive Director

CITY OF BRENHAM - ORGANIZATIONAL CHART

(As of October 19, 2010)



**CITY OF BRENHAM
PRINCIPAL OFFICERS
SEPTEMBER 30, 2010**

MAYOR

Milton Y. Tate, Jr.

MAYOR PRO-TEM

Gloria Nix

CITY COUNCIL

Andrew Ebel
Danny Goss
Keith Herring
Charlie Pyle
Weldon C. Williams, Jr.

CITY MANAGER

Terry K. Roberts

ASSISTANT CITY MANAGER

Kyle D. Dannhaus

CHIEF FINANCIAL OFFICER

Carolyn D. Miller, CPA

ACCOUNTING MANAGER

Stacy Hardy, CPA

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SEIDEL, SCHROEDER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

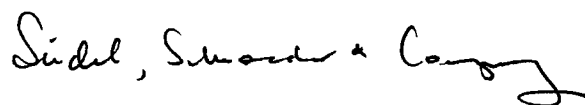
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brenham, Texas, as of September 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 22, the schedules of funding progress on pages 65 through 67, and the analysis and budgetary comparison information on page 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, the combining and individual nonmajor fund financial statements, statistical tables and supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor financial statements, analysis and budgetary comparison information, schedules within the reports for management, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical data has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



February 25, 2011
Brenham, Texas

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2010

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, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-4 of this report. 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 of the City of Brenham exceeded its liabilities at the close of the most recent fiscal year by \$83,027 (net assets). Of this amount, \$17,835 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$964.
- As of the close of the current fiscal year, the City of Brenham's governmental funds reported combined ending fund balances of \$5,154, a decrease of \$49 in comparison with the prior year. Approximately \$4,672 is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,765 or 19.2 percent of total general fund expenditures.
- The City of Brenham's total bonded debt decreased by \$2,309 or 5.4 percent 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 Basis Financial Statements (Notes). The CAFR also contains other supplementary information in addition to the BFS.

Government-Wide Financial Statements. The GWFS, shown on pages 23-25, contain the Statement of Net Assets 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 Assets* presents information on all of the City of Brenham's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 water, wastewater, sanitation, gas and electric distribution operations.

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.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2010

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 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund which are considered to be major funds. Individual fund balance sheets and statements of revenues, expenditures, and changes in fund balance for the other 18 governmental funds are presented in the supplementary information section. The governmental FFS can be found on pages 26-30 of the CAFR.

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 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 an internal service fund to account for its risk management services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the GWFS, only in more detail. The proprietary FFS provide separate information for the water, wastewater, sanitation, gas, and electric distribution operations, which are considered to be major funds of the City of Brenham. The internal service fund is reported in a separate column in the proprietary fund financial statements. The proprietary FFS can be found on pages 31-36 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 37-66 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information (RSI) concerning the City of Brenham's operations. The combining statements referred to earlier in connection with nonmajor governmental funds are presented in this section. Combining and individual fund statements can be found on pages 74-102 of this report. Information relating to federal and state grant awards begins on page 147 of this report. The statistical section can be found on pages 121-144 of this report.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets serve as a useful indicator of the City's financial position. Assets exceeded liabilities by \$83,027 (net assets) at the close of the fiscal year, compared to assets exceeding liabilities by \$82,064 (net assets) at the end of the prior fiscal year. The City's total assets increased by \$964 during the period.

City of Brenham, Texas						
Net Assets						
	Governmental		Business-type		Total	
	Activities		Activities			
	2010	2009 (1)	2010	2009	2010	2009
Current and other assets	\$ 6,796	\$ 8,076	\$ 20,432	\$ 19,630	\$ 27,228	\$ 27,706
Capital assets	54,013	55,126	49,593	48,868	103,606	103,994
Total assets	60,809	63,202	70,025	68,498	130,834	131,700
Long-term debt outstanding	17,990	18,622	21,253	22,395	39,243	41,017
Other liabilities	2,488	3,430	6,075	5,747	8,563	9,177
Total liabilities	20,478	22,052	27,328	28,142	47,806	50,194
Net assets						
Invested in capital assets, net of related debt	35,290	35,531	29,365	28,504	64,655	64,035
Restricted	538	392	-	-	538	392
Unrestricted	4,502	5,228	13,332	11,852	17,835	17,080
Total net assets	\$ 40,330	\$ 41,151	\$ 42,697	\$ 40,356	\$ 83,028	\$ 81,507

(1) As restated, see Note IV. F

By far the largest portion of the City of Brenham's net assets, 77.87 percent, 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 assets, less than one percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$17,835 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 assets 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, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

City of Brenham, Texas						
Changes in Net Assets						
	Governmental		Business-type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues						
Charges for services	\$ 1,349	\$ 1,228	\$ 38,491	\$ 40,394	\$ 39,840	\$ 41,622
Operating grants and contributions	866	469	-	8	866	477
Capital grants and contributions	1,213	1,467	229	115	1,442	1,582
General revenues.						
Property taxes	5,011	4,788	-	-	5,011	4,788
Sales taxes	3,679	3,727	-	-	3,679	3,727
Franchise taxes	2,885	3,040	-	-	2,885	3,040
Hotel Occupancy taxes	434	438	-	-	434	438
Alcoholic Beverage taxes	25	23	-	-	25	23
Other	978	1,239	96	322	1,074	1,561
Total revenues	16,440	16,419	38,816	40,839	55,256	57,258
Expenses.						
General government	5,756	5,241	-	-	5,756	5,241
Public safety	6,831	5,414	-	-	6,831	5,414
Highway/streets	2,680	2,410	-	-	2,680	2,410
Interest on Long Term Debt	855	918	-	-	855	918
Culture and recreation	3,676	3,586	-	-	3,676	3,586
Health and welfare	299	272	-	-	299	272
Water	-	-	3,088	3,316	3,088	3,316
Wastewater	-	-	2,979	3,287	2,979	3,287
Electric	-	-	22,260	22,428	22,260	22,428
Gas	-	-	3,200	2,905	3,200	2,905
Sanitation	-	-	2,669	2,464	2,669	2,464
Total Expenses	20,097	17,841	34,196	34,400	54,293	52,241
Increase (decrease) in net assets before transfers	(3,656)	(1,421)	4,620	6,439	964	5,018
Transfers	2,836	3,147	(2,836)	(3,147)	-	-
Increase (decrease) in net assets	(820)	1,726	1,784	3,292	964	5,018
Net assets - beginning	41,041	39,315	40,356	37,064	81,397	76,379
Restatement of net assets	110	-	556	-	666	-
Net assets - beginning as restated	41,151	39,315	40,912	37,064	82,063	76,379
Net assets - ending	\$40,331	\$ 41,041	\$ 42,696	\$ 40,356	\$ 83,028	\$ 81,397

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

Governmental activities. Governmental activities decreased the City of Brenham's net assets by \$820 compared to an increase of \$1,726 in the prior fiscal year. Key elements of this decrease are noted below.

Revenues increased \$21 (less than 1 percent) during the year. This increase is attributable to several factors.

Program Revenues

- Charges for Services increased \$121 (9.8%) from the prior year in the following areas: Municipal Court fees and fines were higher by \$74 combined with a \$21 increase in Park & Recreation fees and higher Main Street Event revenues of \$22.
- Operating Grants and Contributions increased by \$397 (85%) due primarily to new public safety initiatives. The Fire Department received SAFER (Staffing for Adequate Fire & Emergency Response) grant funds to partially offset the cost of three new firefighters and received funding under the Assistance to Firefighters grant for new equipment related to the new public safety interoperability communications project.
- Capital Grants and Contributions decreased by \$254 (17.3%) over the prior year due to lower expenditures in the final phase of the airport runway extension project which were offset by the new Henderson Park Lift Station grant contribution.

General Revenues

- Property Taxes increased \$223 due to taxable values which rose 4.63% from new property added to the rolls including the annexed property in the Westwood area.
- Sales Tax decreased \$48 over the prior year from reduced consumer spending related to the economic downturn.
- Franchise Taxes are received from the enterprise funds and are budgeted at 7% of revenue. The franchise taxes were lower than the prior year by \$155 which is directly attributable to reduced revenues in the Electric, Water and Wastewater Funds.
- Other Revenues were lower than the prior year by \$261 and the components are noted below.
 - Interest income was lower by \$168 due to declining interest rates.
 - In FY09, the City received \$22 from BNSF Railroad as reimbursement for damages related to a train derailment.
 - Proceeds from the sale of assets decreased by \$37 over the prior year due to fewer items sold.

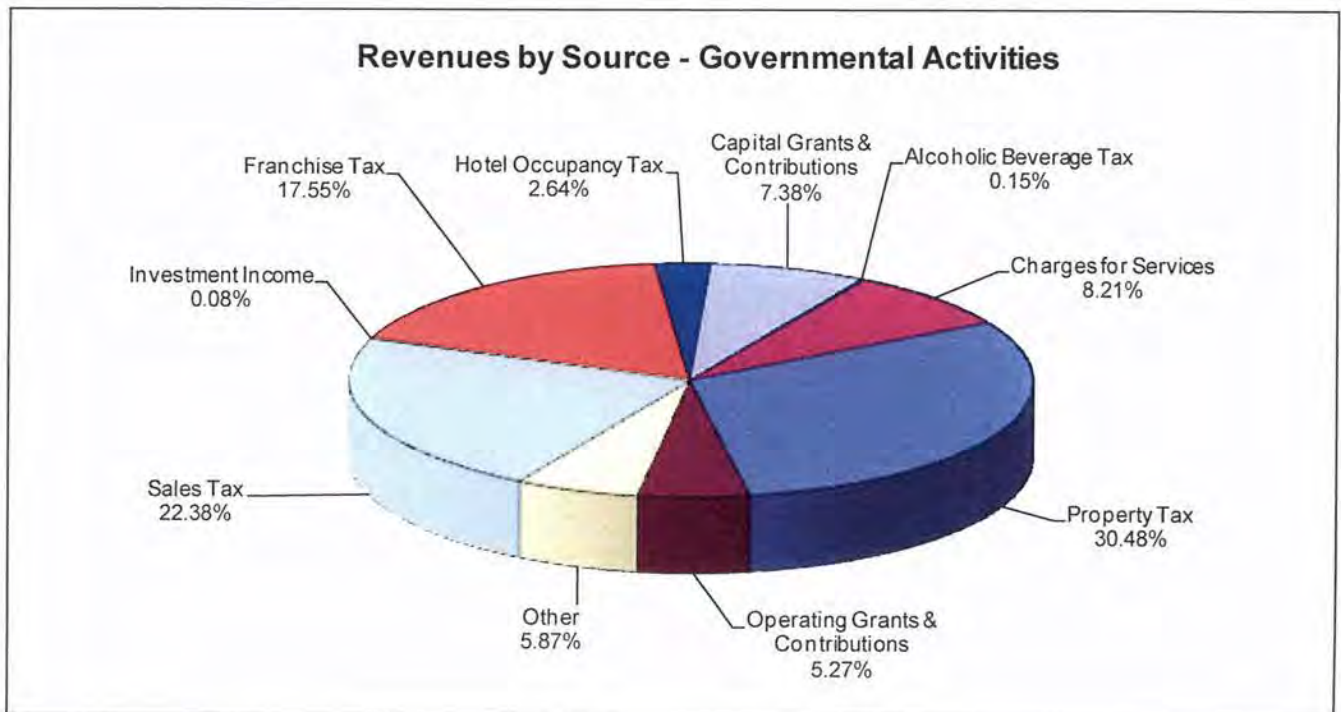
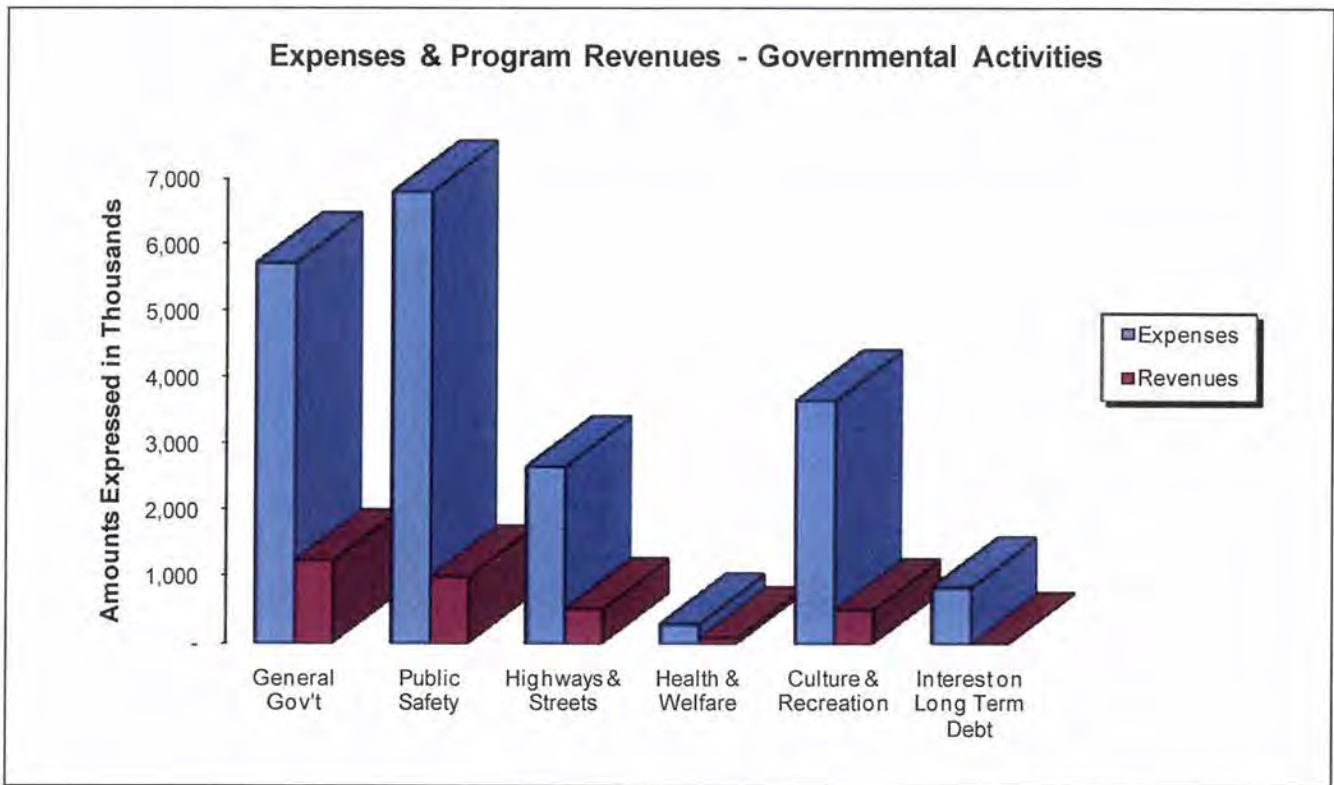
Expenses increased \$2,256 or 12.65% during the year. This increase is attributable to several factors.

- General Government expenditures increased overall by \$514 resulting from the Henderson Park Lift Station project and the interoperability communications project for general government departments.
- Public Safety expenditures increased by \$1,417 which is due primarily to the nine (9) additional public safety positions added to the FY10 budget. Additional increases are related to the new public safety interoperability radio project and the Police Department K-9 program.
- Highway & Streets expenditures increased by \$270 which is attributable to additional funding for street rehabilitation projects during the fiscal year.
- Interest on Long Term Debt decreased \$63 primarily from combined lower interest rates due to refunded bonds issued in the prior year.
- Culture & Recreation expenditures increased \$90 related to capital improvements in Fireman's Park and Hohlt Park.
- Health & Welfare expenses increased by \$27 resulting from increases in salaries and benefits, building improvements at the Animal Shelter and additional animal control supplies.

Transfers decreased \$311 during the year due to lower actual expenditures in the indirect departments (Administration, Finance, Maintenance/Central Warehouse, Public Information/Graphics and Information Technology) which are allocated to the business-type activities.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
 September 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)



CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

Business-type activities. Business-type activities increased the City of Brenham's net assets by \$1,784 compared to an increase of \$3,292 in the prior fiscal year. Key elements of this decrease are noted below

Revenues decreased \$2,023 or 5% during the year. This decrease is attributable to several factors.

- The charges for services in the Electric Fund decreased by \$1,292 even though the KWH consumption between FY10 and FY09 remained constant. The decrease is attributable to the PCRf (power cost recovery factor) billing component which is designed to true-up wholesale power cost fluctuations. In FY10 the PCRf amount returned to our electric customers exceeded the prior fiscal year by \$1,541. Increases in ancillary electric revenues and the LCRA rebate helped to offset this impact to the fund.
- Gas Fund revenues increased \$402 resulting from higher than anticipated winter gas sales which were 22,494 MCFs above the prior year.
- The charges for services in the Water Fund decreased by \$709 during the year. As compared to the prior year, water consumption fell 173.8 million gallons or 18.8% below FY09 due to an unusually wet winter.
- Charges for services in the Wastewater Fund were lower by \$494 during the year due primarily to the closure of Mt. Vernon Mills a major City employer as well as a major utility customer.
- The Sanitation Fund charges for services were higher by \$190 which is due primarily to several factors. increased garbage volume due to newly annexed areas; an 8% rate hike for the Transfer Station commercial customers, higher mulch sales due to offering bagged mulch, and the rebound in cardboard prices and other recyclables
- Other Revenue experienced a decrease from the prior year of \$226 comprised of a \$79 decline in interest earnings and reduced disposal of surplus capital and non-capital assets.
- Capital grants and contributions increased by \$114 due to the Henderson Park Lift Station project.

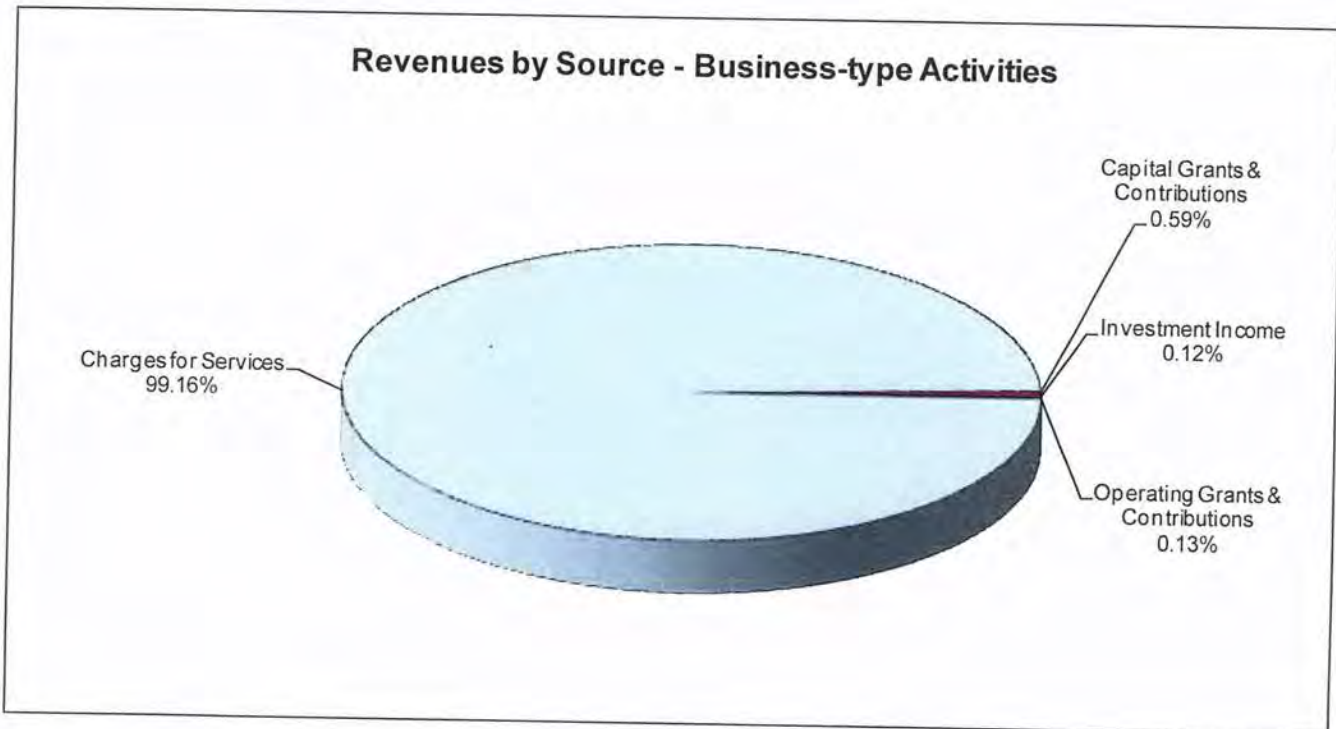
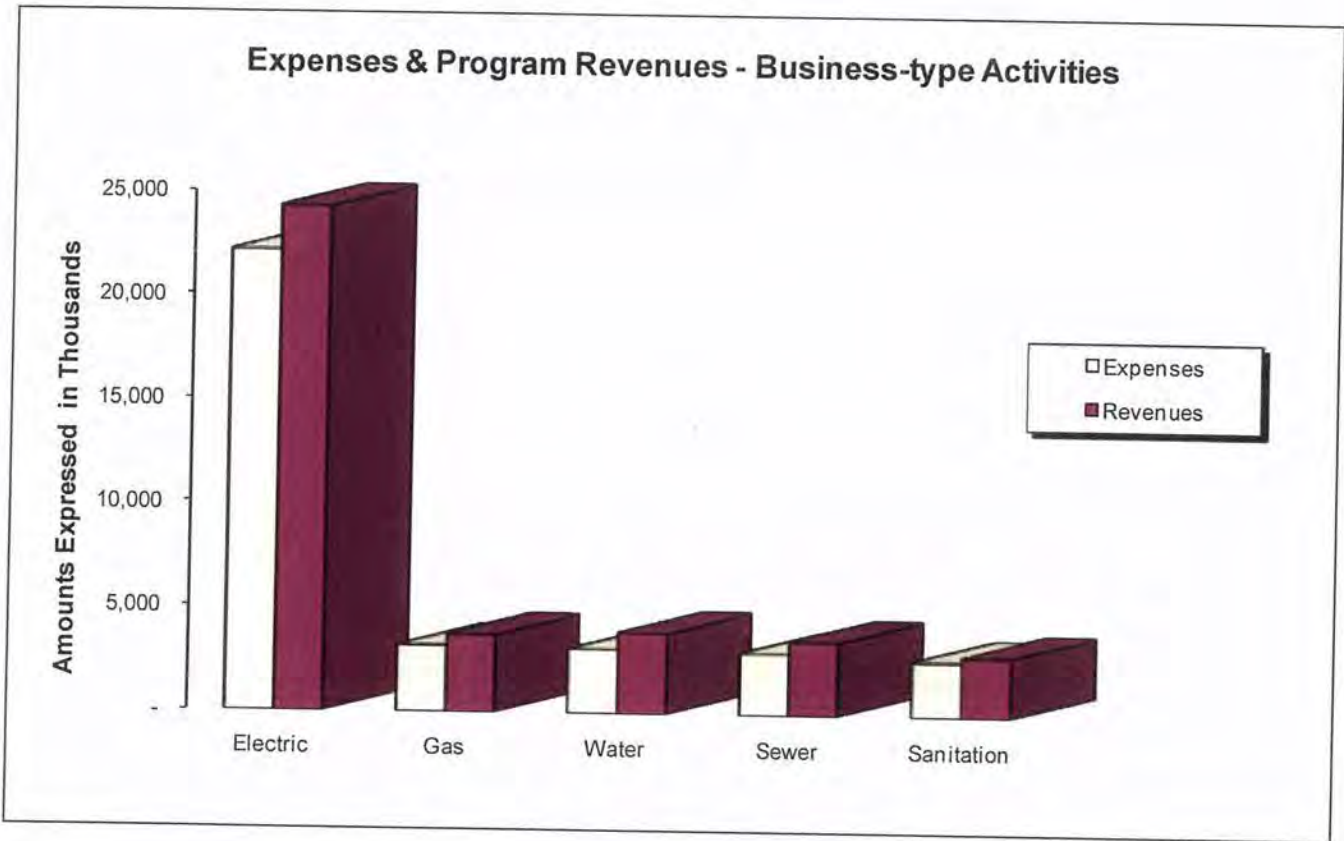
Expenses decreased \$204 or less than 1 percent during the year with specific changes presented below.

- Electric Fund expenses decreased by \$168 which results from lower franchise taxes on reduced Electric Fund revenues and a lower non-capital expenditures over the prior year
- The increase in Gas Fund expenses of \$295 is due to higher gas purchase costs driven by higher sales volume which in turn creates higher franchise tax.
- The decreased revenue from reduced water sales has a corresponding impact on expenses in the Water Fund which decreased by \$228 due to lower franchise tax, savings in water treatment chemicals and reduced electrical costs
- Wastewater Fund expenses decreased by \$308 and can be attributed to the following: reduced franchise tax; lower electric costs by shutting down one digester blower; and a one-time settlement payment of \$105 in FY09 which did not occur in the current fiscal year
- With four operational areas, the Sanitation Fund expenses increased by \$205 which is due primarily to increased landfill fees and an unplanned rate hike by Texas Commercial Waste.

Transfers to governmental activities decreased \$311 during the year due to lower actual expenditures in the indirect departments (Administration, Finance, Maintenance/Central Warehouse, Public Information/Graphics and Information Technology) which are allocated to the business-type activities.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
 September 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)



CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2010

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, unreserved 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 \$5,154 a decrease of \$49 in comparison with the prior year. As there was no change in the General Fund, the decrease occurred due to an increase of \$144 in the Debt Service Fund offset by a decrease of \$193 in the Other Governmental Funds (Special Revenue and Nonmajor Capital Projects)

The General Fund is the chief operating fund of the City of Brenham. At the end of the current fiscal year, fund balance of the General Fund was \$2,765 which did not change from the previous fiscal year. Total fund balance was 19.2% of total General Fund expenditures for FY10 and 19.3% for FY09

The Debt Service Fund has a total fund balance of \$482 all of which is reserved for the payment of debt. The fund balance increased during the current year by \$144 due to the timing of debt service expenditures related to the public safety interoperability communications project, and a one-time transfer of residual bond proceeds from the 2006 Capital Projects Fund

The Special Revenue Funds grew fund balance by \$429 due primarily from multi-year park improvement projects totaling \$211 and a year-end transfer of \$191 to the Equipment Fund. Additional funds of \$22 are also being accumulated in the Court Technology/Security Fund.

The Nonmajor Capital Project Funds experienced a decrease of \$621 during the current fiscal year due primarily to the 2006 Capital Projects Fund which was closed out.

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 assets of the Electric Fund at the end of the year amounted to \$8,575, those of the Gas Fund were \$1,005, the Water Fund \$1,524; the Wastewater Fund \$1,401 and the Sanitation Fund \$756. 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 original revenue budget was \$11,521 and the final amended budget was \$11,791, an increase of \$270. Revenues were amended to identify partial funding for the transfers-out of \$732 as described in the section below, and included the following increases: \$16 building permits, \$22 franchise gross receipts, \$69 Municipal Court fines, \$39 park/recreation/aquatic program fees, \$7 Airport hangar lease rentals and \$12 for other revenues.

The original expenditure budget was \$14,561 and the final amended budget was \$13,863, a decrease of \$698. Expenditures were amended to identify the remaining funding for the transfers-out of \$732 as described in the section below.

The original budget for transfers-in was \$3,160 and the final amended budget was \$2,922 a decrease of \$238. This decrease is related to a reduction in the inter-fund transfers from the Enterprise Funds, which was proportionate to lower than budgeted actual expenditures in the indirect departments

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2010

GENERAL FUND BUDGETARY HIGHLIGHTS – (Continued)

The original budget for transfers-out increased by \$732 due to a budget amendment approved by Council with the following elements: \$11 Toubin Park improvements, \$32 Fire Department Emergency Operations Center close-out; \$17 for public safety equipment and grant match; \$218 transfer to the Streets & Drainage Fund, and \$454 transfer to the Capital Equipment Fund

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, 2010 amounts to \$103,606 (net of accumulated depreciation) This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the City of Brenham's investment in capital assets for the current fiscal year was \$388 or less than one percent.

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

- Governmental construction-in-progress (CIP) decreased by \$1,391 related to the completion of the airport runway extension project which in turn increased Land by \$665 and Infrastructure by \$653 CIP also decreased by \$130 for playground equipment and a communications tower that were reclassified to Improvements Other Than Buildings The Machinery category increased for the new interoperability public safety communications project, and the former Municipal Building was deemed to be 100% impaired which caused the Impairment category to increase In accordance with GASB 51, Intangible assets were identified and are shown, net of accumulated amortization, at \$178. The City also identified a few assets for reclassification which affected some categories such as \$95 for restroom improvements in the downtown area which were reclassified from Improvements Other Than Buildings to Buildings and two generators totaling \$149 which were moved from Buildings to Machinery.
- Business-type construction-in-progress decreased by \$1,329 due primarily to the completion of the Westside water tower project which in turn contributed to the increase in Infrastructure assets. Intangible assets of \$7, net of accumulated amortization, were identified and are shown as capital assets.

City of Brenham, Texas
Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2010	2009 (1)	2010	2009	2010	2009 (1)
Land and Improvements	\$ 2,949	\$ 2,228	\$ 1,313	\$ 1,367	\$ 4,262	\$ 3,595
Buildings	19,300	19,952	381	365	19,681	20,317
Improvements other than buildings	6,783	7,241	22,713	21,397	29,496	28,638
Furniture, fixtures, and equipment	1,157	527	324	207	1,481	734
Machinery	233	66	-	-	233	66
Vehicles	2,702	2,920	1,027	1,207	3,729	4,127
Intangibles	178	-	7	-	185	-
Infrastructure	21,157	20,946	23,352	22,521	44,509	43,467
Construction in progress	216	1,607	475	1,804	691	3,411
Impairment	(662)	(361)	-	-	(662)	(361)
Total	\$ 54,013	\$ 55,126	\$ 49,592	\$ 48,868	\$ 103,605	\$ 103,994

(1) As restated, see Note IV F

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2010

CAPITAL ASSET AND DEBT ADMINISTRATION – (Continued)

Additional information on the City of Brenham's capital assets can be found in note III E on pages 47-48 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 \$40,519. Of this amount, \$18,290 is tax-supported debt backed by the full faith and credit of the government and sales tax revenues of the BCDC (Component Unit). The remaining \$22,228 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						
	Governmental		Business-type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$ 6,906	\$ 7,372	\$ 8,764	\$ 9,273	\$ 15,670	\$ 16,645
Certificates of Obligation	11,407	12,020	13,892	14,680	25,299	26,700
Unamortized						
Credits/Charges	(23)	(16)	(428)	(502)	(451)	(518)
Total	\$ 18,290	\$ 19,376	\$ 22,228	\$ 23,451	\$ 40,518	\$ 42,827

The City of Brenham's total bonded debt decreased by \$2,309 or 5.4 percent during the current fiscal year.

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 2.5 percent of its total assessed valuation. Additionally, the City's charter allows a rate not exceeding \$1.65 per \$100 valuation for any one year. The tax rate is \$ 5042 for the year ended September 30, 2010 which 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 51-55 of this report.

ECONOMIC FACTOR'S AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for Washington County in September 2010 was 5.9 percent, which is lower than the rate of 6.9 percent one year ago. The current rate compares favorably to the state's average unemployment rate of 7.9 percent.
- Sales tax, which is the City's largest revenue source for funding general government operations, was on track with the fiscal year 2009-10 budget of \$3,679 which had been adjusted downward by 1.3% from prior year actual. In continuing a conservative approach, only a 1.24% increase is planned for FY11.
- Inflationary trends in the region compare favorably to national indices.

These factors, as well as items noted in the Economic Conditions and Outlook section in the letter of transmittal, were considered in preparing the City of Brenham's budget for the 2010 fiscal year.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2010

ECONOMIC FACTOR'S AND NEXT YEAR'S BUDGET AND RATES – (Continued)

During the current fiscal year, unreserved fund balance in the general fund stayed at the same level of \$2,765. The City of Brenham's adopted budget for fiscal year 2011 is at a break-even level, so that General Fund expenditures do not utilize any fund balance. For FY11, the overall tax rate remained the same at \$0 5042 with an M&O rate of \$0 3420 and an I&S rate of \$0 1622

Three major initiatives were funded in the FY11 budget. First, the second phase of the Street Overlay project was funded with carryover budget funds from fiscal year 2009-10. Second, the first year debt service costs of the Highway 290 transportation project was funded from existing funds deferring a tax rate increase until a later fiscal year. And third, even with the addition of nine (9) new public safety positions in the prior fiscal year, we were able to maintain the current level of services to the community and citizens without increasing the property tax rate. The FY11 budget also provides for a mid-year pay scale adjustment to employees if the economic climate remains favorable

No rate increases were necessary in the fiscal year 2010 operating budgets for the enterprise funds except for a small increase in the Sanitation Fund for various types of waste that they collect and haul to the landfill

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 Chief Financial Officer, P.O. Box 1059, Brenham, Texas, 77834

THE CITY OF BRENHAM



BASIC FINANCIAL
STATEMENTS

**City of Brenham
Statement of Net Assets
September 30, 2010**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Equivalents	\$ 4,532,030	\$ 7,833,095	\$ 12,365,125	\$ 540,541
Receivables - Property Tax (net)	181,116	-	181,116	-
Receivables - Sales Tax	619,300	-	619,300	206,433
Receivables - Occupancy Taxes	45,999	-	45,999	-
Receivables - Account (net)	355,342	4,622,204	4,977,546	-
Internal Balances	(876,362)	876,362	-	-
Due from Component Unit	175,000	-	175,000	-
Due from Other Governments	343,953	11,747	355,700	-
Inventory at Cost	159,350	696,777	856,127	-
Notes Receivable, Current	-	48,893	48,893	-
Other Current Assets	51,096	651,172	702,268	-
Restricted Cash	950,612	3,965,421	4,916,033	-
Restricted Investments	20,421	4,334	24,755	-
Capital Assets, Not Being Depreciated	3,176,083	1,795,643	4,971,726	2,336,180
Notes Receivable, Long Term	-	1,419,933	1,419,933	-
Unamortized Bond Issuance Costs, Net	237,697	301,996	539,693	-
Other Capital Assets, Net	50,837,105	47,797,266	98,634,371	-
Total assets	<u>60,808,742</u>	<u>70,024,843</u>	<u>130,833,585</u>	<u>3,083,154</u>
LIABILITIES				
Accounts Payable and Other Current Liabilities	629,313	2,786,674	3,415,987	20,815
Due to Primary Government	-	-	-	175,000
Other Liabilities	-	3,403	3,403	-
Accrued Interest	94,732	122,395	217,127	-
Self Insurance Claims Payable	131,344	-	131,344	-
Compensated Absences, Current	142,197	81,024	223,221	-
Bonds Payable, Current	1,176,526	-	1,176,526	-
Lease Payable, Current	314,370	103,745	418,115	-
Revenue Bonds Payable, Current	-	1,348,474	1,348,474	-
Notes Payable, Current - Component Unit	-	-	-	48,893
Consumer Deposits	-	1,629,568	1,629,568	-
Compensated Absences, Long Term	165,525	64,486	230,011	-
Post Employment Benefits	158,053	120,228	278,281	-
Long Term Debt, Net	17,666,267	21,068,081	38,734,348	1,419,933
Total liabilities	<u>20,478,327</u>	<u>27,328,078</u>	<u>47,806,405</u>	<u>1,664,641</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	35,289,795	29,364,559	64,654,354	867,353
Restricted for Debt Service	537,786	-	537,786	-
Restricted for Economic Development	-	-	-	366,734
Restricted for Recreation	-	-	-	184,426
Unrestricted	4,502,834	13,332,206	17,835,040	-
Total net assets	<u>\$ 40,330,415</u>	<u>\$ 42,696,765</u>	<u>\$ 83,027,180</u>	<u>\$ 1,418,513</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, 2010

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Indirect Expenses Allocation	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	\$ 8,592,016	\$ (2,836,566)	\$ 866,090	\$ 85,576	\$ 309,195	\$ (4,494,589)	\$ -	\$ (4,494,589)	\$ -
Public Safety	6,831,143	-	5,548	625,356	387,830	(5,809,409)	-	(5,809,409)	-
Highways and Streets	2,679,468	-	51,996	20,456	459,901	(2,147,115)	-	(2,147,115)	-
Health and Welfare	299,216	-	35,606	58,114	-	(205,496)	-	(205,496)	-
Culture and Recreation	3,676,194	-	387,113	76,105	56,497	(3,156,479)	-	(3,156,479)	-
Interest on Long Term Debt	855,569	-	-	-	-	(855,569)	-	(855,569)	-
Total governmental activities	22,933,606	(2,836,566)	1,349,353	865,607	1,213,423	(16,668,657)	-	(16,668,657)	-
Business-type activities:									
Electric	21,163,580	1,096,136	24,387,117	-	-	-	2,127,401	2,127,401	-
Gas	2,688,113	510,627	3,740,133	-	-	-	541,393	541,393	-
Sanitation	2,435,567	234,111	2,913,758	-	-	-	244,080	244,080	-
Wastewater	2,482,903	496,503	3,552,062	-	221,652	-	794,308	794,308	-
Water	2,588,850	499,189	3,898,319	-	7,437	-	817,717	817,717	-
Total business-type activities	31,359,013	2,836,566	38,491,389	-	229,089	-	4,524,899	4,524,899	-
Total primary government	\$ 54,292,619	\$ -	\$ 39,840,742	\$ 865,607	\$ 1,442,512	(16,668,657)	4,524,899	(12,143,758)	-
Component unit:									
Brenham Community Devel Corp	\$ 205,065	-	-	-	-	-	-	-	(205,065)
Total component unit	\$ 205,065	-	-	-	-	-	-	-	(205,065)
General revenues:									
Property Taxes	-	-	-	-	-	5,011,013	-	5,011,013	-
Sales Taxes	-	-	-	-	-	3,678,707	-	3,678,707	1,226,236
Franchise Taxes	-	-	-	-	-	2,885,339	-	2,885,339	-
Hotel Occupancy Taxes	-	-	-	-	-	434,330	-	434,330	-
Alcoholic Beverage Taxes	-	-	-	-	-	24,642	-	24,642	-
Investment Income not Restricted	-	-	-	-	-	12,790	50,841	63,631	2,365
Miscellaneous	-	-	-	-	-	105,935	44,971	150,906	-
Gain on Sale of Capital Assets	-	-	-	-	-	7,879	-	7,879	-
Payments from Component Unit	-	-	-	-	-	850,941	-	850,941	(850,941)
Transfers	-	-	-	-	-	2,836,566	(2,836,566)	-	-
Total general revenues	-	-	-	-	-	15,848,142	(2,740,754)	13,107,388	377,660
Change in net assets	-	-	-	-	-	(820,515)	1,784,145	963,630	172,595
Net assets - beginning as previously reported	-	-	-	-	-	41,040,902	40,356,296	81,397,198	1,245,918
Restatement of net assets	-	-	-	-	-	110,028	556,324	666,352	-
Net assets - beginning as restated	-	-	-	-	-	41,150,930	40,912,620	82,063,550	1,245,918
Net assets - ending	-	-	-	-	-	\$ 40,330,415	\$ 42,696,765	\$ 83,027,180	\$ 1,418,513

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

**City of Brenham
Balance Sheet
Governmental Funds
September 30, 2010**

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Equivalents	\$ 4,019,665	\$ -	\$ 512,365	\$ 4,532,030
Receivables (Net)				
Property Taxes	122,304	58,812	-	181,116
Sales Tax	619,300	-	-	619,300
Occupancy Tax	-	-	45,999	45,999
Accounts	350,122	-	5,220	355,342
Interfund Receivables	-	193,315	1,140,921	1,334,236
Due from Component Unit	-	-	175,000	175,000
Due from Other Governments	153,917	996	189,040	343,953
Inventory at Cost	159,350	-	-	159,350
Other Current Assets	1,000	-	18,923	19,923
Restricted Cash	-	287,573	259,413	546,986
Restricted Investments	-	-	20,421	20,421
Total Assets	<u>\$ 5,425,658</u>	<u>\$ 540,696</u>	<u>\$ 2,367,302</u>	<u>\$ 8,333,656</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable & Other Current	\$ 522,942	\$ -	\$ 106,203	\$ 629,145
Interfund Payables	1,682,356	-	353,161	2,035,517
Deferred Revenue	455,343	58,812	576	514,731
Other Liabilities	167	-	-	167
Total Liabilities	<u>2,660,808</u>	<u>58,812</u>	<u>459,940</u>	<u>3,179,560</u>
Fund Balances:				
Reserved for:				
Debt Service	-	481,884	-	481,884
Unreserved, reported in:				
Capital Projects	-	-	77,479	77,479
General Fund	2,764,850	-	-	2,764,850
Special Revenue Funds	-	-	1,829,883	1,829,883
Total Fund Balances	<u>2,764,850</u>	<u>481,884</u>	<u>1,907,362</u>	<u>5,154,096</u>
Total Liabilities and Fund Balances	<u>\$ 5,425,658</u>	<u>\$ 540,696</u>	<u>\$ 2,367,302</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 Assets
For the Year Ended September 30, 2010

Total fund balances - total governmental funds \$ 5,154,096

Amounts reported for governmental activities in the statement of net assets 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. 54,013,188

Gross capital assets	89,480,540
Accumulated depreciation	(34,805,010)
Impairment Loss	(662,342)
	54,013,188

Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. (19,479,974)

Bonds payable	18,313,947
Less: Unamortized bond issue costs	(237,697)
Less: Issuance discount	(4,596)
Add: Issuance premium	184,462
Less: Unamortized deferred charges	(203,233)
Accrued interest payable	94,732
Capital lease payable	866,584
Compensated absences	307,722
Post retirement benefits	158,053
	19,479,974

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 assets. 128,374

Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds. 514,731

Net assets of governmental activities \$ 40,330,415

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, 2010

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 9,973,703	\$ 1,605,566	\$ 434,330	\$ 12,013,599
Licenses and Permits	76,999	-	-	76,999
Intergovernmental	620,090	-	1,197,126	1,817,216
Charges for Services	531,492	-	72,076	603,568
Fines and Forfeitures	668,762	-	-	668,762
Investment Income	8,266	1,853	2,309	12,428
Payment from Component Unit	200,000	450,941	200,000	850,941
Contributions and Donations	-	-	174,272	174,272
Miscellaneous	100,350	-	11,068	111,418
Total revenues	<u>12,179,662</u>	<u>2,058,360</u>	<u>2,091,181</u>	<u>16,329,203</u>
Expenditures				
Current:				
Culture and Recreation	2,548,557	-	437,181	2,985,738
General Government	4,684,984	-	302,668	4,987,652
Health and Welfare	278,615	-	2,773	281,388
Highways and Streets	1,320,052	-	215,333	1,535,385
Public Safety	5,406,640	-	570,679	5,977,319
Debt service:				
Interest & Fiscal Charges	1,699	817,240	-	818,939
Principal Retirement	2,403	1,289,541	-	1,291,944
Issuance Costs	-	800	-	800
Capital Outlay	150,506	-	1,852,158	2,002,664
Total expenditures	<u>14,393,456</u>	<u>2,107,581</u>	<u>3,380,792</u>	<u>19,881,829</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,213,794)</u>	<u>(49,221)</u>	<u>(1,289,611)</u>	<u>(3,552,626)</u>
Other Financing Sources (Uses)				
Transfers In	2,924,139	193,156	732,010	3,849,305
Transfers Out	(732,010)	-	(280,729)	(1,012,739)
Proceeds from Capital Lease	-	-	645,621	645,621
Insurance Proceeds	21,665	-	-	21,665
Total other financing sources and (uses)	<u>2,213,794</u>	<u>193,156</u>	<u>1,096,902</u>	<u>3,503,852</u>
Net change in Fund Balances	-	143,935	(192,709)	(48,774)
Fund balances - beginning	<u>2,764,850</u>	<u>337,949</u>	<u>2,100,071</u>	<u>5,202,870</u>
Fund balances - ending	<u>\$ 2,764,850</u>	<u>\$ 481,884</u>	<u>\$ 1,907,362</u>	<u>\$ 5,154,096</u>

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, 2010

Net change in fund balances - total governmental funds \$ (48,774)

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. (1,112,994)

Capital outlay	2,002,664
Depreciation expense	(2,852,356)
Donation of capital asset	87,542
Proceeds from sale	(28,951)
Insurance proceeds	(17,088)
Loss on disposal	(11,577)
Gain on disposal	7,879
Impairment Loss	(301,107)
	(1,112,994)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. 39,327

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net assets. Bond principal payments are expenditures in the governmental funds, but they reduce long term liabilities in the statement of net assets. 653,989

Debt issued:	
Capital lease financing	(645,621)
Repayments:	
To bond, certificate, and note holders	1,291,944
Amortization of bond premiums, discounts, & charges	7,666
	653,989

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. (107,068)

Compensated absences	(31,425)
Accrued interest payable	5,454
Post retirement benefits	(81,097)
	(107,068)

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. (230,381)

For government wide reporting, bond issue costs are deferred and amortized. (14,614)

Change in net assets of governmental activities \$ (820,515)

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

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City of Brenham, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2010

Business-type Activities - Enterprise Funds

	Electric Fund	Gas Fund	Water Fund	Wastewater Fund	Sanitation Fund	Total Proprietary	Gov Activities Internal Service
Assets							
Current assets:							
Cash and Equivalents	\$ 4,948,668	\$ 466,954	\$ 636,513	\$ 1,164,923	\$ 616,037	\$ 7,833,095	\$ -
Receivables - Accounts, Net	3,126,856	247,406	570,529	448,030	229,383	4,622,204	853
Receivables - Interfund	286,100	330,791	223,000	-	68,208	908,099	-
Intergovernmental Receivable	-	-	-	-	11,747	11,747	4,938
Inventory at Cost	394,902	95,276	180,415	26,184	-	696,777	-
Other Current Assets	597,124	-	44,275	-	9,773	651,172	31,173
Notes Receivable, Net	48,893	-	-	-	-	48,893	-
Restricted Cash	1,746,778	-	2,218,643	-	-	3,965,421	403,626
Restricted Investments	1,863	396	641	742	692	4,334	-
Total current assets	11,151,184	1,140,823	3,874,016	1,639,879	935,840	18,741,742	440,590
Noncurrent assets:							
Capital Assets, Net	7,599,707	1,573,656	18,303,685	20,686,352	1,429,509	49,592,909	-
Unamortized Bond Issuance Cost	-	-	125,349	176,647	-	301,996	-
Notes Receivable, Long Term	1,419,933	-	-	-	-	1,419,933	-
Total noncurrent assets	9,019,640	1,573,656	18,429,034	20,862,999	1,429,509	51,314,838	-
Total assets	20,170,824	2,714,479	22,303,050	22,502,878	2,365,349	70,056,580	440,590
Liabilities							
Current liabilities:							
Accounts Payable & Other Current Liabilities	\$ 2,252,568	\$ 107,153	\$ 247,323	\$ 35,993	\$ 143,637	\$ 2,786,674	\$ 315
Other Liabilities	-	-	2,353	1,050	-	3,403	-
Accrued Interest	128	82	59,535	61,555	1,095	122,395	-
Interfund Payable	-	-	-	101,278	-	101,278	110,478
Self Insurance Claims Payable	-	-	-	-	-	-	131,883
Compensated Absences, Current	39,469	7,070	12,753	11,763	9,969	81,024	-
Lease Payable, Current	7,849	9,191	2,701	3,125	80,879	103,745	-
Revenue Bonds Payable, Current	-	-	659,519	688,955	-	1,348,474	-
Consumer Deposits	1,629,568	-	-	-	-	1,629,568	-
Total current liabilities	3,929,582	123,496	984,184	903,719	235,580	6,176,561	242,676
Non current liabilities:							
Compensated Absences	27,318	7,005	13,058	7,916	9,189	64,486	-
Post Employment Benefits	46,556	14,454	24,595	19,184	15,439	120,228	-
Long Term Debt, Net	47,871	18,022	9,967,489	10,948,109	86,590	21,068,081	-
Total noncurrent liabilities	121,745	39,481	10,005,142	10,975,209	111,218	21,252,795	-
Total liabilities	4,051,327	162,977	10,989,326	11,878,928	346,798	27,429,356	242,676
Net Assets							
Invested in Capital Assets, Net of Related Debt	7,543,987	1,546,443	9,789,279	9,222,810	1,262,040	29,364,559	-
Unrestricted	8,575,510	1,005,059	1,524,445	1,401,140	756,511	13,262,665	197,914
Total net assets	\$ 16,119,497	\$ 2,551,502	\$ 11,313,724	\$ 10,623,950	\$ 2,018,551	42,627,224	\$ 197,914

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 Assets of business-type activities

69,541
\$ 42,696,765

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

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City of Brenham, Texas
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year ended September 30, 2010

Business-type Activities - Enterprise Funds

	Electric Fund	Gas Fund	Water Fund	Wastewater Fund	Sanitation Fund	Total Proprietary	Gov Activities Internal Service
Operating revenues:							
Charges for Services	\$ 24,387,110	\$ 3,740,131	\$ 3,898,316	\$ 3,552,059	\$ 2,913,756	\$ 38,491,372	\$ 2,026,310
Total Operating	24,387,110	3,740,131	3,898,316	3,552,059	2,913,756	38,491,372	2,026,310
Operating expenses:							
Cost of Sales and Services	17,737,512	2,341,910	257,858	-	-	20,337,280	-
Salaries	1,610,655	282,278	552,966	493,661	496,610	3,436,170	-
Supplies	288,660	74,633	296,828	134,689	239,426	1,034,236	-
Maintenance	131,398	9,274	192,988	128,454	69,381	531,495	-
Contractual Services	328,613	25,879	297,580	558,525	1,643,705	2,854,302	2,428,270
Depreciation	362,578	165,395	610,898	828,377	118,214	2,085,462	-
Gross Revenue Tax	1,666,603	260,406	263,291	243,446	56,068	2,489,814	-
Miscellaneous	64,969	17,008	36,754	19,047	14,477	152,255	-
Total operating expenses	22,190,988	3,176,783	2,509,163	2,406,199	2,637,881	32,921,014	2,428,270
Operating Income (loss)	2,196,122	563,348	1,389,153	1,145,860	275,875	5,570,358	(401,960)
Nonoperating revenues (expenses):							
Investment Income	38,501	1,047	6,556	3,029	1,434	50,567	633
Interest Expense & Fiscal Charges	(1,616)	(1,137)	(543,414)	(545,568)	(9,533)	(1,101,268)	-
Miscellaneous, Net	31,410	-	534	2,506	10,521	44,971	848
Total non operating revenue (expenses)	68,295	(90)	(536,324)	(540,033)	2,422	(1,005,730)	1,481
Income (loss) before contributions and transfers	2,264,417	563,258	852,829	605,827	278,297	4,564,628	(400,479)
Capital Contributions	-	-	7,437	221,652	-	229,089	-
Transfers In	519,866	-	-	-	-	519,866	-
Transfers Out	(1,616,102)	(510,627)	(499,089)	(496,503)	(234,111)	(3,356,432)	-
Total Transfers In/(Out)	(1,096,236)	(510,627)	(499,089)	(496,503)	(234,111)	(2,836,566)	-
Change in net assets	1,168,181	52,631	361,177	330,976	44,186	1,957,151	(400,479)
Total net assets - beginning as previously reported	14,613,489	2,464,805	10,870,807	10,234,354	1,930,294		598,393
Restatement of net assets	337,827	34,066	81,740	58,620	44,071		-
Total net assets - beginning as restated	14,951,316	2,498,871	10,952,547	10,292,974	1,974,365		598,393
Total net assets - ending	\$ 16,119,497	\$ 2,551,502	\$ 11,313,724	\$ 10,623,950	\$ 2,018,551		\$ 197,914

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 assets of business-type activities	(173,006)
Change in net assets of business-type activities	<u>\$ 1,784,145</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, 2010

	Electric Fund	Gas Fund	Water Fund	Wastewater Fund	Sanitation Fund	Total Proprietary	Gov Activities Internal Service
Cash Flows from Operating Activities							
Receipts from customers and users	\$ 24,176,424	\$ 3,706,349	\$ 3,856,964	\$ 3,552,891	\$ 2,915,963	\$ 38,208,591	\$ -
Receipts from interfund services provided	-	-	-	-	-	-	2,198,082
Gross revenue tax paid to General Fund	(1,666,603)	(260,406)	(263,291)	(242,446)	(56,068)	(2,488,814)	-
Payments to suppliers	(19,166,208)	(2,200,229)	(464,191)	(789,697)	(2,007,936)	(24,628,261)	(2,375,135)
Payments to employees	(1,628,584)	(279,457)	(557,085)	(495,558)	(497,415)	(3,458,099)	-
Net cash provided (used) by operating activities	<u>1,715,029</u>	<u>966,257</u>	<u>2,572,397</u>	<u>2,025,190</u>	<u>354,544</u>	<u>7,633,417</u>	<u>(177,053)</u>
Cash Flows from Non Capital Financing Activities							
Transfers in (out)	(1,096,236)	(510,627)	(499,089)	(496,503)	(234,111)	(2,836,566)	-
Interest paid on consumer deposits	(694)	-	-	-	-	(694)	-
Net cash provided (used) by noncapital financing activities	<u>(1,096,930)</u>	<u>(510,627)</u>	<u>(499,089)</u>	<u>(496,503)</u>	<u>(234,111)</u>	<u>(2,837,260)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities							
Acquisition and construction of capital assets	(572,129)	(118,221)	(1,406,915)	(318,729)	(37,926)	(2,453,920)	-
Principal paid on bonds and capital leases	(3,190)	(7,892)	(630,878)	(668,815)	(82,550)	(1,393,325)	-
Insurance proceeds	11,216	-	-	-	-	11,216	-
Proceeds from sales of capital assets	3,243	-	-	-	2,250	5,493	-
Interest and fees paid on bonds and capital leases	(795)	(1,135)	(492,354)	(497,639)	(10,257)	(1,002,180)	-
Net cash provided (used) by capital and related financing activities	<u>(561,655)</u>	<u>(127,248)</u>	<u>(2,530,147)</u>	<u>(1,485,183)</u>	<u>(128,483)</u>	<u>(4,832,716)</u>	<u>-</u>
Cash Flows from Investing Activities							
Proceeds from sale and maturities of investments	(1,863)	419	(642)	(743)	(692)	(3,521)	-
Loan to component unit	(1,000,000)	-	-	-	-	(1,000,000)	-
Collections on loans	46,513	-	-	-	-	46,513	-
Investment income received	38,501	1,047	6,556	3,029	1,434	50,567	633
Net cash provided (used) by investing activities	<u>(916,849)</u>	<u>1,466</u>	<u>5,914</u>	<u>2,286</u>	<u>742</u>	<u>(906,441)</u>	<u>633</u>
Net increase (decrease) in cash and cash equivalents	(860,405)	329,848	(450,925)	45,790	(7,308)	(943,000)	(176,420)
Cash and cash equivalents, beginning of year	<u>7,555,851</u>	<u>137,106</u>	<u>3,306,081</u>	<u>1,119,133</u>	<u>623,345</u>	<u>12,741,516</u>	<u>580,046</u>
Cash and cash equivalents, end of year	<u>\$ 6,695,446</u>	<u>\$ 466,954</u>	<u>\$ 2,855,156</u>	<u>\$ 1,164,923</u>	<u>\$ 616,037</u>	<u>\$ 11,798,516</u>	<u>\$ 403,626</u>
Reconciliation of cash and cash equivalents to statement of net assets							
Cash and equivalents	\$ 4,948,668	\$ 466,954	\$ 636,513	\$ 1,164,923	\$ 616,037	\$ 7,833,095	\$ -
Restricted cash and equivalents	1,746,778	-	2,218,643	-	-	3,965,421	403,626
Cash and cash equivalents, end of year	<u>\$ 6,695,446</u>	<u>\$ 466,954</u>	<u>\$ 2,855,156</u>	<u>\$ 1,164,923</u>	<u>\$ 616,037</u>	<u>\$ 11,798,516</u>	<u>\$ 403,626</u>

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

Operating income (loss)	\$ 2,196,122	\$ 563,348	\$ 1,389,153	\$ 1,145,860	\$ 275,875	\$ 5,570,358	\$ (401,112)
Adjustments to reconcile net cash provided (used) by operating activities							-
Depreciation	362,578	165,395	610,898	828,377	118,214	2,085,462	-
Provision for uncollectible accounts	43,159	4,406	8,175	8,250	4,248	68,238	-
Other income (expense)	27,162	-	537	2,506	8,273	38,478	-
Changes in assets and liabilities affecting cash provided by operations:							
(Increase) decrease in accounts receivable	(354,017)	(38,188)	(50,064)	(9,924)	(10,314)	(462,507)	147
(Increase) decrease in inventory	23,433	7,041	(25,075)	(2,897)	-	2,502	-
(Increase) decrease in interfund receivables	(286,100)	-	-	-	(68,208)	(354,308)	(4,938)
(Increase) decrease in intergovernmental receivables	44,459	5,246	-	-	22,179	71,884	-
Increase (decrease) in interfund payables	(111,196)	226,347	649,193	62,383	(1,678)	825,049	110,478
Increase (decrease) in self insurance claims liability	-	-	-	-	-	-	53,640
(Increase) decrease in other assets	(592,411)	-	(1,417)	-	7,198	(586,630)	65,237
Increase (decrease) in accounts payable and other current liabilities	306,759	29,841	(4,884)	(7,468)	(438)	323,810	(505)
Increase (decrease) in salaries & benefits payable	(39,798)	(5,627)	(16,117)	(10,043)	(11,151)	(82,736)	-
Increase (decrease) in compensated absences	124	1,704	440	(896)	2,486	3,858	-
Increase (decrease) in postemployment benefits	21,745	6,744	11,558	9,042	7,860	56,949	-
Increase (decrease) in consumer deposits	73,010	-	-	-	-	73,010	-
Net cash provided (used) by operating activities	<u>\$ 1,715,029</u>	<u>\$ 966,257</u>	<u>\$ 2,572,397</u>	<u>\$ 2,025,190</u>	<u>\$ 354,544</u>	<u>\$ 7,633,417</u>	<u>\$ (177,053)</u>

Noncash investing, capital and financing activities

Purchase of capital asset with lease proceeds	\$ 57,047	\$ 12,129	\$ 19,631	\$ 22,715	\$ 21,173	\$ 132,695	\$ -
Contribution of capital assets	-	-	7,437	221,652	-	229,089	-

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, 2010

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 Brenham Community Development Corporation (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 is financially accountable for the BCDC because 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 is discretely presented in the financial statements. The Corporation does not issue separate financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary 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.

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.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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

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

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt obligations of governmental funds.

The government reports the following major proprietary funds:

The *Electric Fund* accounts for the activities of the City's electric distribution operations.

The *Gas Fund* accounts for the activities of the City's gas distribution operations.

The *Water Fund* accounts for the activities of the City's water distribution and water treatment facilities.

The *Wastewater Fund* accounts for the activities of the City's wastewater treatment plant and wastewater collection systems.

The *Sanitation Fund* accounts for the activities of the City's sanitation, recycling and transfer station operations.

Additionally, the government reports the following fund types:

Internal Service Funds provide self-insured health insurance risk management services and a zero deductible plan for workers' compensation to other funds of the City on a cost reimbursement basis. These funds are presented in detail in the Supplementary Information Section and in summary form as part of the proprietary fund financial statements. The financial statements of the Internal Service Funds are included in the governmental activities column when presented at the government-wide level.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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, and sanitation 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.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and investments

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

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

Investments for the government, as well as the component unit, are reported at fair value. Funds are invested in a state money pool and another public investment pool. The City invests in no form of joint venture with other entities.

2. Receivables and payables

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

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.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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 deferred revenue accounts for the amounts which will not be collected within sixty days after the end of the fiscal year.

3. Inventories and prepaid items

All inventories are valued at the lower of cost or market, 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 estimated fair market 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 backtrending (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, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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

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

6. *Compensated absences*

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

7. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. *Post closure care cost*

The City's Sanitation Enterprise Fund adopted Governmental Accounting Standards Board (GASB) Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Post Closure Costs" as of October 1, 1993. This statement requires that closure and post closure care costs that are incurred on or after the landfill stops accepting waste be recognized as expense during the period that waste is accepted.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

The City stopped accepting waste at its landfill in November, 1990. State and federal laws and regulations require the City to place a final cover on the site and perform maintenance and monitoring functions at the site for five years after closure. 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 \$63,026 by meeting the financial assurance test. Estimated closure cost is \$15,000.

10. Post-employment benefits

The City provides the availability of post-retirement health care for certain retirees. 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 until they and their covered spouses reach Medicare eligibility. Currently, 14 retirees/covered spouses meet those eligibility requirements and have elected to receive this benefit. The retiree/covered spouse pays the entire premium for group health coverage and claims are paid through the self-insured medical fund.

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, two qualify for the long term disability benefit.

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. Six director positions report to the City Manager and oversee the individual departmental budgets within their area of responsibility. These positions include the Director of Public Works, Director of Public Utilities, Chief Financial Officer, Director of Community Services, Chief of Police and Fire Chief.

1. Basis of accounting

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.

2. Budgeted funds

Annual appropriated budgets are adopted for all governmental fund types except the following:

- a. Budgets for certain grants, established as special revenue funds, which are created pursuant to the terms of the related grant documents
- b. Budgets for funds set up to receive special donations or assessments for specific purposes, which are established as special revenue funds.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2010

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

- c. Budgets for certain major capital improvements that are set up as capital projects funds Annual budgets are not adopted because these projects span more than one fiscal year.

For the year ended September 30, 2010, 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 and the Debt Service Fund. Non major governmental funds for which budgets were adopted include the Hotel/Motel Tax, Equipment Fund, Street/Drainage Fund, Emergency Management, 2006 Capital Projects, Capital Leases, Public Safety Training Fund, Criminal Law Enforcement Fund, Donations, Courts Technology/Security, Parks Special Revenue, Police Department Grants Fund, Fire/Community Hall Renovations Fund, Fire Department Grants Fund, and US 290 Pass Thru Finance Fund. Internal Service funds with budgets adopted include the Self-Insured Health Insurance and Workers' Compensation funds. All annual budget appropriations lapse at the end of the fiscal year.

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

3. Legal level of control

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

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 a formal session at two subsequent meetings 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. Deficit Fund Balances or Net Asset Balances

The Airport Capital Improvement Fund had a deficit fund balance of \$20,864 at year end. The government plans to transfer funds from the General Fund to cover this deficit.

The Self-Insured Health Insurance Fund had a deficit fund balance of \$128,907 at year end. The City had an unfortunate claim year and council approved a 10% increase in funding rates effective January 1, 2011 to cover this deficit.

D. Excess of Expenditures Over Appropriations

For fiscal year end September 30, 2010, all expenditures of the General Fund were within appropriations.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2010

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2010, the City had an investment in a State Money Pool (TexPool) which had a balance of \$5,857,622 which was included in cash and cash equivalents at September 30, 2010. "TexPool" is a local government investment pool created and managed by the Texas State Treasurer to invest funds on behalf of Texas political subdivisions. The pool seeks to maintain a \$1.00 value per share as required by the Texas Public Fund Investment Act. Its fair value approximates carrying value, and the City's net asset value in the pool at fiscal year end was \$1.00 per share. The weighted average maturities of the pools cannot exceed 60 days, with the maximum maturity of any investment is limited to 13 months. TexPool was rated AAAM by Standard & Poor's. Authorized investments for TexPool funds include government securities, repurchase and reverse repurchase agreements, certificates of deposit, money market mutual funds and commercial paper.

The City also had an investment in TexSTAR, another public funds investment pool, which had a balance of \$11,807,656 and was included in cash and cash equivalents at September 30, 2010. "TexSTAR" is a local government investment pool created and jointly managed by First Southwest Asset Management, Inc. and JP Morgan Chase Bank to invest funds on behalf of Texas political subdivisions. Its fair value approximates carrying value, and the City's net asset value in the pool at fiscal year end was \$1.000099 per share. The stated objective of TexSTAR is to maintain a stable \$1.00 net asset value per unit, and immediate action must be taken if the net asset value of the units of any fund falls below \$0.996 or rises above \$1.004. It had a weighted average maturity of less than 60 days and was rated AAAM by Standard and Poor's. Authorized investments for TexSTAR funds include government securities, repurchase and reverse repurchase agreements, and money market mutual funds regulated by the Securities and Exchange Commission.

As of September 30, 2010, \$24,755 of unspent lease proceeds from the BVWACS Radio Lease were being held in an Escrow account at JP Morgan Chase Bank. These funds were invested in JP Morgan 100% Treasury shares.

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 for the primary government and BCDC component unit was \$148,993 and the bank balances totaled \$451,690. Of the bank balances, \$280,987 was covered by federal depository insurance and \$170,703 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, 2010

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

	<u>General Fund</u>	<u>Donations Fund</u>	<u>Total</u>
Accounts	\$ 214,156	\$ 5,220	\$ 219,376
Assessments	139,466	-	139,466
	<u>353,622</u>	<u>5,220</u>	<u>358,842</u>
Less Allowance for Uncollectibles	(3,500)	-	(3,500)
Accounts Receivable, Net	<u>\$ 350,122</u>	<u>\$ 5,220</u>	<u>\$ 355,342</u>

Proprietary Funds

	<u>Electric Fund</u>	<u>Gas Fund</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
Accounts	\$ 3,176,856	\$ 252,406	\$ 580,529	\$ 455,030	\$ 235,383	\$4,700,204
Less Allowance for Uncollectibles	(50,000)	(5,000)	(10,000)	(7,000)	(6,000)	(78,000)
Accounts Receivable, Net	<u>\$ 3,126,856</u>	<u>\$ 247,406</u>	<u>\$ 570,529</u>	<u>\$ 448,030</u>	<u>\$ 229,383</u>	<u>\$4,622,204</u>

Governmental funds report deferred 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 deferred revenue and unearned revenue reported in the governmental funds were as follows:

<u>Components</u>	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Delinquent property taxes receivable (General Fund)	\$ 122,304	\$ -	\$ 122,304
Delinquent property taxes receivable (Debt Service Fund)	58,812	-	58,812
Franchise fees receivable	160,679	-	160,679
Lien assessments and pending seizures	135,574	-	135,574
Receivable from Washington County	37,362	-	37,362
Total deferred/unearned revenue for governmental funds	<u>\$ 514,731</u>	<u>\$ -</u>	<u>\$ 514,731</u>
Balances not expected to be collected within one year	\$ 135,574	\$ -	\$ 135,574

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2010

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, 2010:

Original Certified Tax Roll	\$ 982,776,938
Approved Rate (Per \$100 Valuation)	0.5042
Original Levy	4,955,161
Supplements	2,587
Adjusted Levy	\$ 4,957,748
Collections on Current Tax Roll	4,866,421
Total Collections/Refunds/Adjustments	4,936,188
Property Taxes Receivable	\$ 181,116

D. Notes Receivable

Notes receivable at September 30, 2010 consisted of the following:

Business-type Activities - Electric Fund

Note receivable from component unit Brenham Community Development Corporation, in a sum not to exceed \$2,500,000; payable on demand or at the expiration of one year, whichever is later; interest payable monthly at 5.5%; unsecured	\$ 468,826
Note receivable from component unit Brenham Community Development Corporation, principal amount \$1,000,000; interest payable 4.750% with the first payment due September 30, 2017; maturing September 2029; unsecured	<u>1,000,000</u>
	\$1,468,826
Less Current Portion	<u>(48,893)</u>
	<u>\$1,419,933</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2010

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets

Capital asset activity for the year ended September 30, 2010 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance (1)</u>	<u>Increases</u>	<u>Reclass/CIP to Complete</u>	<u>Reclass</u>	<u>Donations</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:							
Land	\$ 2,227,809	\$ 36,354	\$ 665,193	\$ -	\$ -	\$ -	\$ 2,929,356
Land Improvements	-	19,667	-	-	-	-	19,667
Intangibles-Easements	-	10,593	-	-	-	-	10,593
Construction in Progress	1,607,006	57,520	(1,448,059)	-	-	-	216,467
Total Not Being Depreciated	\$ 3,834,815	124,134	(782,866)	-	-	-	3,176,083
Capital Assets, Being Depreciated:							
Buildings	24,482,987	3,502	-	94,750	-	(18,000)	24,563,239
Improvements Other Than Buildings	11,060,292	199,955	130,295	(243,750)	-	-	11,146,792
Furniture, Fixtures and Equipment	1,579,059	200,231	-	(96,891)	87,542	(140,805)	1,629,136
Machinery	130,869	46,272	-	149,000	-	-	326,141
Vehicles	6,211,835	230,669	-	-	-	(21,850)	6,420,654
Radios	-	625,202	-	-	-	-	625,202
Intangibles-Software	-	85,000	-	96,891	-	-	181,891
Infrastructure	40,253,131	505,702	652,571	-	-	-	41,411,404
Total Being Depreciated	83,718,173	1,896,533	782,866	-	87,542	(180,655.00)	86,304,459
Less Impairment	(361,236)	(301,107)	-	-	-	-	(662,343)
Less Accumulated Depreciation for:							
Buildings	(4,530,768)	(731,923)	-	-	-	-	(5,262,691)
Improvements Other Than Bldgs.	(3,819,332)	(544,613)	-	-	-	-	(4,363,945)
Furniture, Fixtures and Equipment	(1,051,919)	(151,031)	-	-	-	110,368	(1,092,582)
Machinery	(64,818)	(28,316)	-	-	-	-	(93,134)
Vehicles	(3,291,644)	(429,741)	-	-	-	2,549	(3,718,836)
Radios	-	(3,767)	-	-	-	-	(3,767)
Intangibles-Software	-	(15,504)	-	-	-	-	(15,504)
Infrastructure	(19,307,091)	(947,461)	-	-	-	-	(20,254,552)
Total Accumulated Depreciation	(32,065,572)	(2,852,356)	-	-	-	112,917	(34,805,011)
Total Being Depreciated, Net	51,291,365	(1,256,930)	782,866	-	87,542	(67,738)	50,837,105
Capital Assets, Net	\$ 55,126,180	\$ (1,132,796)	\$ -	\$ -	\$ 87,542	\$ (67,738)	\$ 54,013,188

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclass/CIP to Complete</u>	<u>Reclass</u>	<u>Contributed Capital</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:							
Land	\$ 1,366,566	\$ -	\$ -	\$ (53,413)	\$ -	\$ -	\$ 1,313,153
Intangibles-Easements	-	-	-	-	7,437	-	7,437
Construction in Progress	1,804,551	184,755	(1,735,905)	-	221,652	-	475,053
Total Not Being Depreciated	3,171,117	184,755	(1,735,905)	(53,413)	229,089	-	1,795,643
Capital Assets, Being Depreciated:							
Buildings	610,324	-	-	53,413	-	-	663,737
Improvements Other Than Buildings	30,120,779	559,347	1,492,240	-	-	(86,471)	32,085,895
Furniture, Fixtures and Equipment	1,088,865	194,086	-	(13,449)	-	(12,000)	1,257,502
Vehicles	3,279,241	22,929	-	-	-	(48,778)	3,253,392
Intangibles-Software	-	-	-	13,449	-	-	13,449
Infrastructure	44,367,917	1,629,834	243,665	-	-	(10,697)	46,230,719
Total Being Depreciated	79,467,126	2,406,196	1,735,905	53,413	-	(157,946)	83,504,694
Less Accumulated Depreciation for:							
Buildings	(244,580)	(38,128)	-	-	-	-	(282,708)
Improvements Other Than Bldgs.	(8,723,788)	(649,653)	-	-	-	-	(9,373,441)
Furniture, Fixtures and Equipment	(882,006)	(62,861)	-	-	-	12,000	(932,867)
Vehicles	(2,072,497)	(202,654)	-	-	-	48,778	(2,226,373)
Intangibles-Software	-	(13,449)	-	-	-	-	(13,449)
Infrastructure	(21,846,834)	(1,118,717)	-	-	-	86,961	(22,878,590)
Total Accumulated Depreciation	(33,769,705)	(2,085,462)	-	-	-	147,739	(35,707,428)
Total Being Depreciated, Net	45,697,421	320,734	1,735,905	53,413	-	(10,207)	47,797,266
Capital Assets, Net	\$ 48,868,538	\$ 505,489	\$ -	\$ -	\$ 229,089	\$ (10,207)	\$ 49,592,909

(1) As restated, see note IV.F.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2010

III. DETAILED NOTES ON ALL FUNDS (Continued)

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

<u>Governmental Activities</u>	
Culture and Recreation	\$ 638,397
General Government	420,485
Health and Welfare	9,127
Highways and Streets	1,107,552
Public Safety	676,795
Total Governmental Activities	<u>\$ 2,852,356</u>
<u>Business-type Activities</u>	
Electric	\$ 362,578
Gas	165,395
Water	610,898
Sewer	828,377
Sanitation	118,214
Total Business-type Activities	<u>\$ 2,085,462</u>

As of September 30, 2010, capital assets of the component unit consist of land (not being depreciated) with a balance of \$2,310,245. The Construction in Progress has a balance of \$25,935 which is engineering for wastewater system improvements

F. Contractual Commitments

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

A joint gas purchase contract to purchase natural gas at a price equal to an agreed index, less a discount, under a balancing and supply agreement. The contract will expire in 2026. Also, a contract with a supplier to provide natural gas at a rate based on inside FERC Gas Market report index plus \$0.35 per MMBTU. This contract will expire November 1, 2010 and will continue thereafter on a year to year basis, until terminated. For the year ending September 30, 2010, \$2,341,910 was paid under these contracts.

A contract with a supplier to provide the City's current and future water supply. The contract will expire in 2047. The amount paid under this contract for the year ending September 30, 2010 was \$257,858.

A contract with a supplier to provide electric power and energy, expiring June 25, 2041, renewable for successive twenty-five year periods. Contract rates are established by the supplier's wholesale power rate tariff. The amount paid under this contract for the year ending September 30, 2010 was \$17,737,512.

On June 17, 2008, a Pass Thru Financing agreement with the Texas Department of Transportation (TxDOT) was approved for transportation improvements on US 290. Under this agreement, the City is responsible for providing TxDOT a maximum of \$15 million over the course of one year in \$5 million increments. Based on the current level of traffic, the City will be repaid by TxDOT a minimum payment of \$2.5 million per year and a maximum payment of \$3.75 million per year, until the original \$15 million local contribution is repaid.

**City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2010**

III. DETAILED NOTES ON ALL FUNDS (Continued)

Also on June 17, 2008, an interlocal agreement with the County to share costs related to the US 290 Pass Thru Financing project was approved. Under this agreement, the City will issue debt in order to finance the \$15 million required local contribution. The City and County are responsible for 50% each of the annual debt service on this debt, net of the annual payment received by the City from TxDOT. On October 7, 2010, an ordinance was approved for the issuance of \$14.18 Million Pass-Through Toll Revenue and Limited Tax Notes pursuant to the interlocal agreement. Pass-Through Toll Agreement minimum payments from TxDOT are anticipated to occur during the years 2014 through 2020

An interlocal agreement with the County to share costs related to the Brazos Valley Wide Area Communication System (BVWACS) was approved on June 17, 2008. Under this agreement, the City and County agree to provide a portion of the funding support of the construction, acquisition, implementation, operation and maintenance of the BVWACS. The City and County agree to share in the total costs collectively attributable to both the City and the County on a 50/50 basis. The City's portion for administration is currently \$12,919 per quarter (\$51,676 annually).

The City has the following active construction projects as of September 30, 2010:

General Government Projects

<u>Fire Substation</u>	<u>Contract Amount</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Architect	\$ 191,500	\$ 140,625	\$ 50,875
	<u>\$ 191,500</u>	<u>\$ 140,625</u>	<u>\$ 50,875</u>

Wastewater Projects

<u>Henderson Park Lift Station Renovation</u>	<u>Contract Amount</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Grant Administrator	\$ 25,000	\$ 19,350	\$ 5,650
Engineer	27,000	13,720	13,280
Construction Contractor	340,631	221,652	118,979
	<u>\$ 392,631</u>	<u>\$ 254,722</u>	<u>\$ 137,909</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2010

III. DETAILED NOTES ON ALL FUNDS (Continued)

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, 2010 the balances were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Electric Fund	General Fund	\$ 286,100
		<u>\$ 286,100</u>
Gas Fund	General Fund	\$ 330,791
		<u>\$ 330,791</u>
Water Fund	General Fund	\$ 223,000
		<u>\$ 223,000</u>
Sanitation Fund	Sewer Fund	\$ 68,208
		<u>\$ 68,208</u>
Other Governmental Fund	Sewer Fund	\$ 33,070
	General Fund	842,465
	Internal Service Fund	105,540
	Other Governmental Fund	159,846
		<u>\$ 1,140,921</u>
Internal Service Fund (Workers' Comp)	Internal Service Fund (Self Insurance)	\$ 4,938
		<u>\$ 4,938</u>
Debt Service Fund	Other Governmental Fund	\$ 193,315
		<u>\$ 193,315</u>

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 debt service payments, City matching revenues for grants reported as capital projects and investment income.

The following schedule shows transfers and payments within the reporting entity as of September 30, 2010:

	<u>Governmental Activities</u>			<u>Business Type Activities</u>	<u>Net Transfers From</u>
	<u>General</u>	<u>Debt Service</u>	<u>Other Gov't'l</u>	<u>Electric</u>	
Governmental Activities					
Major Funds					
General	\$ -	\$ -	732,010	\$ -	\$ 732,010
Capital Projects	-	193,156	-	-	193,156
Other Gov't'l Funds	87,573	-	-	-	87,573
Internal Service	-	-	-	47,071	47,071
Business-type Activities					
Major Funds					
Electric	1,616,102	-	-	-	1,616,102
Gas	369,836	-	-	140,791	510,627
Water	340,573	-	-	158,516	499,089
Wastewater	338,808	-	-	157,695	496,503
Sanitation	171,247	-	-	62,864	234,111
Total Transfers To	<u>\$ 2,924,139</u>	<u>\$ 193,156</u>	<u>\$ 732,010</u>	<u>\$ 47,071</u>	<u>\$ 4,416,242</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2010

III. DETAILED NOTES ON ALL FUNDS (Continued)

Payments from the Brenham Community Development Corporation (BCDC) component unit consist of debt service payments on the Series 2009 General Obligation Refunded bonds (original Series 1998 which were issued in part to fund construction of a business center and recreational facilities). Funding for the construction of these facilities are provided by a 3/8 cent sales tax collected and administered by the BCDC. During the year, BCDC provided \$150,000 to the Parks Special Revenue Fund for the following improvements: \$25,000 for improvements to Greenwade Field, and \$125,000 for the construction of an all sports building in Hohlt Park. Additionally, BCDC provided \$50,000 for Toubin Park improvements and \$200,000 for Aquatic Center operations, both accounted for in the General Fund. The following schedule shows payments from the component unit for the year ended September 30, 2010:

Payments From:	Payments To:			Total Pymts From
	General	Debt Service	Other Governmental	
Component Unit				
Brenham Community Development Corp	\$ 200,000	\$ 450,941	\$ 200,000	\$ 850,941
Total Payments To	<u>\$ 200,000</u>	<u>\$ 450,941</u>	<u>\$ 200,000</u>	<u>\$ 850,941</u>

H. Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2010:

	Balance 9/30/2009	Additions	FY10 Retirements	Balance 9/30/2010	Due Within One Year	Long Term
Governmental Activities						
2001 COB - Gen	\$ 1,335,815	\$ -	\$ (180,060)	\$ 1,155,755	\$ 185,557	\$ 970,198
2002 COB - Gen	2,334,108	-	(127,018)	2,207,090	131,665	2,075,425
2006 COB - Gen	8,350,000	-	(305,000)	8,045,000	375,000	7,670,000
2007 GOB Ref - Gen	1,498,205	-	(6,873)	1,491,332	6,873	1,484,459
2009 GOB Ref - Gen	5,873,495	-	(458,725)	5,414,770	477,431	4,937,339
	<u>19,391,623</u>	<u>-</u>	<u>(1,077,676)</u>	<u>18,313,947</u>	<u>1,176,526</u>	<u>17,137,421</u>
Unamort Bond Premium	207,143	-	(22,680)	184,463	NA	184,463
Unamort Bond Discount	(4,953)	-	357	(4,596)	NA	(4,596)
Ref Deferred Charges - '07 Ref COB	(60,016)	-	4,707	(55,309)	NA	(55,309)
Ref Deferred Charges - '09 Ref GOB	(157,876)	-	9,951	(147,925)	NA	(147,925)
	<u>19,375,921</u>	<u>-</u>	<u>(1,085,341)</u>	<u>18,290,580</u>	<u>1,176,526</u>	<u>17,114,054</u>
Lease Payable - Phone System	2,403	-	(2,403)	-	-	-
Chase Equip Lease	126,332	-	(58,571)	67,761	67,761	-
Chase New World Lease	174,323	-	(85,364)	88,959	88,959	-
Chase '08 Vehicle/Equip Lease	79,368	-	(25,355)	54,013	26,441	27,572
Chase '09 Vehicle Lease	88,659	-	(43,465)	45,194	45,194	-
Chase BVWACS Radio Lease	-	645,621	(34,965)	610,656	86,015	524,641
	<u>471,085</u>	<u>645,621</u>	<u>(250,123)</u>	<u>866,583</u>	<u>314,370</u>	<u>552,213</u>
Compensated Absences ⁽¹⁾	276,296	284,394	(252,968)	307,722	142,197	165,525
Total Governmental	<u>\$ 20,123,302</u>	<u>\$ 930,015</u>	<u>\$ (1,588,432)</u>	<u>\$ 19,464,885</u>	<u>\$ 1,633,093</u>	<u>\$ 17,831,792</u>

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

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2010

III. DETAILED NOTES ON ALL FUNDS (Continued)

	Balance		FY10		Balance		Due Within		
	9/30/2009	Additions	Retirements		9/30/2010	One Year	Long Term		
Business Type Activities									
2001 COB - Water Impr	\$ 1,042,478	\$ -	\$ (142,462)	\$ 900,016	\$ 146,813	\$ 753,203			
2001 GOB Ref (Water)	2,330,000	-	(435,000)	1,895,000	450,000	1,445,000			
2001 COB - Wastewater Impr	2,451,708	-	(332,478)	2,119,230	342,630	1,776,600			
2002 COB -Wastewater Impr	5,200,892	-	(282,982)	4,917,910	293,335	4,624,575			
2007 GOB Ref - Water	1,185,375	-	(5,438)	1,179,937	5,438	1,174,499			
2007 GOB Ref - Wastewater	2,766,420	-	(12,690)	2,753,730	12,690	2,741,040			
2008 COB - Water	5,985,000	-	(30,000)	5,955,000	40,000	5,915,000			
2009 GOB Ref - Water	897,328	-	(16,880)	880,448	17,268	863,180			
2009 GOB Ref - Wastewater	2,094,177	-	(39,395)	2,054,782	40,300	2,014,482			
	<u>23,953,378</u>	<u>-</u>	<u>(1,297,325)</u>	<u>22,656,053</u>	<u>1,348,474</u>	<u>21,307,579</u>			
Unamort Bond Discount-Wastewater	(10,057)	-	725	(9,332)	NA	(9,332)			
Unamort Bond Premium-Water	45,496	-	(4,731)	40,765	NA	40,765			
Unamort Bond Premium-Wastewater	102,293	-	(7,151)	95,142	NA	95,142			
07 Ref Deferred Chrg-Water	(47,484)	-	3,724	(43,760)	NA	(43,760)			
07 Ref Deferred Chrg-Wastewater	(110,818)	-	8,692	(102,126)	NA	(102,126)			
01 Ref Deferred Chrg-Water	(133,462)	-	27,145	(106,317)	NA	(106,317)			
09 Ref Deffered Chrg-Water	(104,522)	-	13,969	(90,553)	NA	(90,553)			
09 Ref Deffered Chrg-Wastewater	(243,937)	-	32,602	(211,335)	NA	(211,335)			
Sub Total Bonds Payable	<u>23,450,887</u>	<u>-</u>	<u>(1,222,350)</u>	<u>22,228,537</u>		<u>20,880,063</u>			
Compensated Absences	141,651	162,048	(158,189)	145,510	81,024	64,486			
Chase Equip Lease - 5 Ton Haul Truck-Sanit	30,045	-	(18,077)	11,968	11,968	-			
Chase '08 Vehicle/Equip Lease - Gas	22,579	-	(7,213)	15,366	7,522	7,844			
Chase '08 Vehicle/Equip Lease - Sanitation	198,109	-	(63,289)	134,820	65,998	68,822			
Chase BVWACS Radio Lease-Electric	-	58,910	(3,190)	55,720	7,849	47,871			
Chase BVWACS Radio Lease-Gas	-	12,525	(678)	11,847	1,669	10,178			
Chase BVWACS Radio Lease-Water	-	20,272	(1,098)	19,174	2,701	16,473			
Chase BVWACS Radio Lease-Wastewater	-	23,457	(1,270)	22,187	3,125	19,062			
Chase BVWACS Radio Lease-Sanitation	-	21,865	(1,184)	20,681	2,913	17,768			
Total Proprietary	<u>\$ 23,843,271</u>	<u>\$ 299,077</u>	<u>\$ (1,476,538)</u>	<u>\$ 22,665,810</u>	<u>\$ 1,533,243</u>	<u>\$ 21,132,567</u>			
Component Unit Governmental Activities									
Note Payable-BCDC to City Elec Fund	\$ 515,339		\$ (46,513)	\$ 468,826	\$ 48,893	\$ 419,933			
Note Payable-BCDC to City Elec Fund-FY10	-	1,000,000	-	1,000,000	-	1,000,000			
Total Governmental - BCDC	<u>\$ 515,339</u>	<u>\$ 1,000,000</u>	<u>\$ (46,513)</u>	<u>\$ 1,468,826</u>	<u>\$ 48,893</u>	<u>\$ 1,419,933</u>			

The annual debt service requirement to maturity for all outstanding debt as of September 30, 2010 follows:

FISCAL YEAR ENDING 9/30	PRIMARY GOVERNMENT					
	GENERAL OBLIGATION		CERTIFICATES OF OBLIGATION		TOTAL REQUIREMENTS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2011	1,010,000	601,132	1,515,000	1,092,276	2,525,000	1,693,408
2012	1,045,000	565,523	1,570,000	1,030,013	2,615,000	1,595,536
2013	1,085,000	528,050	1,645,000	965,481	2,730,000	1,493,531
2014	1,090,000	488,465	1,760,000	897,316	2,850,000	1,385,781
2015	1,805,000	448,194	1,045,000	809,632	2,850,000	1,257,826
2016-2019	7,445,000	1,079,644	4,770,000	2,842,470	12,215,000	3,922,114
2020-2024	2,190,000	157,605	8,980,000	1,970,551	11,170,000	2,128,156
2025-2028	-	-	4,015,000	402,009	4,015,000	402,009
	<u>\$ 15,670,000</u>	<u>\$ 3,868,613</u>	<u>\$ 25,300,000</u>	<u>\$ 10,009,748</u>	<u>\$ 40,970,000</u>	<u>\$ 13,878,361</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2010

III. DETAILED NOTES ON ALL FUNDS (Continued)

Debt outstanding at September 30, 2010 for the primary government is comprised of the following

\$5,465,000, 2001 Combination Tax and Utility System Revenue Certificates of Obligation due in annual installments of \$655,000 to \$805,000 through August 15, 2014 and a final installment of \$1,245,000 on August 15, 2020; interest rates 4.0%-5.0%	\$ 4,175,000
\$3,965,000, 2001 General Obligation Refunding Bonds due in annual installments of \$80,000 to \$485,000 through August 15, 2014; interest rates 3.0-4.5%	1,895,000
\$9,245,000, 2002 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$105,000 to \$700,000 through August 15, 2023; interest rates 3.0%-4.7%; callable August 15, 2012	7,125,000
\$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%	8,045,000
\$5,545,000, 2007 General Obligation Refunding Bonds due in annual installments of \$25,000 to \$1,760,000 through August 15, 2021; interest rate 3.990%	5,425,000
\$5,985,000, 2008 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$30,000 to \$695,000 through August 15, 2028; interest rate 4.1-4.8%	5,955,000
\$8,970,000; 2009 General Obligation Refunding Bonds due in annual installments of \$105,000 to \$1,905,000 through August 15, 2018; interest rate 3.0-4.0%	8,350,000
\$369,000 lease payable dated December 28, 2005 due in annual payments of \$82,934, Including interest, through December, 2010 (Street Sweeper, Trash Hauler, Flat Roller, Dump Truck)	79,729
\$417,300 lease payable dated January 18, 2007 due in annual payments of \$92,703, Including interest, through August, 2011 (New World Software)	88,958
\$480,130 lease payable dated August 30, 2007 due in annual payments of \$108,700, Including interest, through August, 2012 (FY08 Vehicles and Equipment)	204,199
\$131,933 lease payable dated December, 2008 due in annual payments of \$46,993 Including interest, through August, 2011 (Street Dept. Oil Distributor Truck)	45,195
\$782,650 lease payable dated February 16, 2010 due in monthly payments of \$10,589 Including interest, through March, 2017 (BVWACS Radios)	740,266
Compensated Absences for accrued vacation	453,231
	\$42,581,578
Unamortized Bond Premium	320,370
Unamortized Bond Discount	(13,929)
Deferred Charges on Bonds	(757,324)
	\$42,130,695

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2010

III. DETAILED NOTES ON ALL FUNDS (Continued)

Debt outstanding for Brenham Community Development Corporation Component Unit at September 30, 2010 and annual debt service payments to maturity for the outstanding debt follows:

\$899,347 note payable to primary government dated May 21, 1998 in a sum not to exceed \$2,500,000, payable in one year or on demand, whichever is later; interest payable monthly at 5.5%; unsecured; note is being amortized for 20 years through September 30, 2018	\$ 468,826
\$1,000,000 note payable to primary government dated August 6, 2010, interest payable at 4 75%, unsecured, annual payments 2017 through 2029	1,000,000
	\$ 1,468,826

FISCAL YEAR ENDING 9/30	COMPONENT UNIT NOTES PAYABLE	
	PRINCIPAL	INTEREST
2011	48,893	22,331
2012	51,394	19,829
2013	54,023	17,200
2014	56,787	14,436
2015	59,693	11,531
2016-2020	541,491	206,111
2021-2025	398,601	361,225
2026-2029	257,944	349,916
	\$ 1,468,826	\$ 1,002,579

1. Prior year refunding

In 2007, the City issued \$5,545,000 of general obligation refunding bonds to provide resources to purchase federal securities that were placed in an irrevocable trust for the purpose of generating resources for the redemption on August 15, 2011 for certificates maturing 2018 through 2021. As a result, the refunded bonds are considered to be defeased and the liability has been removed from long-term debt. At September 30, 2010, the outstanding principal on the defeased debt was \$5,185,000.

In 2009, the City issued \$8,970,000 of general obligation refunding bonds to provide resources to purchase federal securities that were placed in an irrevocable trust for the purpose of generating resources for the redemption on May 26, 2009 for 1998 certificates maturing 2010 through 2018 and for the redemption on August 15, 2011 for 2001 certificates maturing 2015 through 2017. As a result, the refunded bonds are considered to be defeased and the liability has been removed from long-term debt. At September 20, 2010, the outstanding principal on the defeased debt was \$3,720,000.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2010

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Capital Leases

The city entered into lease agreements to finance the acquisitions of radios for proprietary and government funds, street department heavy equipment, public safety software, gas department vehicle, sanitation haul trucks and heavy equipment, and residential collection trucks. These lease commitments qualify as capital leases for accounting purposes, and therefore have been recorded at the present value of their future minimum lease payments as of inception date.

The assets acquired through the capital leases are as follows:

<u>Asset Class</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Vehicles/Large Equipment	\$ 463,660	\$ 441,359
Furniture, Fixtures, Equipment	269,025	-
Radios	1,321,288	132,695
Less: Accumulated Depreciation	(208,198)	(124,213)
Total Net Asset	<u>\$ 1,845,775</u>	<u>\$ 449,841</u>

The total future minimum lease payments and the net present value of these minimum payments as of September 30, 2010 were as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2011	\$ 343,475	\$ 114,918
2012	133,568	102,194
2013	104,816	22,246
2014	104,816	22,246
2015	104,816	22,246
2016-2017	<u>155,328</u>	<u>32,970</u>
Total Minimum Lease Payments	946,819	\$ 316,820
Less: Amount Representing Interest	(80,236)	(25,057)
Present Value of Minimum Payments	<u>\$ 866,583</u>	<u>\$ 291,763</u>

Amortization expense is included in depreciation expense of the Gas and Sanitation Funds.

J. Rebtable Arbitrage

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

At September 30, 2010 the primary government had no liability for rebtable arbitrage.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2010

III. DETAILED NOTES ON ALL FUNDS (Continued)

K. Restricted Cash and Investments:

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital Projects	\$ 223,246	\$ 2,222,977
Customer Deposits	-	1,746,778
Debt Service	287,573	-
Donations	-	-
Hotel/Motel Tax	28,040	-
PD Criminal Law Enforcement	28,548	-
Capital Leases	-	-
Worker's compensation and health insurance account	-	-
	<u>403,626</u>	<u>-</u>
	<u>\$ 971,033</u>	<u>\$ 3,969,755</u>

L. Impairment Loss Due to Physical Damage:

As of September 30, 2006, the physical condition of the former city hall facility was deemed moderately impaired due to water penetration and mold damage. This damage caused a decline in utilization of the building, and it was determined that restoration or remediation would be needed. Therefore, at that time the former city hall facility impairment was estimated at 47%. As of September 20, 2010, there has been no restoration or remediation performed on the building and based on management's assessment of the current condition of this property and its fair market value, management has determined that this asset should be considered 100% impaired. The General Government program expenses in the Statement of Activities include a loss of \$301,107 associated with this facility.

M. Intangible Assets:

In October 2009, the City adopted Governmental Accounting Standards Board Statement No. 51 "Accounting and Financial Reporting for Intangible Assets." This statement establishes accounting and financial reporting standards for intangible assets and requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets

It has been the City's policy to report computer software as a capital asset according to the parameters of the City's capitalization policy. Therefore, a prior period restatement for computer software was not necessary. However, in order to be compliant with Statement No. 51, the City reclassified all computer software to a separate asset class called "Intangibles-Software" and beginning October 1, 2009, all new computer software falling within the parameters of the City's capitalization policy is reported in this new asset class.

In prior years the City has not reported right-of-way and utility easements as capital assets. In accordance with Statement No. 51, the City has elected to begin reporting these easements as intangible assets on a going forward basis beginning October 1, 2009. Due to limited resources and because these easements have an indefinite useful life and would not have been amortized in prior periods, a prior period restatement was not calculated.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2010

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 has established a risk management program for medical insurance benefits. Premiums are paid into an internal service fund by all other funds to be used to pay claims, administrative costs and to accumulate reserves for future claims. The net assets of these funds are designated for future costs incurred in these specific programs.

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. To prevent incurring unexpected losses, the City has obtained excess insurance coverage in the event abnormally large claims occur. Incurred but not reported claims (IBNR) in the amount of \$129,460 at September 30, 2010 are included as liabilities, styled "self-insurance claims payable", based upon previous experience with similar claims and information obtained from the excess carrier. Interfund premiums are based upon the insured funds' historical claims experience and are recorded as quasi-external interfund transactions in the Proprietary Fund statements. For the year ended September 30, 2010, the various funds paid into the risk management internal service fund \$1,391,224 of premiums. Net assets as of September 30, 2010 totaled \$197,914. Changes in the balances of claims liabilities for the year ended September 30 are as follows:

	2010	2009
Unpaid Claims, Beginning of Year	\$ 78,243	\$ 99,943
Claims Incurred (including IBNR)	1,934,434	1,216,135
Payments on Claims	(1,880,794)	(1,237,835)
Other, net	-	-
Unpaid Claims, End of Year	\$ 131,883	\$ 78,243

B. Contingent Liabilities

Due to annexation of property west of the city limit line in December 2008, a lawsuit was filed against the City by a fireworks retailer who could no longer operate due to a city ordinance prohibiting the use and sale of fireworks within the city limits. On December 16, 2010, the City Council agreed to a settlement with the business owner. The outcome of the settlement does not materially affect the city's financial position

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, 2010 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 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.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2010

IV. OTHER INFORMATION (Continued)

C. Deferred Compensation Plans and Retirement

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 and the assets are not available to support the City's own programs, therefore the deferred compensation plans are not presented in this report.

1. Plan description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 837 administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly available comprehensive annual financial report which is available on the TMRS website, www.thrs.com or by calling 1-800-924-8677.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percentage (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and the City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. The contribution rate for the employees is 5%, and the City matching ratio is currently 2 to 1. Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years.

2. Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2010

IV. OTHER INFORMATION (Continued)

The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2009 valuation is effective for rates beginning January 2011).

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, as follows.

<i>Valuation Date</i>	<i>12/31/2007</i>	<i>12/31/2008</i>	<i>12/31/2009</i>
<i>Actuarial Cost Method</i>	<i>Projected Unit Credit</i>	<i>Projected Unit Credit</i>	<i>Projected Unit Credit</i>
<i>Amortization Method</i>	<i>Level Percent of Payroll</i>	<i>Level Percent of Payroll</i>	<i>Level Percent of Payroll</i>
<i>GASB 25 Equivalent Single Amortization Period</i>	<i>25 years; closed period</i>	<i>24 years; closed period</i>	<i>23 years; closed period</i>
<i>Amortization Period for new Gains/Losses</i>	<i>25 years</i>	<i>25 years</i>	<i>25 years</i>
<i>Asset Valuation Method</i>	<i>Amortized Cost</i>	<i>Amortized Cost</i>	<i>10-year Smoothed Market</i>
<i>Actuarial Assumptions:</i>			
<i>Investment Rate of Return*</i>	<i>7.0%</i>	<i>7.5%</i>	<i>7.5%</i>
<i>Projected Salary Increases*</i>	<i>Varies by age and service</i>	<i>Varies by age and service</i>	<i>Varies by age and service</i>
<i>*Includes Inflation at</i>	<i>3.00%</i>	<i>3.00%</i>	<i>3.00%</i>
<i>Cost-Of-Living Adjustments</i>	<i>2.1%</i>	<i>2.1%</i>	<i>2.1%</i>

D. Subsequent Events

The City Council approved the following items in October 2010:

- Authorized the issuance and sale of \$760,000 of Limited Tax Notes, Series 2010 on behalf of the component unit, Brenham Community Development Corporation, to finance infrastructure improvements in the Southwest Industrial Park, Section 3. The notes have interest rates ranging from 2.00 to 2.63 percent and a maturity date of August 15, 2017.
- Authorized the issuance and sale of \$3,600,000 General Obligation Refunding Bonds, Series 2010 which refunded certain previously issued 2001 Certificates of Obligation. The interest rates on the refunding bonds range from 2.00 to 4.00 percent and mature on August 15, 2020.
- Authorized the issuance and sale of \$14,180,000 Pass-Through Toll Revenue and Limited Tax Bonds, Series 2010 to finance the local match costs of highway interchange improvements to U.S. 290 pursuant to the Pass Through Agreement with the Texas Department of Transportation and the interlocal agreement between the City and Washington County. The interest rate on the bonds ranges from 2.00 to 4.00 percent and the maturity date is August 15, 2019.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2010

IV. OTHER INFORMATION (Continued)

At the November 4, 2010 meeting, the City Council approved a contract with Carrier Commercial Sales for the purchase and installation of a roof top air conditioning unit for the City Hall building for \$123,806.

On December 16, 2010, the City approved several bids for the construction of the All Sports Building at Hohlt Park. The contracts totaled \$121,717.

During the month of January 2011, the City Council took action on the following items:

- Approved a resolution for the exchange of property between the City and Washington County. The City will receive Washington County's undivided one-half interest in the Linda Anderson Park property in exchange for the City's release of certain conditions on the conveyance to the County of the Public Health Facility property located at 100 South Chappell Hill Street.
- Approved the final payment of \$185,479 to Matula & Matula Construction, Inc. for the West Side Water System Improvements, Phase II.
- Began the review of a Developer's Agreement for construction of an outdoor amphitheater at Hohlt Park. The agreement will allow the construction of an amphitheater at a specific location in the park in accordance with plans and specifications approved by the City. Per the agreement, the cost of the amphitheater project will be \$250,000, which will be funded privately. Once the construction is complete, the amphitheater will be deeded to the City.

On February 3, 2011, the City Council awarded a bid for \$201,748 to Mercer Construction for utility line extension work along State Highway 36 North

E. New Pronouncements

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

- Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The requirements of this statement are effective for FY11, but the effect of implementing this statement is unknown

F. Restatements

The net assets of the City's governmental activities, business-type activities, Electric Fund, Gas Fund, Water Fund, Wastewater Fund and Sanitation Fund as previously reported, as of September 30, 2009, have been restated to give effect to the following:

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2010

IV. OTHER INFORMATION (Continued)

1. Land, buildings, improvements other than buildings

During fiscal year 2010, the City identified several capital assets which had either not been reported or had been removed from prior year balances in error. The beginning balances of capital assets, accumulated depreciation, total assets and net assets reported in the government-wide financial statements have been restated to include land, buildings and improvements other than buildings not previously reported.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Restatements</u>	<u>Restated Beginning Balance</u>
Capital Assets, Not Being Depreciated:			
Land	\$ 2,177,930	\$ 49,879	\$ 2,227,809
Construction in Progress	1,607,006	-	1,607,006
Total Not Being Depreciated	<u>3,784,936</u>	<u>49,879</u>	<u>3,834,815</u>
Capital Assets, Being Depreciated:			
Buildings	24,361,003	121,984	24,482,987
Improvements Other Than Buildings	10,977,870	82,422	11,060,292
Furniture, Fixtures and Equipment	1,579,059	-	1,579,059
Machinery	130,869	-	130,869
Vehicles	6,211,835	-	6,211,835
Infrastructure	40,253,131	-	40,253,131
Total Being Depreciated	<u>83,513,767</u>	<u>204,406</u>	<u>83,718,173</u>
Less Impairment	(361,236)	-	(361,236.00)
Less Accumulated Depreciation for:			
Buildings	(4,468,933)	(61,835)	(4,530,768)
Improvements Other Than Bldgs.	(3,736,910)	(82,422)	(3,819,332)
Furniture, Fixtures and Equipment	(1,051,919)	-	(1,051,919)
Machinery	(64,818)	-	(64,818)
Vehicles	(3,291,644)	-	(3,291,644)
Infrastructure	(19,307,091)	-	(19,307,091)
Total Accumulated Depreciation	<u>(31,921,315)</u>	<u>(144,257)</u>	<u>(32,065,572)</u>
Total Being Depreciated, Net	<u>51,231,216</u>	<u>60,149</u>	<u>51,291,365</u>
Capital Assets, Net	<u>\$ 55,016,152</u>	<u>\$ 110,028</u>	<u>\$ 55,126,180</u>

Since these restatements relate to various prior years, the effect of the restatement on the September 30, 2009 change in net assets could not be determined

2. Charges for services

The beginning net assets are being restated as a result of a correction to the previously reported value of Electric Fund, Gas Fund, Water Fund, Wastewater Fund and Sanitation Fund operating revenues. During the year ending September 30, 2010, the City identified that a calculation error had occurred in determining the amount of utility revenues to be accrued to the fiscal year ending September 30, 2009. As a result, operating revenues were understated for this year. An adjustment was made to increase beginning net assets for these amounts.

A table depicting these changes to the fund level financial statements follows:

	<u>Electric Fund</u>	<u>Gas Fund</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Sanitation Fund</u>
Fund Balance/Net assets as previously reported	\$ 14,613,489	\$ 2,464,805	\$ 10,870,807	\$ 10,234,354	\$ 1,930,294
2. Charges for Services	337,827	34,066	81,740	58,620	44,071
Fund Balance/Net assets as restated	<u>\$ 14,951,316</u>	<u>\$ 2,498,871</u>	<u>\$ 10,952,547</u>	<u>\$ 10,292,974</u>	<u>\$ 1,974,365</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2010

IV. OTHER INFORMATION (Continued)

A table depicting these changes to the government-wide financial statements follows.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Beginning Fund Balance/Net assets as originally reported	\$ 41,040,902	\$ 40,356,296	\$ 81,397,198
1 Land, Buildings, Improvements Other Than Bldgs.	110,028	-	110,028
2. Charges for Services	-	556,324	556,324
Beginning Net Assets as Restated	<u>\$ 41,150,930</u>	<u>\$ 40,912,620</u>	<u>\$ 82,063,550</u>

The effect of these changes on operations for the year ending September 30, 2009 is as follows:

	<u>Electric Fund</u>	<u>Gas Fund</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Sanitation Fund</u>
Net Change of fund balance/Net assets as previously reported	\$ 2,031,061	\$ (163,640)	\$ 790,017	\$ 326,371	\$ 213,499
2. Charges for Services	337,827	34,066	81,740	58,620	44,071
Net Change on Fund Balance/Net assets as restated	<u>\$ 2,368,888</u>	<u>\$ (129,574)</u>	<u>\$ 871,757</u>	<u>\$ 384,991</u>	<u>\$ 257,570</u>

G. Other Postemployment Benefits

Plan Description. The City of Brenham Employee Benefits Plan, a Texas political subdivision employees' uniform group benefits plan, is a self-funded, non-federal, governmental health plan. The plan is a single-employer defined benefit OPEB plan. Plan benefits include medical and prescription coverage. The Texas Local Government Code Chapter 172 is the authority under which benefit provisions are established and the State of Texas has the authority to amend the requirements. The City of Brenham utilizes Texas Municipal League Intergovernmental Benefits Pool (TMLIEBP) as the third party administrator for claims processing. The City does not issue stand alone financial statements of the group medical plan; however, all required information is presented in this report.

Funding Policy. The contribution requirements of plan members are established by the City and may be amended as needed. 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. 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. Currently, ten retirees and four spouses meet plan eligibility requirements and have elected to receive this benefit. The retiree pays 100% of the premium for group health care coverage, and the annual required medical contributions are shown below:

<u>Coverage</u>	<u>Premium</u>
Retiree Only	\$5,120.88
Retiree & Spouse	\$10,448.28

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2010

IV. OTHER INFORMATION (Continued)

The City is not required to make contributions to the plan on behalf of the retirees and funds the plan on a projected pay-as-you-go financing method. The plan had 196 active members as of October 1, 2009, the effective date of this OPEB valuation. The City pays 95% of monthly premiums (\$426.74) for active members, 77.5% of premiums (\$674.37) for member and spouse, 80.1% of premiums (\$608.96) for member and child, and 72.5% for family coverage (\$858.15).

Employees who retire 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 qualifying retirees are waived and there is no further cost to the City or the retiree. Currently, one retiree qualifies for long term disability.

Annual OPEB Cost. The City's annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the calculation of the Annual Required Contribution and Net OPEB Obligation assuming a 4.0% discount rate:

	FY Ending 09/30/2010	FY Ending 09/30/2009
<i>Determination of Annual Required Contribution</i>		
Normal Cost at fiscal year end	\$ 69,731	\$ 69,731
Amortization of UAAL	<u>70,504</u>	<u>70,504</u>
Annual Required Contribution (ARC)	\$ 140,235	\$ 140,235
<i>Determination of Net OPEB Obligation</i>		
Annual Required Contribution	\$ 140,235	\$ 140,235
Interest on prior year Net OPEB Obligation	5,609	-
Adjustment to ARC	<u>(7,798)</u>	<u>-</u>
Annual OPEB Cost	\$ 138,046	\$ 140,235
Contributions made	<u>-</u>	<u>-</u>
Estimated increase in Net OPEB Obligation	\$ 138,046	\$ 140,235
<i>Estimated Net OPEB Obligation - begin of year</i>	\$ 140,235	\$ -
<i>Estimated Net OPEB Obligation - end of year</i>	\$ 278,281	\$ 140,235

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

Fiscal Year Ended	Discount Rate	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
9/30/2008	N/A	N/A	N/A	N/A
9/30/2009	4.0%	\$ 140,235	0.00%	\$ 140,235
9/30/2010	4.0%	\$ 138,046	0.00%	\$ 278,281

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2010

IV. OTHER INFORMATION (Continued)

Funded Status and Funding Progress. As of October 1, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$1,219,154, and the actuarial value of the assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,219,154. The covered payroll (annual payroll of active employees covered by the plan) was \$9,114,493 and the ratio of the UAAL to the covered payroll was 13%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the included financial statements, will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The following table shows the annual OPEB cost and net OPEB obligation assuming the plan is not prefunded (4% discount). The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. In the October 1, 2008 actuarial valuation, the projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a 4% discount rate without prefunding, an annual healthcare cost trend rate of 8% for 2008 and then reduced by decrements to a rate of 6.10% after 13 years, and a projected increase in the amount of per capita medical and prescription benefit costs (gross of retiree cost sharing amounts) as shown below:

<u>Age</u>	<u>Male</u>	<u>Female</u>
45	28%	8%
50	32%	18%
55	34%	21%
60	32%	21%

Coverage assumptions include the following: 25% of employees eligible for retiree medical benefits are assumed to elect continued medical coverage in retirement and 50% of members who continue coverage upon retirement are assumed to elect coverage for a spouse. The UAAL is being amortized over the maximum permissible period under GASB 45 of 30 years.



**City of Brenham, Texas
Required Supplementary Information
September 30, 2010**

SCHEDULE OF FUNDING PROGRESS - Other Postemployment Benefit Plan (OPEB)*

Actuarial Valuation Date ⁽³⁾	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (AAL) ⁽¹⁾ (b)	Unfunded AAL (UAAL) ⁽²⁾ (b-a)	Funded Ratio as a Percentage (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/2008	OPEB	\$ -	\$ 1,219,154	\$ 1,219,154	0%	\$ 9,114,493	13%

(1) Actuarial Accrued Liability determined under the unit credit actuarial cost method

(2) Actuarial Accrued Liability less Actuarial Value of Assets

(3) Because of the City's plan size, it is required to obtain an actuarial valuation at least biennially.
The most recent actuarial valuation is shown.

* Health Care Insurance Plan

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City of Brenham, Texas
Required Supplementary Information
September 30, 2010

SCHEDULE OF FUNDING PROGRESS - Texas Municipal Retirement System (TMRS)

	12/31/2009	12/31/2008	12/31/2007
Actuarial Value of Assets	\$ 18,760,400	\$ 17,950,666	\$ 16,893,870
Actuarial Accrued Liability	22,545,959	21,639,916	20,728,599
Percentage Funded	83.2%	83.0%	81.5%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	3,785,559	3,689,250	3,834,729
Annual Covered Payroll	9,171,150	9,116,479	8,228,123
UAAL as a Percentage of Covered Payroll	41.3%	40.5%	46.6%
Net Pension Obligation (NPO)			
Beginning of Period	-	-	-
Annual Pension Cost:			
Annual Required Contribution (ARC)	833,706	851,388	844,732
Interest on NPO	-	-	-
Adjustment to ARC	-	-	-
	<u>833,706</u>	<u>851,388</u>	<u>844,732</u>
Contributions Made	833,706	851,388	844,732
Increase in NPO	-	-	-
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

A summary of actuarial assumptions and definitions can be found in the December 31, 2008 TMRS Comprehensive Annual Financial Report (CAFR).

**City of Brenham
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2010**

	Budgeted Amounts		Actual	Adjustments to Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Revenues						
Taxes	\$ 9,949,688	\$ 9,971,688	\$ 9,973,703	\$ -	\$ 9,973,703	\$ 2,015
Licenses and Permits	48,390	76,590	76,999	-	76,999	409
Intergovernmental	179,984	284,894	620,090	(379,446)	240,644	(44,250)
Charges for Services	458,652	504,352	531,492	-	531,492	27,140
Fines and Forfeitures	623,937	693,037	668,762	-	668,762	(24,275)
Investment Income	31,500	31,500	8,266	-	8,266	(23,234)
Payment from Component Unit	200,000	200,000	200,000	-	200,000	-
Miscellaneous	29,269	29,269	100,350	(10,579)	89,771	60,502
Total revenues	11,521,420	11,791,330	12,179,662	(390,025)	11,789,637	(1,693)
Expenditures						
Current:						
Culture and Recreation	2,510,139	2,479,459	2,548,557	(77,269)	2,471,288	8,171
General Government	4,948,128	4,681,010	4,684,984	(23,812)	4,661,172	19,838
Health and Welfare	224,179	233,015	278,615	(45,600)	233,015	-
Highways and Streets	1,394,591	1,320,591	1,320,052	-	1,320,052	539
Public Safety	5,484,767	5,148,956	5,406,640	(243,344)	5,163,296	(14,340)
	14,561,804	13,863,031	14,238,848	(390,025)	13,848,823	14,208
Debt Service:						
Interest and Fiscal Charges	-	-	1,699	-	1,699	(1,699)
Principal	-	3,500	2,403	-	2,403	1,097
	-	3,500	4,102	-	4,102	(602)
Capital Outlay	119,539	172,021	150,506	-	150,506	21,515
Total Expenditures	14,681,343	14,038,552	14,393,456	(390,025)	14,003,431	35,121
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,159,923)	(2,247,222)	(2,213,794)	-	(2,213,794)	33,428
Other Financing Sources (Uses)						
Transfers In	3,159,923	2,921,751	2,924,139	-	2,924,139	2,388
Transfers Out	-	(732,010)	(732,010)	-	(732,010)	-
Insurance Proceeds	-	17,088	21,665	-	21,665	4,577
Total other financing sources and (uses)	3,159,923	2,206,829	2,213,794	-	2,213,794	6,965
Net change in fund balance	-	(40,393)	-	-	-	40,393
Fund balance - beginning	2,764,850	2,764,850	2,764,850	-	2,764,850	-
Fund balance - ending	\$ 2,764,850	\$ 2,724,457	\$ 2,764,850	\$ -	\$ 2,764,850	\$ 40,393

The accompanying notes to required supplementary information are an integral part of this statement.

City of Brenham, Texas
Required Supplementary Information
September 30, 2010

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1: Budgetary Basis of Accounting

The City annually adopts budgets that are prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

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COMBINING FUND STATEMENTS AND SCHEDULES

CITY OF BRENHAM, TEXAS

Special Revenue Funds

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

Hotel/Motel Tax Fund

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

Fire/Community Hall Renovation Fund

This fund is used to account for revenues specifically designated for the Fire/Community Hall Renovation project.

Emergency Management Grants Fund

This fund is used to account for grant revenues specifically designated for Emergency Management purposes.

Police Department Grants Fund

This fund is used to account for revenues specifically designated for Police programs and activities.

Motorcycle/PD Equipment Fund

This fund is used to account for revenues specifically designated for police motorcycles and other equipment.

Public Safety Training Fund

This fund is used to account for revenues specifically designated for public safety training.

PD Criminal Law Enforcement Fund

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

Donations Fund

This fund is used to account for donations designated for specific purposes or activities.

Courts Technology/Security Fund

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

Fire Department Grants Fund

This fund is used to account for revenues specifically designated for fire department activities or equipment.

Parks Special Revenue Fund

This fund is used to account for revenues specifically designated for parks projects.

Equipment Fund

This fund is used to account for funds specifically designated for equipment expenditures.

Streets/Drainage Fund

This fund is used to account for funds specifically designated for street/drainage projects.

US 290 Pass Thru Finance Fund

This fund is used to account for funds specifically designated for the US 290 Pass Thru project.

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CITY OF BRENHAM, TEXAS

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 airport hanger construction and the runway extension project.

2006 Capital Projects Fund

This fund is used to account for proceeds and expenditures for the approved 2006 Bond projects.

Capital Leases Fund

This fund is used to account for capital lease proceeds and capital lease expenditures.

Henderson Park Lift Station Grant Fund

This fund is used to account for grant proceeds and capital expenditures for the renovation of the Henderson Park Lift Station.

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.

Self-Insured Health Insurance Fund

This fund is used to account for self-insured health insurance risk management services to other funds of the City on a cost reimbursement basis.

Debt Service Fund

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

City of Brenham
Combining Balance Sheet
Other Governmental Funds
September 30, 2010

	Special Revenue Funds	Nonmajor Capital Projects Funds	Total Other Governmental Funds
Assets			
Cash and Equivalents	\$ 510,506	\$ 1,859	\$ 512,365
Receivables (Net)			
Occupancy Tax	45,999	-	45,999
Accounts	5,220	-	5,220
Interfund Receivables	1,062,999	77,922	1,140,921
Due from Component Unit	175,000	-	175,000
Due from Other Governments	1,188	187,852	189,040
Other Current Assets	-	18,923	18,923
Restricted Cash	56,588	202,825	259,413
Restricted Investments	-	20,421	20,421
Total Assets	<u>\$ 1,857,500</u>	<u>\$ 509,802</u>	<u>\$ 2,367,302</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable & Other Current	\$ 8,384	\$ 97,819	\$ 106,203
Interfund Payables	18,657	334,504	353,161
Deferred Revenue	576	-	576
Total Liabilities	<u>27,617</u>	<u>432,323</u>	<u>459,940</u>
Fund Balances.			
Unreserved, reported in:			
Capital Projects	-	77,479	77,479
Special Revenue Funds	1,829,883	-	1,829,883
Total Fund Balances	<u>1,829,883</u>	<u>77,479</u>	<u>1,907,362</u>
Total Liabilities and Fund Balances	<u>\$ 1,857,500</u>	<u>\$ 509,802</u>	<u>\$ 2,367,302</u>

City of Brenham
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds
For the Year Ended September 30, 2010

	Special Revenue Funds	Nonmajor Capital Projects Funds	Total Other Governmental Funds
Revenues			
Taxes	\$ 434,330	\$ -	\$ 434,330
Intergovernmental	515,573	681,553	1,197,126
Charges for Services	72,076	-	72,076
Investment Income	1,275	1,034	2,309
Payment from Component Unit	200,000	-	200,000
Contributions and Donations	174,272	-	174,272
Miscellaneous	11,068	-	11,068
Total revenues	<u>1,408,594</u>	<u>682,587</u>	<u>2,091,181</u>
Expenditures			
Current:			
Culture and Recreation	437,181	-	437,181
General Government	81,016	221,652	302,668
Health and Welfare	2,773	-	2,773
Highways and Streets	215,333	-	215,333
Public Safety	551,332	19,347	570,679
Capital Outlay	336,393	1,515,765	1,852,158
Total expenditures	<u>1,624,028</u>	<u>1,756,764</u>	<u>3,380,792</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(215,434)</u>	<u>(1,074,177)</u>	<u>(1,289,611)</u>
Other Financing Sources (Uses)			
Transfers In	732,010	-	732,010
Transfers Out	(87,573)	(193,156)	(280,729)
Proceeds from Capital Lease	-	645,621	645,621
Total other financing sources and (uses)	<u>644,437</u>	<u>452,465</u>	<u>1,096,902</u>
Net change in Fund Balances	429,003	(621,712)	(192,709)
Fund balances - beginning	1,400,880	699,191	2,100,071
Fund balances - ending	<u>\$ 1,829,883</u>	<u>\$ 77,479</u>	<u>\$ 1,907,362</u>

City of Brenham
Combining Balance Sheet
Other Governmental Funds - Special Revenue Funds
September 30, 2010

	Hotel/Motel Tax Fund	Fire/Comm. Hall Renovation Fund	Emergency Mgmt. Grants Fund	Police Dept. Grants Fund	Motorcycle/PD Equipment Fund	Public Safety Training Fund	PD Crim. Law Enforcement Fund
Assets							
Cash and Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113	\$ 134
Receivables (Net)							
Occupancy Tax	45,999	-	-	-	-	-	-
Accounts	-	-	-	-	-	-	-
Interfund Receivables	-	-	7,286	-	-	9,698	442
Due from Component Unit	-	-	-	-	-	-	-
Due from Other Governments	-	-	1,000	-	188	-	-
Restricted Cash	28,040	-	-	-	-	-	28,548
Total Assets	\$ 74,039	\$ -	\$ 8,286	\$ -	\$ 188	\$ 9,811	\$ 29,124
Liabilities and Fund Balances							
Liabilities:							
Accounts Payable & Other Current	\$ 1,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund Payables	13,106	-	-	-	188	-	-
Deferred Revenue	-	-	-	-	-	-	576
Total Liabilities	14,306	-	-	-	188	-	576
Fund Balances:							
Unreserved, reported in:							
Special Revenue Funds	59,733	-	8,286	-	-	9,811	28,548
Total Fund Balances	59,733	-	8,286	-	-	9,811	28,548
Total Liabilities and Fund Balances	\$ 74,039	\$ -	\$ 8,286	\$ -	\$ 188	\$ 9,811	\$ 29,124

City of Brenham
Combining Balance Sheet
Other Governmental Funds - Special Revenue Funds
September 30, 2010

	Donations Fund	Courts Tech/Security Fund	Fire Dept. Grants Fund	Parks Special Revenue Fund	Equipment Fund General	Streets Drainage Improvement	US 290 Pass Thru Finance Fund	Total Special Revenue Funds
Assets								
Cash and Equivalents	\$ -	\$ 14,532	\$ -	\$ 38,245	\$ -	\$ -	\$ 457,482	\$ 510,506
Receivables (Net)								
Occupancy Tax	-	-	-	-	-	-	-	45,999
Accounts	5,220	-	-	-	-	-	-	5,220
Interfund Receivables	302,931	105,540	-	113,462	453,884	69,756	-	1,062,999
Due from Component Unit	-	-	-	-	-	175,000	-	175,000
Due from Other Governments	-	-	-	-	-	-	-	1,188
Restricted Cash	-	-	-	-	-	-	-	56,588
Total Assets	\$ 308,151	\$ 120,072	\$ -	\$ 151,707	\$ 453,884	\$ 244,756	\$ 457,482	\$ 1,857,500
Liabilities and Fund Balances								
Liabilities:								
Accounts Payable & Other Current	\$ 570	\$ 3,577	\$ -	\$ -	\$ -	\$ -	\$ 3,037	\$ 8,384
Interfund Payables	-	-	-	-	-	-	5,363	18,657
Deferred Revenue	-	-	-	-	-	-	-	576
Total Liabilities	570	3,577	-	-	-	-	8,400	27,617
Fund Balances:								
Unreserved, reported in:								
Special Revenue Funds	307,581	116,495	-	151,707	453,884	244,756	449,082	1,829,883
Total Fund Balances	307,581	116,495	-	151,707	453,884	244,756	449,082	1,829,883
Total Liabilities and Fund Balances	\$ 308,151	\$ 120,072	\$ -	\$ 151,707	\$ 453,884	\$ 244,756	\$ 457,482	\$ 1,857,500

City of Brenham
Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds - Special Revenue Funds
For the Year Ended September 30, 2010

	Hotel/Motel Tax Fund	Fire/Comm. Hall Renovation Fund	Emergency Mgmt. Grants Fund	Police Dept. Grants Fund	Motorcycle/PD Equipment Fund	Public Safety Training Fund	PD Crim. Law Enforcement Fund
Revenues							
Taxes	\$ 434,330	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	95,244	1,263	3,251	-
Charges for Services	-	-	-	-	-	-	-
Investment Income	179	-	-	-	-	-	34
Payment from Component Unit	-	-	-	-	-	-	-
Contributions and Donations	-	-	1,000	-	-	-	-
Miscellaneous	-	-	-	-	-	-	11,068
Total revenues	<u>434,509</u>	<u>-</u>	<u>1,000</u>	<u>95,244</u>	<u>1,263</u>	<u>3,251</u>	<u>11,102</u>
Expenditures							
Current:							
Culture and Recreation	411,702	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-
Streets and Highways	-	-	-	-	-	-	-
Public Safety	-	-	-	64,171	1,263	-	-
Capital Outlay	-	-	-	41,322	-	-	-
Total expenditures	<u>411,702</u>	<u>-</u>	<u>-</u>	<u>105,493</u>	<u>1,263</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>22,807</u>	<u>-</u>	<u>1,000</u>	<u>(10,249)</u>	<u>-</u>	<u>3,251</u>	<u>11,102</u>
Other Financing Sources (Uses)							
Transfers In	-	31,600	-	10,249	-	-	-
Transfers Out	(60,000)	-	-	-	-	-	-
Total other financing sources and (uses)	<u>(60,000)</u>	<u>31,600</u>	<u>-</u>	<u>10,249</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in Fund Balances	<u>(37,193)</u>	<u>31,600</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>3,251</u>	<u>11,102</u>
Fund balances - beginning	<u>96,926</u>	<u>(31,600)</u>	<u>7,286</u>	<u>-</u>	<u>-</u>	<u>6,560</u>	<u>17,446</u>
Fund balances - ending	<u>\$ 59,733</u>	<u>\$ -</u>	<u>\$ 8,286</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,811</u>	<u>\$ 28,548</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, 2010

	Donations Fund	Courts Tech./Security Fund	Fire Dept. Grants Fund	Parks Special Revenue Fund	Equipment Fund General	Streets Drainage Improvement	US 290 Pass Thru Finance Fund	Total Special Revenue Funds
Revenues								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 434,330
Intergovernmental	25,000	-	390,815	-	-	-	-	515,573
Charges for Services	-	72,076	-	-	-	-	-	72,076
Investment Income	257	-	-	-	-	-	805	1,275
Payment from Component Unit	50,000	-	-	150,000	-	-	-	200,000
Contributions and Donations	89,233	-	84,039	-	-	-	-	174,272
Miscellaneous	-	-	-	-	-	-	-	11,068
Total revenues	164,490	72,076	474,854	150,000	-	-	805	1,408,594
Expenditures								
Current:								
Culture and Recreation	431	-	-	25,048	-	-	-	437,181
General Government	-	22,028	-	-	58,988	-	-	81,016
Health and Welfare	2,773	-	-	-	-	-	-	2,773
Streets and Highways	-	-	-	-	-	215,333	-	215,333
Public Safety	17,921	-	421,672	-	46,305	-	-	551,332
Capital Outlay	28,474	-	60,502	40,461	157,234	-	8,400	336,393
Total expenditures	49,599	22,028	482,174	65,509	262,527	215,333	8,400	1,624,028
Excess (Deficiency) of Revenues Over (Under) Expenditures	114,891	50,048	(7,320)	84,491	(262,527)	(215,333)	(7,595)	(215,434)
Other Financing Sources (Uses)								
Transfers In	11,400	-	7,320	-	453,597	217,844	-	732,010
Transfers Out	-	(27,573)	-	-	-	-	-	(87,573)
Total other financing sources and (uses)	11,400	(27,573)	7,320	-	453,597	217,844	-	644,437
Net change in Fund Balances	126,291	22,475	-	84,491	191,070	2,511	(7,595)	429,003
Fund balances - beginning	181,290	94,020	-	67,216	262,814	242,245	456,677	1,400,880
Fund balances - ending	\$ 307,581	\$ 116,495	\$ -	\$ 151,707	\$ 453,884	\$ 244,756	\$ 449,082	\$ 1,829,883

City of Brenham
Combining Balance Sheet
Other Governmental Funds - Nonmajor Capital Projects Funds
September 30, 2010

	Airport Capital Impr. Fund	2006 Capital Projects Fund	Capital Leases Fund	Henderson Park LS Grant Fund	Total Nonmajor Capital Projects Funds
Assets					
Cash and Cash Equivalents	\$ 1,859	\$ -	\$ -	\$ -	\$ 1,859
Interfund receivable	-	-	77,922	-	77,922
Due from Other Governments	-	-	-	187,852	187,852
Other Current Assets	18,923	-	-	-	18,923
Restricted Cash	-	202,825	-	-	202,825
Restricted Investments	-	-	20,421	-	20,421
Total Assets	<u>\$ 20,782</u>	<u>\$ 202,825</u>	<u>\$ 98,343</u>	<u>\$ 187,852</u>	<u>\$ 509,802</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable & Other Current	\$ 41,646	\$ -	\$ -	\$ 56,173	\$ 97,819
Interfund Payables	-	202,825	-	131,679	334,504
Total Liabilities	<u>41,646</u>	<u>202,825</u>	<u>-</u>	<u>187,852</u>	<u>432,323</u>
Fund Balances:					
Unreserved, reported in:					
Capital Projects	(20,864)	-	98,343	-	77,479
Total Fund Balances	<u>(20,864)</u>	<u>-</u>	<u>98,343</u>	<u>-</u>	<u>77,479</u>
Total Liabilities and Fund Balances	<u>\$ 20,782</u>	<u>\$ 202,825</u>	<u>\$ 98,343</u>	<u>\$ 187,852</u>	<u>\$ 509,802</u>

City of Brenham
Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds - Nonmajor Capital Projects Funds
For the Year Ended September 30, 2010

	Airport Capital Impr. Fund	2006 Capital Projects Fund	Capital Leases Fund	Henderson Park LS Grant Fund	Total Nonmajor Capital Projects Funds
Revenues					
Intergovernmental	\$ 459,901	\$ -	\$ -	\$ 221,652	\$ 681,553
Investment Income	-	1,032	2	-	1,034
Total revenues	<u>459,901</u>	<u>1,032</u>	<u>2</u>	<u>221,652</u>	<u>682,587</u>
Expenditures					
Current:					
General Government	-	-	-	221,652	221,652
Public Safety	-	19,347	-	-	19,347
Capital Outlay	552,647	415,838	547,280	-	1,515,765
Total expenditures	<u>552,647</u>	<u>435,185</u>	<u>547,280</u>	<u>221,652</u>	<u>1,756,764</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(92,746)</u>	<u>(434,153)</u>	<u>(547,278)</u>	<u>-</u>	<u>(1,074,177)</u>
Other Financing Sources (Uses)					
Transfers Out	-	(188,468)	(4,688)	-	(193,156)
Lease Proceeds	-	-	645,621	-	645,621
Total other financing sources and (uses)	<u>-</u>	<u>(188,468)</u>	<u>640,933</u>	<u>-</u>	<u>452,465</u>
Net change in Fund Balances	<u>(92,746)</u>	<u>(622,621)</u>	<u>93,655</u>	<u>-</u>	<u>(621,712)</u>
Fund balances - beginning	<u>71,882</u>	<u>622,621</u>	<u>4,688</u>	<u>-</u>	<u>699,191</u>
Fund balances - ending	<u>\$ (20,864)</u>	<u>\$ -</u>	<u>\$ 98,343</u>	<u>\$ -</u>	<u>\$ 77,479</u>

City of Brenham
Internal Service Funds
Combining Statement of Net Assets
September 30, 2010

	Workers' Compensation Fund	Self-Insured Health Ins. Fund	Total
Assets			
Receivables - Accounts, Net	\$ -	\$ 853	\$ 853
Interfund Receivable	4,938	-	4,938
Other Current Assets	1,000	30,173	31,173
Restricted Cash	323,321	80,305	403,626
Total Assets	<u>\$ 329,259</u>	<u>\$ 111,331</u>	<u>\$ 440,590</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable & Other Current Liabilities	\$ 15	\$ 300	\$ 315
Interfund Payable	-	110,478	110,478
Self Insurance Claims Payable	2,423	129,460	131,883
Total Liabilities	<u>2,438</u>	<u>240,238</u>	<u>242,676</u>
Net Assets			
Unrestricted (deficit)	326,821	(128,907)	197,914
Total Net Assets	<u>\$ 326,821</u>	<u>\$ (128,907)</u>	<u>\$ 197,914</u>

City of Brenham, Texas
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year ended September 30, 2010

	Workers' Compensation Fund	Self-Insured Health Ins. Fund	Total
Operating revenues:			
Charges for Services	\$ 112,572	\$ 1,914,586	\$ 2,027,158
Total operating revenues	<u>112,572</u>	<u>1,914,586</u>	<u>2,027,158</u>
Operating expenses:			
Contractual Services	151,616	2,276,654	2,428,270
Total operating expenses	<u>151,616</u>	<u>2,276,654</u>	<u>2,428,270</u>
Operating Income (loss)	<u>(39,044)</u>	<u>(362,068)</u>	<u>(401,112)</u>
Nonoperating revenues (expenses):			
Transfer (In)Out	(47,071)	47,071	-
Investment Income	631	2	633
Total Nonoperating revenues (expenses):	<u>(46,440)</u>	<u>47,073</u>	<u>633</u>
Change in net assets	(85,484)	(314,995)	(400,479)
Total net assets - beginning	412,305	186,088	598,393
Total net assets - ending (deficit)	<u>\$ 326,821</u>	<u>\$ (128,907)</u>	<u>\$ 197,914</u>

City of Brenham, Texas
Internal Service Funds
Combining Statement of Cash Flows
For the Year ended September 30, 2010

	Workers' Compensation Fund	Self-Insured Health Ins. Fund	Total
Cash Flows from Operating Activities			
Receipts from interfund services provided	\$ 108,634	\$ 2,089,448	\$ 2,198,082
Payments to suppliers	(149,177)	(2,225,958)	(2,375,135)
Net cash provided (used) by operating activities	<u>(40,543)</u>	<u>(136,510)</u>	<u>(177,053)</u>
Cash Flows from Non Capital Financing Activities			
Transfers in (out)	\$ (47,071)	\$ 47,071	\$ -
Net cash provided (used) by non capital financing activities	<u>(47,071)</u>	<u>47,071</u>	<u>-</u>
Cash Flows from Investing Activities			
Investment income received	\$ 631	\$ 2	\$ 633
Net cash provided (used) by investing activities	<u>631</u>	<u>2</u>	<u>633</u>
Net increase in cash and cash equivalents	(86,983)	(89,437)	(176,420)
Cash and cash equivalents, beginning of the year	<u>410,304</u>	<u>169,742</u>	<u>580,046</u>
Cash and cash equivalents, end of the year	<u>\$ 323,321</u>	<u>\$ 80,305</u>	<u>\$ 403,626</u>
Reconciliation of cash and cash equivalents to statement of net assets			
Restricted cash and equivalents	\$ 323,321	\$ 80,305	\$ 403,626
Cash and cash equivalents, end of year	<u>\$ 323,321</u>	<u>\$ 80,305</u>	<u>\$ 403,626</u>
 Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income (loss)	\$ (39,044)	\$ (362,068)	\$ (401,112)
Changes in assets and liabilities affecting cash provided by operations:			
(Increase) decrease in accounts receivable	1,000	(853)	147
(Increase) decrease in interfund receivables	(4,938)	-	(4,938)
Increase (decrease) in interfund payables	-	110,478	110,478
Increase (decrease) in self insurance claims liability	2,439	51,516	53,955
(Increase) decrease in other assets	-	65,237	65,237
Increase (decrease) in accounts payable and other current liabilities	-	(820)	(820)
Net cash provided (used) by operating activities	<u>\$ (40,543)</u>	<u>\$ (136,510)</u>	<u>\$ (177,053)</u>

City of Brenham
Debt Service
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,613,497	\$ 1,613,497	\$ 1,605,566	\$ (7,931)
Investment Income	8,000	8,000	1,853	(6,147)
Payment from Component Unit	450,941	450,941	450,941	-
Total revenues	<u>2,072,438</u>	<u>2,072,438</u>	<u>2,058,360</u>	<u>(14,078)</u>
Expenditures				
Debt Service:				
Interest and Fiscal Charges	837,388	837,388	817,240	20,148
Principal Retirement	1,341,526	1,341,526	1,289,541	51,985
Issuance Costs	1,500	1,500	800	700
Total Expenditures	<u>2,180,414</u>	<u>2,180,414</u>	<u>2,107,581</u>	<u>72,833</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(107,976)</u>	<u>(107,976)</u>	<u>(49,221)</u>	<u>58,755</u>
Other Financing Sources (Uses)				
Transfer In	-	188,468	193,156	(4,688)
Total other financing sources and (uses)	<u>-</u>	<u>188,468</u>	<u>193,156</u>	<u>(4,688)</u>
Net change in fund balance	(107,976)	80,492	143,935	63,443
Fund balance - beginning	<u>337,949</u>	<u>337,949</u>	<u>337,949</u>	<u>-</u>
Fund balance - ending	<u>\$ 229,973</u>	<u>\$ 418,441</u>	<u>\$ 481,884</u>	<u>\$ 63,443</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, 2010

	<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	\$ 485,365	\$ 485,365	\$ 434,330	\$ (51,035)
Investment Income	700	700	179	(521)
Total revenues	<u>486,065</u>	<u>486,065</u>	<u>434,509</u>	<u>(51,556)</u>
Expenditures				
Current:				
Culture and Recreation	505,950	419,379	411,702	7,677
Total Expenditures	<u>505,950</u>	<u>419,379</u>	<u>411,702</u>	<u>7,677</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(19,885)</u>	<u>66,686</u>	<u>22,807</u>	<u>(43,879)</u>
Other Financing Sources (Uses)				
Transfers Out	(60,000)	(60,000)	(60,000)	-
Total other financing sources and (uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
Net change in fund balance	(79,885)	6,686	(37,193)	(43,879)
Fund balance - beginning	96,926	96,926	96,926	-
Fund balance - ending	<u>\$ 17,041</u>	<u>\$ 103,612</u>	<u>\$ 59,733</u>	<u>\$ (43,879)</u>

City of Brenham
Fire/Community Hall Renovation Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Capital Outlay	\$ -	\$ -	\$ -	\$ -
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers In	-	31,600	31,600	-
Total other financing sources and (uses)	<u>-</u>	<u>31,600</u>	<u>31,600</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>31,600</u>	<u>31,600</u>	<u>-</u>
Fund balance - beginning	(31,600)	(31,600)	(31,600)	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Brenham
Emergency Management Grants Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Donations	\$ -	\$ -	\$ 1,000	\$ 1,000
Total revenues	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Expenditures				
Current:				
Public Safety	3,604	3,604	-	3,604
Total Expenditures	<u>3,604</u>	<u>3,604</u>	<u>-</u>	<u>3,604</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,604)</u>	<u>(3,604)</u>	<u>1,000</u>	<u>4,604</u>
Net change in fund balance	(3,604)	(3,604)	1,000	4,604
Fund balance - beginning	7,286	7,286	7,286	-
Fund balance - ending	<u>\$ 3,682</u>	<u>\$ 3,682</u>	<u>\$ 8,286</u>	<u>\$ 4,604</u>

City of Brenham
Police Department Grants Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Grant Revenues	\$ -	\$ 67,968	\$ 95,244	\$ 27,276
Total revenues	<u>-</u>	<u>67,968</u>	<u>95,244</u>	<u>27,276</u>
Expenditures				
Current:				
Public Safety	-	10,052	64,171	(54,119)
Capital Outlay	-	57,916	41,322	16,594
Total Expenditures	<u>-</u>	<u>67,968</u>	<u>105,493</u>	<u>(37,525)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	<u>-</u>	<u>-</u>	<u>(10,249)</u>	<u>(10,249)</u>
Other Financing Sources (Uses)				
Transfers In	-	10,249	10,249	-
Total other financing sources and (uses)	<u>-</u>	<u>10,249</u>	<u>10,249</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>10,249</u>	<u>-</u>	<u>(10,249)</u>
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ 10,249</u>	<u>\$ -</u>	<u>\$ (10,249)</u>

City of Brenham
Public Safety Training Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Grant Revenues	\$ 2,700	\$ 2,700	\$ 3,251	\$ 551
Total revenues	<u>2,700</u>	<u>2,700</u>	<u>3,251</u>	<u>551</u>
Expenditures				
Current:				
Public Safety	3,000	3,000	-	3,000
Capital Outlay	<u>3,000</u>	<u>3,000</u>	-	<u>3,000</u>
Total Expenditures	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,300)</u>	<u>(3,300)</u>	<u>3,251</u>	<u>6,551</u>
Net change in fund balance	(3,300)	(3,300)	3,251	6,551
Fund balance - beginning	6,560	6,560	6,560	-
Fund balance - ending	<u>\$ 3,260</u>	<u>\$ 3,260</u>	<u>\$ 9,811</u>	<u>\$ 6,551</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ 200	\$ 200	\$ 34	\$ (166)
Program Income/Restitution	10,000	10,000	11,068	1,068
Total revenues	<u>10,200</u>	<u>10,200</u>	<u>11,102</u>	<u>902</u>
Expenditures				
Current:				
Public Safety	5,000	5,000	-	5,000
Capital Outlay	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total Expenditures	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,800)</u>	<u>(4,800)</u>	<u>11,102</u>	<u>15,902</u>
Net change in fund balance	<u>(4,800)</u>	<u>(4,800)</u>	<u>11,102</u>	<u>15,902</u>
Fund balance - beginning	17,446	17,446	17,446	-
Fund balance - ending	<u>\$ 12,646</u>	<u>\$ 12,646</u>	<u>\$ 28,548</u>	<u>\$ 15,902</u>

**City of Brenham
Donations Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Grant Revenues	\$ -	\$ -	\$ 25,000	\$ 25,000
Investment Income	1,000	1,000	257	(743)
Payment from Component Unit	-	50,000	50,000	-
Donations	20,100	76,419	89,233	12,814
Total revenues	<u>21,100</u>	<u>127,419</u>	<u>164,490</u>	<u>37,071</u>
Expenditures				
Current:				
Culture and Recreation	13,000	13,000	431	12,569
Health and Welfare	12,028	12,028	2,773	9,255
Public Safety	2,725	24,044	17,921	6,123
Capital Outlay	5,000	91,400	28,474	62,926
Total Expenditures	<u>32,753</u>	<u>140,472</u>	<u>49,599</u>	<u>90,873</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(11,653)</u>	<u>(13,053)</u>	<u>114,891</u>	<u>127,944</u>
Other Financing Sources (Uses)				
Transfers In	-	11,400	11,400	-
Total other financing sources and (uses)	<u>-</u>	<u>11,400</u>	<u>11,400</u>	<u>-</u>
Net change in fund balance	<u>(11,653)</u>	<u>(1,653)</u>	<u>126,291</u>	<u>127,944</u>
Fund balance - beginning	<u>181,290</u>	<u>181,290</u>	<u>181,290</u>	<u>-</u>
Fund balance - ending	<u>\$ 169,637</u>	<u>\$ 179,637</u>	<u>\$ 307,581</u>	<u>\$ 127,944</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$ 66,920	\$ 66,920	\$ 72,076	\$ 5,156
Total revenues	<u>66,920</u>	<u>66,920</u>	<u>72,076</u>	<u>5,156</u>
Expenditures				
Current:				
General Government	107,860	107,860	22,028	85,832
Total Expenditures	<u>107,860</u>	<u>107,860</u>	<u>22,028</u>	<u>85,832</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(40,940)</u>	<u>(40,940)</u>	<u>50,048</u>	<u>90,988</u>
Other Financing Sources (Uses)				
Transfers Out	(25,185)	(25,185)	(27,573)	(2,388)
Total other financing sources and (uses)	<u>(25,185)</u>	<u>(25,185)</u>	<u>(27,573)</u>	<u>(2,388)</u>
Net change in fund balance	(66,125)	(66,125)	22,475	88,600
Fund balance - beginning	94,020	94,020	94,020	-
Fund balance - ending	<u>\$ 27,895</u>	<u>\$ 27,895</u>	<u>\$ 116,495</u>	<u>\$ 88,600</u>

City of Brenham
Fire Department Grants Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Grant Revenues	\$ -	\$ 362,830	\$ 390,815	\$ 27,985
Contributions and Donations	-	83,387	84,039	652
Total revenues	<u>-</u>	<u>446,217</u>	<u>474,854</u>	<u>28,637</u>
Expenditures				
Current:				
Public Safety	-	-	421,672	(421,672)
Capital Outlay	-	453,537	60,502	393,035
Total Expenditures	<u>-</u>	<u>453,537</u>	<u>482,174</u>	<u>(28,637)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(7,320)</u>	<u>(7,320)</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers In	-	7,320	7,320	-
Total other financing sources and (uses)	<u>-</u>	<u>7,320</u>	<u>7,320</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Brenham
Parks Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ 4,000	\$ 4,000	\$ -	\$ (4,000)
Payment from Component Unit	125,000	150,000	150,000	-
Total revenues	<u>129,000</u>	<u>154,000</u>	<u>150,000</u>	<u>(4,000)</u>
Expenditures				
Current:				
Culture and Recreation	-	-	25,048	(25,048)
Capital Outlay	125,000	150,000	40,461	109,539
Total Expenditures	<u>125,000</u>	<u>150,000</u>	<u>65,509</u>	<u>84,491</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,000</u>	<u>4,000</u>	<u>84,491</u>	<u>80,491</u>
Net change in fund balance	4,000	4,000	84,491	80,491
Fund balance - beginning	67,216	67,216	67,216	-
Fund balance - ending	<u>\$ 71,216</u>	<u>\$ 71,216</u>	<u>\$ 151,707</u>	<u>\$ 80,491</u>

City of Brenham
Equipment Fund - General
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current:				
General Government	\$ 59,000	\$ 59,000	\$ 58,988	\$ 12
Public Safety	96,376	96,376	46,305	50,071
Capital Outlay	107,438	107,438	157,234	(49,796)
Total Expenditures	<u>262,814</u>	<u>262,814</u>	<u>262,527</u>	<u>287</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(262,814)</u>	<u>(262,814)</u>	<u>(262,527)</u>	<u>287</u>
Other Financing Sources (Uses)				
Transfers In	-	453,597	453,597	-
Total other financing sources and (uses)	<u>-</u>	<u>453,597</u>	<u>453,597</u>	<u>-</u>
Net change in fund balance	<u>(262,814)</u>	<u>190,783</u>	<u>191,070</u>	<u>287</u>
Fund balance - beginning	<u>262,814</u>	<u>262,814</u>	<u>262,814</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 453,597</u>	<u>\$ 453,884</u>	<u>\$ 287</u>

City of Brenham
Streets/Drainage Improvements Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current:				
Streets and Highways	\$ 242,245	\$ 242,245	\$ 215,333	\$ 26,912
Total Expenditures	<u>242,245</u>	<u>242,245</u>	<u>215,333</u>	<u>26,912</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(242,245)</u>	<u>(242,245)</u>	<u>(215,333)</u>	<u>26,912</u>
Other Financing Sources (Uses)				
Transfers In	-	217,844	217,844	-
Total other financing sources and (uses)	<u>-</u>	<u>217,844</u>	<u>217,844</u>	<u>-</u>
Net change in fund balance	<u>(242,245)</u>	<u>(24,401)</u>	<u>2,511</u>	<u>26,912</u>
Fund balance - beginning	242,245	242,245	242,245	-
Fund balance - ending	<u>\$ -</u>	<u>\$ 217,844</u>	<u>244,756</u>	<u>\$ 26,912</u>

City of Brenham
US 290 Pass Thru Finance Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ 4,750	\$ 4,750	\$ 805	\$ (3,945)
Total revenues	<u>4,750</u>	<u>4,750</u>	<u>805</u>	<u>(3,945)</u>
Expenditures				
Capital Outlay	-	-	8,400	(8,400)
Total Expenditures	<u>-</u>	<u>-</u>	<u>8,400</u>	<u>(8,400)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,750</u>	<u>4,750</u>	<u>(7,595)</u>	<u>(12,345)</u>
Net change in fund balance	4,750	4,750	(7,595)	(12,345)
Fund balance - beginning	456,677	456,677	456,677	-
Fund balance - ending	<u>\$ 461,427</u>	<u>\$ 461,427</u>	<u>\$ 449,082</u>	<u>\$ (12,345)</u>

City of Brenham
2006 Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Investment Income	\$ 13,450	\$ 13,450	\$ 1,032	\$ (12,418)
Total revenues	<u>13,450</u>	<u>13,450</u>	<u>1,032</u>	<u>(12,418)</u>
Expenditures				
Current:				
Public Safety	-	-	19,347	(19,347)
Capital Outlay	-	-	415,838	(415,838)
Total Expenditures	<u>-</u>	<u>-</u>	<u>435,185</u>	<u>(435,185)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>13,450</u>	<u>13,450</u>	<u>(434,153)</u>	<u>(447,603)</u>
Other Financing Sources (Uses)				
Transfers Out	-	(188,468)	(188,468)	-
Total other financing sources and (uses)	<u>-</u>	<u>(188,468)</u>	<u>(188,468)</u>	<u>-</u>
Net change in fund balance	13,450	(175,018)	(622,621)	(447,603)
Fund balance - beginning	622,621	622,621	622,621	-
Fund balance - ending	<u>\$ 636,071</u>	<u>\$ 447,603</u>	<u>\$ -</u>	<u>\$ (447,603)</u>

City of Brenham
Capital Leases Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ 100	\$ 100	\$ 2	\$ (98)
Total revenues	<u>100</u>	<u>100</u>	<u>2</u>	<u>(98)</u>
Expenditures				
Current:				
Capital Outlay	817,387	817,387	547,280	270,107
Total Expenditures	<u>817,387</u>	<u>817,387</u>	<u>547,280</u>	<u>270,107</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(817,287)</u>	<u>(817,287)</u>	<u>(547,278)</u>	<u>270,009</u>
Other Financing Sources (Uses)				
Transfers Out	-	-	(4,688)	(4,688)
Lease Proceeds	817,387	817,387	645,621	(171,766)
Total other financing sources and (uses)	<u>817,387</u>	<u>817,387</u>	<u>640,933</u>	<u>(176,454)</u>
Net change in fund balance	100	100	93,655	93,555
Fund balance - beginning	4,688	4,688	4,688	-
Fund balance - ending	<u>\$ 4,788</u>	<u>\$ 4,788</u>	<u>\$ 98,343</u>	<u>\$ 93,555</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,226,331	\$ 1,226,331	\$ 1,226,236	\$ (95)
Investment Income	8,000	8,000	2,365	(5,635)
Total revenues	<u>1,234,331</u>	<u>1,234,331</u>	<u>1,228,601</u>	<u>(5,730)</u>
Expenditures				
Current:				
Economic Development	331,877	297,747	205,065	92,682
Debt Service:				
Principal Retirement	46,513	46,513	46,513	-
Capital Outlay	80,000	1,741,600	1,685,613	55,987
Total Expenditures	<u>458,390</u>	<u>2,085,860</u>	<u>1,937,191</u>	<u>148,669</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>775,941</u>	<u>(851,529)</u>	<u>(708,590)</u>	<u>142,939</u>
Other Financing Sources (Uses)				
Payment to Primary Government	(775,941)	(850,941)	(850,941)	-
Loan Proceeds	-	1,000,000	1,000,000	-
Total other financing sources and (uses)	<u>(775,941)</u>	<u>149,059</u>	<u>149,059</u>	<u>-</u>
Net change in fund balance	-	(702,470)	(559,531)	142,939
Fund balance - beginning	1,110,691	1,110,691	1,110,691	-
Fund balance - ending	<u>\$ 1,110,691</u>	<u>\$ 408,221</u>	<u>\$ 551,160</u>	<u>\$ 142,939</u>

Net change in fund balance - component unit

\$ (559,531)

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

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

Purchase of land

1,685,613

Debt proceeds provide current financial resources to governmental funds,
but issuing debt increases long term liabilities in the statement of net assets.

(1,000,000)

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

46,513

Change in net assets of component unit

\$ 172,595

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The reports for management provide additional detailed information about the City's expenses, revenues, rates, and customers.

- Government-wide Expenses by Function
- Government-wide Revenues
- General Governmental Expenditures by Function
- Reconciliation of Property Tax Receivable
- Revenues by Source - Governmental Funds
- Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to General Governmental Expenditures
- Property Value and Construction
- Revenues by Source - Business Type Activities
- Electric Customers, Consumption, and Sales
- Gas Customers, Consumption, and Sales
- Electric Rates
- Gas Rates
- Ten Largest Electric Customers
- Ten Largest Gas Customers
- The Water System - Utility Billing Statistics
- The Sewer System - Utility Billing Statistics
- The Sanitation System - Utility Billing Statistics

GOVERNMENT-WIDE EXPENSES BY FUNCTION
Last Eight Fiscal Years

CITY OF BRENHAM

Fiscal Year	General Government	Public Safety	Highways and Streets	Health and Welfare	Economic Development	Culture and Recreation	Interest on Long-term Debt	Electric	Gas	Water	Wastewater	Sanitation
2003	\$ 1,099,474	\$ 4,255,750	\$ 1,548,837	\$ 554,797	\$ 269,685	\$ 2,897,340	\$ 696,557	\$ 18,431,275	\$ 5,023,642	\$ 2,439,366	\$ 2,559,845	\$ 1,689,275
2004	1,071,441	4,399,037	1,544,154	569,459	3,417	2,802,023	758,226	19,621,793	4,537,389	2,557,248	2,656,350	2,007,536
2005	1,930,824	4,174,264	1,569,656	218,987	-	2,903,509	743,699	20,843,491	5,225,571	2,732,815	2,944,784	2,062,243
2006	1,993,032	4,719,613	1,637,165	624,350	-	3,047,778	709,650	25,991,891	6,027,066	3,162,284	3,544,654	2,309,317
2007	1,888,188	5,028,102	2,279,505	580,118	-	3,264,409	991,486	23,342,221	5,646,666	3,164,010	3,559,574	2,331,316
2008	2,001,542	5,235,849	2,302,230	545,485	-	3,607,684	952,463	26,690,324	5,975,923	3,405,073	3,803,759	2,621,538
2009	5,241,430	5,414,468	2,410,013	271,509	-	3,585,647	918,260	22,428,215	2,905,012	3,316,393	3,286,770	2,464,142
2010	5,755,450	6,831,143	2,679,468	299,216	-	3,676,194	855,569	22,259,716	3,198,740	3,088,039	2,979,406	2,669,678

The City of Brenham first applied GASB Statement No. 34 in fiscal year 2003; therefore, government wide financial information for years prior to fiscal year 2003 is not available.

GOVERNMENT-WIDE REVENUES

CITY OF BRENHAM

Last Eight Fiscal Years

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Unrestricted Grants and Contributions	Investment Earnings	Miscellaneous	Gain/(Loss) on Sale of Capital Assets	Payments from Component Unit	Total
2003	\$ 30,735,343	\$ 999,126	\$ 542,589	\$ 7,856,433	\$ 28,348	\$ 425,151	\$ 134,751	\$ (51,100)	\$ 675,704	\$ 41,346,345
2004	32,265,188	980,398	2,192,208	8,254,456	16,624	411,498	166,138	21,536	622,061	44,930,107
2005	35,236,390	933,751	704,478	8,962,713	-	370,280	142,374	(57,173)	661,407	46,954,220
2006	42,045,906	678,830	1,130,716	9,752,858	-	574,417	139,478	15,490	661,417	54,999,112
2007	39,131,718	915,090	1,081,668	11,200,672	-	1,049,411	323,318	(129,116)	770,877	54,343,638
2008	44,181,733	683,485	1,656,226	11,756,532	-	808,726	335,043	37,643	927,717	60,387,105
2009	41,621,868	477,522	1,582,859	12,017,184	-	310,440	313,104	5,482	931,773	57,260,232
2010	39,840,742	865,607	1,442,512	12,034,031	-	63,631	150,906	7,879	850,941	55,256,249

The City of Brenham first applied GASB Statement No. 34 in fiscal year 2003; therefore, government wide financial information for years prior to fiscal year 2003 is not available.

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

CITY OF BRENHAM

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Highways and Streets</u>	<u>Health and Welfare</u>	<u>Culture & Recreation</u>	<u>Economic Development</u>	<u>Debt Service</u>	<u>Capital Outlay</u>	<u>Totals</u>
2001	750,684	3,864,203	1,073,128	434,823	1,988,445	-	1,296,710	2,847,592	12,255,585
2002	901,474	4,229,819	1,857,357	613,154	2,590,967	-	1,598,452	2,795,571	14,586,794
2003	980,100	4,021,661	1,032,007	556,746	2,366,423	275,531	1,627,423	3,198,692	14,058,583
2004	974,771	4,164,948	1,070,642	571,160	2,267,690	3,417	1,663,252	4,780,081	15,495,961
2005	1,560,873	4,053,844	1,046,654	214,873	2,374,455	-	1,762,731	1,763,551	12,776,981
2006	1,270,288	4,179,268	1,085,298	614,794	2,467,861	-	1,875,109	2,475,907	13,968,525
2007	1,383,100	4,634,054	1,153,897	562,579	2,611,013	-	2,030,056	3,497,123	15,871,822
2008	1,491,349	4,801,776	1,240,278	535,818	2,993,583	-	2,096,195	2,340,500	15,499,499
2009	4,793,575	5,055,235	1,317,966	262,880	2,963,083	-	2,268,575	9,585,060	26,246,374
2010	4,987,652	5,977,319	1,535,385	281,388	2,985,738	-	2,111,683	2,002,664	19,881,829

NOTE.

1. This table includes expenditures of all governmental fund types of the primary government, which consist of the general, special revenue, debt service, capital projects, and expendable trust funds.

RECONCILIATION OF PROPERTY TAX RECEIVABLES

CITY OF BRENHAM

Last Ten Fiscal Years

Fiscal Year	Beginning Balance	Additions Net of Adjustments	Collections Refunds and Adjustments	Ending Balance
2001	120,730	2,042,221	(2,044,501)	118,450
2002	118,450	2,391,892	(2,383,038)	127,304
2003	127,304	2,648,253	(2,624,589)	150,968
2004	150,968	2,827,306	(2,805,850)	172,424
2005	172,424	3,072,218	(3,123,274)	121,368
2006	121,368	3,468,062	(3,443,982)	145,448
2007	145,448	4,109,307	(4,090,608)	164,147
2008	164,147	4,497,853	(4,511,707)	150,293
2009	150,293	4,737,392	(4,727,001)	160,684
2010	160,684	4,957,409	(4,936,977)	181,116

REVENUES BY SOURCE - GOVERNMENTAL FUNDS (1)
Last Ten Fiscal Years

CITY OF BRENHAM

FISCAL YEAR	TAXES	LICENSES & PERMITS	INTER-GOVERNMENTAL	CHARGES FOR SERVICES	FINES & FORFEITURES	MISCELLANEOUS	TOTAL REVENUES
2001	6,508,631	50,114	966,026	139,743	193,627	1,598,799	9,456,940
2002	7,374,952	45,181	1,425,598	283,369	217,342	860,259	10,206,701
2003	7,832,768	43,572	1,269,907	331,505	216,255	1,090,139	10,784,146
2004	8,233,000	57,574	2,094,325	401,130	300,235	1,985,022	13,071,286
2005	9,013,770	57,846	1,596,241	396,353	344,076	1,001,261	12,409,547
2006	9,728,777	56,146	1,656,366	363,984	337,014	1,202,119	13,344,406
2007	11,181,972	54,487	1,648,201	368,861	363,253	1,553,226	15,170,000
2008	11,770,388	58,260	769,904	458,378	493,664	1,713,621	15,264,215
2009	12,006,792	61,989	1,462,232	571,177	594,840	1,301,275	15,998,305
2010	12,013,599	76,999	1,817,216	603,568	668,762	1,149,059	16,329,203

(1) This table includes revenues of all governmental fund types of the primary government, which consists of the general, special revenue, debt service, capital projects, and expendable trust funds.

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION DEBT TO GENERAL GOVERNMENTAL EXPENDITURES
Last Ten Fiscal Years

CITY OF BRENHAM

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST AND FISCAL CHARGES</u>	<u>TOTAL DEBT SERVICE</u>	<u>TOTAL GENERAL GOVERNMENTAL EXPENDITURES</u>	<u>RATIO OF DEBT SERVICE TO GENERAL GOVERNMENTAL EXPENDITURES</u>
2001	795,244	501,465	1,296,709	12,369,246	10.48
2002	916,183	610,757	1,526,940	14,586,794	10.47
2003	779,940	705,872	1,485,812	14,058,583	10.57
2004	857,158	717,105	1,574,263	15,495,961	10.16
2005	920,031	689,865	1,609,896	12,776,981	12.60
2006	1,014,256	647,046	1,661,302	13,968,525	11.89
2007	841,734	908,768	1,750,502	15,871,822	11.03
2008	955,912	900,024	1,855,936	15,499,499	11.97
2009	1,319,200	816,482	2,135,682	26,246,374	8.14
2010	1,291,944	819,739	2,111,683	19,881,829	10.62

NOTES:

1. Debt service excludes general obligation bonds reported in the enterprise funds and debt of the component unit.
2. General governmental expenditures include all governmental fund types of the primary government.
3. Interest and fiscal charges exclude bond issuance costs.
4. This schedule does not include debt defeasance transactions.

PROPERTY VALUE AND CONSTRUCTION

CITY OF BRENHAM

Last Ten Fiscal Years

FISCAL YEAR	NET TAXABLE PROPERTY VALUE	RESIDENTIAL		COMMERCIAL		DEMOLITION		RELOCATION		TOTAL	
		NUMBER OF UNITS	VALUE	NUMBER OF UNITS	VALUE	NUMBER OF UNITS	VALUE	NUMBER OF UNITS	VALUE	NUMBER OF UNITS	VALUE
2001	553,587,303	160	4,213,330	110	22,234,514	7	22,650	8	119,100	285	26,589,594
2002	606,171,712	182	13,438,167	125	11,598,574	6	57,875	9	56,000	322	25,151,116
2003	643,396,615	160	6,727,442	102	9,811,858	9	49,328	1	19,150	272	16,607,778
2004	686,861,013	136	6,296,904	127	44,482,180	4	11,250	6	31,200	273	50,821,534
2005	705,780,613	186	13,396,626	124	23,887,960	10	26,514	7	42,860	327	37,353,960
2006	742,413,700	212	13,094,207	136	13,189,145	12	95,875	13	65,980	373	26,445,207
2007	797,156,826	215	13,832,035	137	12,817,681	7	198,800	8	71,500	367	26,920,016
2008	879,817,843	224	11,320,174	135	18,898,102	7	110,673	18	22,800	384	30,351,749
2009	945,811,445	241	12,664,897	101	16,088,855	4	5,500	8	44,000	354	28,803,252
2010	982,776,938	218	18,814,016	136	26,768,176	7	84,485	1	15,000	362	45,681,677

REVENUES BY SOURCE - BUSINESS TYPE ACTIVITIES
Last Ten Fiscal Years

CITY OF BRENHAM

<u>FISCAL YEAR</u>	<u>ELECTRIC</u>	<u>GAS</u>	<u>SANITATION</u>	<u>WASTEWATER</u>	<u>WATER</u>	<u>TOTAL REVENUES</u>
2001	\$ 18,291,033	\$ 5,938,345	\$ 1,347,140	\$ 1,619,162	\$ 2,227,339	\$ 29,423,019
2002	18,026,344	3,456,761	1,487,365	1,594,352	2,472,349	27,037,171
2003	19,230,844	4,945,353	1,701,153	2,032,243	2,563,880	30,473,473
2004	20,468,491	4,412,176	1,993,821	1,953,816	2,690,075	31,518,379
2005	22,138,695	4,803,557	2,171,315	2,377,633	2,944,790	34,435,990
2006	26,440,575	5,768,269	2,427,160	2,934,281	3,718,368	41,288,653
2007	23,184,463	5,639,536	2,468,172	3,798,212	3,254,617	38,345,000
2008	26,539,770	6,061,121	2,731,307	4,119,856	3,719,245	43,171,299
2009	25,678,975	3,338,384	2,723,637	4,045,839	4,606,941	40,393,776
2010	24,387,110	3,740,131	3,898,316	3,552,059	2,913,756	38,491,372

ELECTRIC CUSTOMERS, CONSUMPTION AND SALES
Last Ten Fiscal Years

CITY OF BRENHAM

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Number of customers										
Residential	5,337	5,273	5,184	5,061	4,925	4,844	4,828	4,852	4,807	4,781
Commercial	1,154	1,146	1,165	1,191	1,138	1,124	1,111	1,100	1,060	1,002
Large commercial	308	303	294	288	282	276	274	273	258	248
Industrial	23	23	22	20	26	26	28	29	31	35
Street lights	1,238	1,228	1,218	1,205	1,175	1,137	1,135	1,126	1,115	1,116
Security lights	175	176	177	182	182	178	180	184	183	182
Total	8,235	8,150	8,060	7,947	7,728	7,585	7,556	7,564	7,454	7,364
Consumption (in KWH)										
Residential	76,664,387	74,039,837	73,296,005	70,267,796	73,781,005	71,200,173	67,146,651	70,366,417	68,957,930	71,179,304
Commercial	16,364,454	16,334,810	17,061,350	17,089,919	17,756,825	17,639,335	17,006,158	17,616,182	16,970,604	17,086,571
Large commercial	65,006,673	64,052,067	65,162,802	64,226,951	64,242,555	63,440,681	61,690,946	60,934,736	54,909,551	50,535,244
Industrial	111,567,780	115,129,160	133,073,570	148,939,620	157,358,022	154,601,347	146,081,323	152,368,023	160,204,329	163,677,977
Street lights	1,426,728	1,414,248	1,403,016	1,388,136	1,353,480	1,309,704	1,308,072	1,296,802	1,285,032	1,285,032
Security lights	289,440	278,448	276,192	277,728	280,800	276,576	279,264	284,736	288,768	290,016
Total	271,319,462	271,248,570	290,272,935	302,190,150	314,772,687	308,467,816	293,512,414	302,866,896	302,616,214	304,054,144
Sales (1)										
Residential	\$ 7,861,811	\$ 8,077,592	\$ 7,909,221	\$ 6,419,733	\$ 7,118,275	\$ 5,985,305	\$ 5,686,795	\$ 5,436,951	\$ 4,969,097	\$ 5,205,766
Commercial	1,727,624	1,838,138	1,877,315	1,607,902	1,760,370	1,526,577	1,478,458	1,393,007	1,252,180	1,275,689
Large commercial	5,662,262	6,055,319	5,979,719	4,867,798	5,253,311	4,388,473	4,270,913	3,784,246	3,320,333	3,085,814
Industrial	8,461,265	9,322,374	10,135,546	9,842,065	11,814,007	9,679,213	8,574,419	8,106,613	8,076,026	8,294,969
Street lights	95,651	106,217	92,907	81,595	81,238	76,322	76,337	71,278	71,869	78,156
Security lights	40,639	39,090	38,696	39,011	39,525	38,901	39,114	38,603	34,107	34,171
Total	23,849,252	25,438,730	\$ 26,033,404	\$ 22,858,104	\$ 26,066,726	\$ 21,694,791	\$ 20,126,036	\$ 18,830,698	\$ 17,723,612	\$ 17,974,565
Annual average consumption per customer (in KWH)										
Residential	14,365	14,041	14,138	13,884	14,981	14,699	13,908	14,503	14,345	14,888
Commercial	14,181	14,254	14,651	14,349	15,604	15,693	15,307	16,015	16,010	17,052
Large commercial	211,061	211,393	221,642	223,010	227,810	229,858	225,149	223,204	212,828	203,771
Industrial	4,850,773	5,005,616	6,048,799	7,446,981	6,052,232	5,946,206	5,217,190	5,254,070	5,167,882	4,676,514
Street lights	1,152	1,152	1,152	1,152	1,152	1,152	1,152	1,152	1,152	1,151
Security lights	1,654	1,582	1,562	1,526	1,543	1,554	1,551	1,547	1,578	1,593
Monthly average bill per customer										
Residential	\$ 123	128	127	106	120	103	98	93	86	91
Commercial	125	134	134	113	129	113	111	106	98	106
Large commercial	1,532	1,665	1,695	1,409	1,552	1,325	1,299	1,155	1,072	1,037
Industrial	30,657	33,777	38,392	41,009	37,865	31,023	25,519	23,295	21,710	19,750
Street lights	6	7	6	6	6	6	6	5	5	6
Security lights	19	19	18	18	18	18	18	17	16	16
Average price per KWH purchased	0.0637	0.0626	0.0691	0.0557	0.0650	0.0501	0.0480	0.0441	0.0411	0.0467
Average price per KWH sold	0.0879	0.0938	0.0896	0.0756	0.0828	0.0703	0.0686	0.0622	0.0586	0.0591
% line loss	5.83%	5.14%	5.32%	4.52%	4.06%	5.19%	5.33%	5.37%	4.35%	2.68%

(1) Sales reflect KWH sold and do not include charges for other services.

GAS CUSTOMERS, CONSUMPTION AND SALES
Last Ten Fiscal Years

CITY OF BRENHAM

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Number of customers										
Residential	3,653	3,611	3,562	3,490	3,443	3,423	3,417	3,448	3,446	3,428
Small commercial	368	350	357	369	345	344	329	314	319	324
Large commercial	126	125	122	124	127	128	129	127	130	127
Governmental	64	63	63	64	64	66	65	63	60	57
Industrial	1	2	3	3	3	4	4	4	3	3
Total	4,212	4,151	4,106	4,050	3,982	3,965	3,944	3,956	3,958	3,939
Consumption (in mcf)										
Residential	133,709	93,011	97,885	112,591	89,134	94,947	101,988	126,301	118,657	141,252
Small commercial	27,617	20,183	22,379	24,202	21,183	18,386	18,501	21,078	17,603	21,147
Large commercial	153,974	135,470	149,571	168,806	164,018	153,229	160,421	180,596	189,458	195,334
Governmental	46,813	41,174	42,332	43,576	40,741	42,915	43,974	49,862	28,570	28,074
Industrial	81,232	131,013	210,244	253,544	248,432	233,585	232,906	267,083	332,488	371,381
Total	443,345	420,851	522,411	602,719	563,508	543,062	557,790	644,920	686,776	757,188
Sales (1)										
Residential	\$ 1,430,671	1,036,495	\$ 1,386,177	\$ 1,414,718	\$ 1,227,469	\$ 1,044,382	\$ 1,036,421	\$ 1,271,425	\$ 769,167	\$ 1,465,948
Small commercial	253,361	181,313	280,878	261,881	247,547	180,366	166,469	191,032	102,501	204,677
Large commercial	1,141,328	964,811	1,656,716	1,501,897	1,653,440	1,306,104	1,223,093	1,337,093	883,081	1,497,216
Governmental	351,882	295,795	465,583	403,126	431,779	374,630	349,391	399,995	148,032	254,866
Industrial	542,846	884,593	2,254,059	2,058,256	2,250,948	1,845,221	1,631,185	1,729,332	1,550,328	2,512,118
Total	\$ 3,720,088	\$ 3,363,007	\$ 6,043,413	\$ 5,639,878	\$ 5,811,183	\$ 4,750,703	\$ 4,406,559	\$ 4,928,877	\$ 3,453,109	\$ 5,934,825
Annual average consumption per customer (in mcf)										
Residential	37	26	27	32	26	28	30	37	34	41
Small commercial	75	58	63	66	61	53	56	67	55	65
Large commercial	1,222	1,084	1,223	1,361	1,291	1,197	1,244	1,422	1,457	1,538
Governmental	731	654	676	681	637	650	677	791	476	493
Industrial	81,232	65,507	70,081	84,515	82,811	58,396	58,227	66,771	110,829	123,794
Monthly average bill per customer										
Residential	33	24	32	34	30	25	25	31	19	36
Small commercial	57	43	66	59	60	44	42	51	27	53
Large commercial	755	643	1,129	1,009	1,085	850	790	877	566	982
Governmental	458	391	619	525	562	473	448	529	206	373
Industrial	45,237	36,858	62,613	57,174	62,526	38,442	33,983	36,028	43,065	69,781
Average price per mcf purchased	5.2824	4.8929	8.3838	6.4885	8.1660	7.2225	5.9204	5.7464	3.5759	6.3861
Average price per mcf sold	8.3910	7.9910	11.5683	9.3524	10.3125	8.7480	7.9000	7.6426	5.0280	7.8380
% line loss (gain)	2.72%	0.85%	0.04%	1.94%	-0.21%	0.18%	-0.85%	0.35%	1.14%	-0.84%

(1) Sales reflect mcf sold and do not include charges for other services.

ELECTRIC RATES (1)
Impacting Last Ten Fiscal Years

CITY OF BRENHAM

EFFECTIVE DATE	CHARGES	RESIDENTIAL		SMALL COMMERCIAL		LARGE COMMERCIAL		SMALL INDUSTRIAL	LARGE INDUSTRIAL
		SINGLE PHASE	THREE PHASE	SINGLE PHASE	THREE PHASE	SINGLE PHASE	THREE PHASE		
Sep-25-1995	Customer charge	\$11.59	\$20.05	\$15.00	\$25.95	\$40.36	\$69.83	\$100.00	\$100.00
	Demand charge	-	-	-	-	\$6.30	\$6.30	-	-
	Non-coincident demand charge	-	-	-	-	-	-	\$1.7930	\$1.7930
	On peak demand charge	-	-	-	-	-	-	\$9.0610	\$9.0610
	Off peak demand charge	-	-	-	-	-	-	\$6.4650	\$6.4650
	KVA	-	-	-	-	-	-	\$0.240	\$0.181
Apr-01-2002	Customer charge	\$11.60	\$20.00	\$15.00	\$26.00	\$40.00	\$70.00	\$100.00	\$100.00
	Wires charge (per KWH)	\$0.02290	\$0.02290	\$0.02200	\$0.02200	\$0.01510	\$0.01510	\$0.00896	\$0.00636
Sep-22-2002	Customer charge	\$11.60	\$20.00	\$15.00	\$26.00	\$40.00	\$70.00	\$100.00	\$100.00
	Wires charge (per KWH)	\$0.02510	\$0.02510	\$0.02420	\$0.02420	\$0.01640	\$0.01640	\$0.00993	\$0.00700
Jan-01-2003	Customer charge	\$11.60	\$20.00	\$15.00	\$26.00	\$40.00	\$70.00	\$100.00	\$100.00
	Wires charge (per KWH)	\$0.02520	\$0.02520	\$0.02430	\$0.02430	\$0.01650	\$0.01650	\$0.00993	\$0.00700

(1) Rates reflect base charges excluding the energy charge which is the cost of energy passed directly through to the customer. Customers are also assessed charges for adjustments in generation charges as needed.

GAS RATES
Impacting Last Ten Fiscal Years

CITY OF BRENHAM

EFFECTIVE DATE	CHARGES	RESIDENTIAL		SMALL COMMERCIAL		LARGE COMMERCIAL		SMALL INDUSTRIAL		LARGE INDUSTRIAL	GOVERNMENTAL
		URBAN	RURAL	URBAN	RURAL	URBAN	RURAL	URBAN	RURAL		
Oct-01-1995	First 1 mcf (Min) (1)	\$5.30	\$7.95	\$5.30	\$7.95	-	-	-	-	-	-
	Next 4 mcf	\$2.42	\$3.62	\$2.42	\$3.62	-	-	-	-	-	-
	Next 10 mcf	\$1.89	\$3.84	\$1.89	\$3.84	-	-	-	-	-	-
	All additional mcf	\$1.58	\$2.36	\$1.58	\$2.36	\$0.80	\$1.20	\$0.80	\$1.20	-	-
	Minimum bill (1)	\$5.30	\$7.95	\$5.30	\$7.95	\$28.80	\$43.20	\$28.80	\$43.20	-	-
	First 30 mcf (Min) (1)	-	-	-	-	\$1.01	\$43.20	\$1.01	\$43.20	-	-
	All mcf (1)	-	-	-	-	-	-	-	-	\$0.69	-
	All mcf - urban (1)	-	-	-	-	-	-	-	-	-	\$1.01
	All mcf - rural (1)	-	-	-	-	-	-	-	-	-	\$1.51
Feb-22-1999	Customer charge	\$5.30	\$6.10	\$5.30	\$6.10	\$28.80	\$33.12	\$28.80	\$33.12	\$28.80	\$28.80
	Gas charge per mcf (2)	\$3.52600	\$3.75800	\$3.52600	\$3.75800	\$3.17700	\$3.35400	\$3.17700	\$3.35400	\$2.87200	\$3.29700
Sep-22-2002	Customer charge	\$6.16	\$7.09	\$6.16	\$7.09	\$33.50	\$38.52	\$33.50	\$38.52	\$33.50	\$33.50
	Gas charge per mcf (2)	\$3.73100	\$3.99400	\$3.73100	\$3.99400	\$3.33600	\$3.53700	\$3.33600	\$3.53700	\$2.98600	\$3.46200
Sep-22-2004	Customer charge	\$7.29	\$8.39	\$7.29	\$8.39	\$39.63	\$45.57	\$39.63	\$45.57	\$39.63	\$39.63
	Gas charge per mcf (2)	\$4.00000	\$4.30300	\$4.00000	\$4.30300	\$3.54400	\$3.77500	\$3.54400	\$3.77500	\$3.13400	\$3.67700
Feb-22-2006	Customer charge	\$7.29	\$8.39	\$7.29	\$8.39	\$39.63	\$45.57	\$39.63	\$45.57	\$39.63	\$39.63
	Gas charge per mcf (2)	\$9.66500	\$9.96800	\$9.66500	\$9.96800	\$9.20900	\$9.44000	\$9.20900	\$9.44000	\$8.79900	\$9.34200
Dec-08-2006	Customer charge	\$8.00	\$9.20	\$8.00	\$9.20	\$45.00	\$51.75	\$45.00	\$51.75	\$45.00	\$45.00
	Gas charge per mcf (2)	\$10.53100	\$10.93000	\$10.53100	\$10.93000	\$9.79100	\$10.07900	\$9.79100	\$10.07900	\$9.68500	\$9.52300

(1) In addition to the base charges, each customer's monthly bill includes a gas fuel adjustment charge per mcf.

(2) In addition to the appropriate base rate charge, each customer shall pay a Gas Cost Adjustment Charge to recover those costs of purchasing gas on a wholesale basis, which exceed the allowance provided for the cost of gas within the base rate.

TEN LARGEST ELECTRIC CUSTOMERS
 Current Year and Nine Years Ago

CITY OF BRENHAM

2010			2001		
NAME	ELECTRIC BILLINGS	PERCENTAGE OF TOTAL CITY ELECTRIC CHARGES	NAME	ELECTRIC BILLINGS	PERCENTAGE OF TOTAL CITY ELECTRIC CHARGES
Blue Bell Creameries	\$ 3,609,740	15.14%	Mount Vernon Mills, Inc.	\$ 2,362,839	13.15%
Blinn College	1,148,628	4.82%	Blue Bell Creameries	1,995,624	11.10%
City of Brenham Wastewater Plant	1,115,287	4.68%	City of Brenham	640,784	3.56%
Valmont/Als - Abated	891,216	3.74%	Valmont/Als	616,543	3.43%
BISD	772,837	3.24%	Blinn	582,068	3.24%
Brenham State Supported Living	585,808	2.46%	BISD	507,716	2.82%
Trinity Medical Center	487,979	2.05%	Brenham State Supported Living	402,307	2.24%
Brenham Wholesale Grocery	351,680	1.47%	Cleaners Hanger Company	383,154	2.13%
Germania Insurance	302,737	1.27%	Brenham Wholesale Grocery	238,286	1.33%
H.E.B Grocery	287,515	1.21%	Trinity Medical Center	207,232	1.15%
Total	\$ 9,553,427	40.06%	Total	\$ 7,936,553	44.15%
Total Electric Charges	\$ 23,849,252		Total Electric Charges	\$ 17,974,565	

TEN LARGEST GAS CUSTOMERS
 Current Year and Nine Years Ago

CITY OF BRENHAM

2010			2001		
NAME	GAS BILLINGS	PERCENTAGE OF TOTAL CITY GAS CHARGES	NAME	GAS BILLINGS	PERCENTAGE OF TOTAL CITY GAS CHARGES
Blue Bell Creameries	\$ 598,387	16.09%	Mount Vernon Mills, Inc.	\$ 1,524,098	25.68%
Blinn College	232,501	6.25%	Tuscarora	788,785	13.29%
Valmont/Als	179,959	4.84%	Blue Bell Creameries	530,708	8.94%
Longwood Elastomers	171,732	4.62%	Cleaners Hanger Co.	205,657	3.47%
Trinity Medical Center	110,670	2.97%	Valmont/Als	198,961	3.35%
Brenham I.S.D	86,611	2.33%	Longwood Elastomers	164,425	2.77%
Brenham Housing Authority	72,700	1.95%	Blinn College	136,162	2.29%
City of Brenham	37,501	1.01%	Brenham I.S.D.	99,662	1.68%
Germania Insurance	26,386	0.71%	Ellison's Greenhouse	97,095	1.64%
Cal Genesis ENT LLC	21,221	0.57%	Trinity Medical Center	94,181	1.59%
Total	\$ 1,537,668	41.33%	Total	\$ 3,839,734	64.70%

2010 Total Gas Charges \$ 3,720,088

2001 Total Gas Charges \$ 5,934,825

The Water System - Utility Billing Statistics
 Current Year and Prior Year

City of Brenham

	Fiscal Year		
	2010	2009	(DEC)/INC
<u>NUMBER OF CUSTOMERS</u>			
Residential	5,361	5,284	77
Commercial	1,234	1,219	15
Meter on Fire Hydrant	9	11	(2)
Sprinkler	473	432	41
TOTAL	7,077	6,946	131
<u>CONSUMPTION (in thousands of gallons)</u>			
Residential	356,686,700	420,736,400	(64,049,700)
Commercial	286,464,400	344,305,400	(57,841,000)
Meter on Fire Hydrant	2,681,700	4,052,700	(1,371,000)
Sprinkler	106,915,300	157,415,700	(50,500,400)
TOTAL	752,748,100	926,510,200	(173,762,100)
<u>SALES (in dollars)</u>			
Residential	\$ 1,906,120	2,190,075	\$ (283,955)
Commercial	1,241,648	1,444,384	(202,736)
Meter on Fire Hydrant	19,634	30,012	(10,378)
Sprinkler	593,904	884,476	(290,572)
TOTAL	\$ 3,761,306	4,548,947	\$ (787,641)
<u>ANNUAL AVERAGE CONSUMPTION PER CUSTOMER</u>			
Residential (in thousands of gallons)	66,534	79,625	(13,091)
Commercial	232,143	282,449	(50,306)
Meter on Fire Hydrant	297,967	368,427	(70,461)
Sprinkler	226,037	364,388	(138,352)
<u>MONTHLY AVERAGE BILL PER CUSTOMER</u>			
Residential	\$ 30	35	\$ (5)
Commercial	84	99	(15)
Meter on Fire Hydrant	182	227	(46)
Sprinkler	105	171	(66)
AVERAGE PRICE PER 1000 GALLONS PURCHASED	0.260	0.198	0.062
AVERAGE PRICE PER 1000 GALLONS SOLD	4.997	4.910	0.087
% LINE LOSS	10.50% *	6.93% *	3.57%

*12,249,600 and 12,249,600 gallons respectively unbilled City water usage

The Wastewater System - Utility Billing Statistics
Current Year and Prior Year

City of Brenham

	Fiscal Year		
	2010	2009	(DEC)/INC
<u>NUMBER OF CUSTOMERS</u>			
Residential	5,290	5,207	83
Commercial	1,075	1,067	8
Industrial	7	8	(1)
Oak Hill Acres Flow Meter	1	1	-
TOTAL	6,373	6,284	89
<u>SALES (in dollars)</u>			
Residential	\$ 1,581,513	\$ 1,609,467	\$ (27,954)
Commercial	1,180,115	1,283,691	(103,576)
Industrial	646,212	1,012,446	(366,234)
Oak Hill Acres Flow Meter	69,960	59,586	10,374
TOTAL	\$ 3,477,801	\$ 3,965,191	\$ (487,391)
<u>MONTHLY AVERAGE BILL PER CUSTOMER</u>			
Residential	\$ 25	\$ 26	\$ (1)
Commercial	91	100	(9)
Industrial	7,693	10,546	(2,853)
Oak Hill Acres Flow Meter	5,830	4,966	864

The Sanitation System - Utility Billing Statistics
 Current Year and Prior Year

City of Brenham

	Fiscal Year		
	2010	2009	(DEC)/INC
<u>NUMBER OF CUSTOMERS</u>			
Residential	5,069	4,927	142
Residential - Rural	3	4	(1)
Commercial	538	536	2
Dumpster	-	-	-
TOTAL	<u>5,610</u>	<u>5,467</u>	<u>143</u>
<u>SALES (in dollars)</u>			
Residential	\$ 857,800	\$ 835,687	\$ 22,113
Residential - Rural	623	845	(222)
Commercial	918,387	885,989	32,398
Dumpster	-	-	-
TOTAL	<u>\$ 1,776,810</u>	<u>\$ 1,722,521</u>	<u>\$ 54,289</u>
<u>MONTHLY AVERAGE BILL PER CUSTOMER</u>			
Residential	\$ 14	\$ 14	\$ (0)
Residential - Rural	17	18	(1)
Commercial	142	138	4



This part of the City of Brenham's comprehensive annual report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health

Contents

	<u>Tables</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1-4
Revenue Capacity These schedules contain the information to help the reader assess the City's most significant local revenue sources, electric and gas service charges, sales tax and property tax.	5-11
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	12-16
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	17-18
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	19-21

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports of the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

NET ASSETS BY COMPONENT
Last Eight Fiscal Years (1)
(accrual basis of accounting)

CITY OF BRENHAM

TABLE 1

Description	Fiscal Year							
	2010	2009 (5)	2008	2007	2006 (2)	2005	2004 (3)	2003
Governmental activities:								
Invested in capital assets, net of related debt	\$ 35,289,795	\$ 35,531,486	\$ 33,407,787	\$ 32,212,469	\$ 32,062,294	\$ 12,937,041	\$ 11,978,324	\$ 8,599,427
Restricted	537,786	391,469	470,187	333,943	1,439,731	3,145,253	3,059,760	4,328,818
Unrestricted	4,502,834	5,227,975	6,649,435	4,764,217	2,336,891	846,738	790,615	595,910
Subtotal governmental activities net assets	40,330,415	41,150,930	40,527,409	37,310,629	35,838,916	16,929,032	15,828,699	13,524,155
Business-type activities:								
Invested in capital assets, net of related debt	29,364,559	28,504,390	28,296,722	27,082,608	27,842,335	27,560,970	26,087,722	21,635,027
Restricted	-	-	809	538,822	243,547	1,550,431	2,000,995	5,615,238
Unrestricted	13,332,206	12,408,230	8,766,360	8,201,530	6,940,747	5,436,192	5,954,831	6,695,793
Subtotal business-type activities net assets	42,696,765	40,912,620	37,063,891	35,822,960	35,026,629	34,547,593	34,043,548	33,946,058
Primary government:								
Invested in capital assets, net of related debt	64,654,354	64,035,876	61,704,509	59,295,077	59,904,629	40,498,011	38,066,046	30,234,454
Restricted	537,786	391,469	470,996	872,765	1,683,278	4,695,684	5,060,755	9,944,056
Unrestricted	17,835,040	17,079,881	15,415,795	12,965,747	9,277,638	6,282,929	6,745,446	7,291,703
Total primary government net assets (4)	83,027,180	81,507,226	77,591,300	73,133,589	70,865,545	51,476,624	49,872,247	47,470,213
Component unit:								
Invested in capital assets, net of related debt	\$ 867,353	\$ 135,227	\$ 223,467	\$ 163,683	\$ 163,683	\$ 85,538	\$ 134,928	\$ 35,537
Restricted	551,160	1,110,691	890,106	782,051	513,699	-	-	-
Unrestricted	-	-	-	-	-	279,770	102,795	108,916
Total component unit net assets (4)	\$ 1,418,513	\$ 1,245,918	\$ 1,113,573	\$ 945,734	\$ 677,382	\$ 365,308	\$ 237,723	\$ 144,453

(1) The City implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data will be accumulated over time.

(2) As restated for infrastructure valuations in compliance with GASB 34 implementation.

(3) As restated for reallocation of \$300,000 in long term debt from business type activities to governmental activities.

(4) See Table 2 for changes in net assets from year to year.

(5) As restated for prior year capital assets and unbilled accounts receivable which were not recorded.

CHANGE IN NET ASSETS
Last Eight Fiscal Years (1)
(accrual basis of accounting)

CITY OF BRENNHAM

TABLE 2

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Program expenses								
Governmental activities:								
General government	\$ 8,592,016	\$ 5,241,430	\$ 2,001,542	\$ 1,888,188	\$ 1,993,032	\$ 1,930,824	\$ 1,071,441	\$ 1,099,474
Public safety	6,831,143	5,414,468	5,235,849	5,028,102	4,719,613	4,174,264	4,399,037	4,255,750
Highways and streets	2,679,468	2,410,013	2,302,230	2,279,505	1,637,165	1,569,656	1,544,154	1,548,837
Health and welfare	299,216	271,509	545,485	580,118	624,350	218,987	569,459	554,797
Economic development	-	-	-	-	-	-	3,417	269,685
Culture and recreation	3,676,194	3,585,647	3,607,684	3,264,409	3,047,778	2,903,509	2,802,023	2,897,340
Debt service	855,569	918,260	952,463	991,486	709,650	743,699	758,226	696,557
Total governmental activities program expenses	22,933,606	17,841,327	14,645,253	14,031,808	12,731,588	11,540,939	11,147,757	11,322,440
Business-type activities:								
Electric	21,163,580	22,428,215	26,690,324	23,342,221	25,991,891	20,843,491	19,621,793	18,431,275
Gas	2,688,113	2,905,012	5,975,923	5,646,666	6,027,066	5,225,571	4,537,389	5,023,642
Water	2,435,567	3,316,393	3,405,073	3,164,010	3,162,284	2,732,815	2,557,248	2,439,366
Wastewater	2,482,903	3,286,770	3,803,759	3,559,574	3,544,654	2,944,784	2,656,350	2,559,845
Sanitation	2,588,850	2,464,142	2,621,538	2,331,316	2,309,317	2,062,243	2,007,536	1,689,275
Total business-type activities program expenses	31,359,013	34,400,532	42,496,617	38,043,787	41,035,212	33,808,904	31,380,316	30,143,403
Total primary government expenses	54,292,619	52,241,859	57,141,870	52,075,595	53,766,800	45,349,843	42,528,073	41,465,843
Program revenues								
Governmental activities:								
Charges for services:								
General government	866,090	782,976	652,831	482,252	423,312	450,653	405,857	284,763
Public safety	8,548	5,446	6,138	2,321	34,020	28,641	25,130	30,798
Highways and streets	51,996	44,094	38,284	13	14	15	59	59
Health and welfare	35,606	47,472	37,566	30,290	32,094	7,179	11,299	13,245
Economic development	-	-	-	-	-	-	25	25
Culture and recreation	387,113	348,065	275,555	271,842	267,813	314,012	316,720	241,706
Operating grants and contributions	865,607	469,206	678,485	915,090	678,830	933,651	968,117	965,931
Capital grants and contributions	1,213,423	1,467,320	1,415,745	1,081,668	1,120,556	704,478	2,192,208	542,589
Total governmental activities program revenues	3,428,383	3,164,579	3,104,604	2,783,476	2,556,639	2,438,629	3,919,415	2,079,116
Business-type activities:								
Charges for services:								
Electric	24,387,117	26,016,817	26,539,793	23,184,463	26,440,575	22,138,695	20,468,491	19,230,844
Gas	3,740,133	3,372,455	6,061,128	5,639,536	5,768,269	4,803,557	4,412,176	4,945,353
Water	3,898,319	4,688,689	3,719,257	3,254,617	3,718,368	2,944,790	2,690,075	2,563,880
Wastewater	3,552,062	4,104,465	4,119,867	3,798,212	2,934,281	2,377,633	1,953,816	1,756,712
Sanitation	2,913,758	2,767,713	2,731,314	2,468,172	2,427,160	2,171,215	1,981,540	1,667,958
Operating grants and contributions	-	8,316	5,000	-	-	100	12,281	33,195
Capital grants and contributions	229,089	115,539	240,481	-	10,160	-	-	275,531
Total business-type activities program revenues	38,720,478	41,073,994	43,416,841	38,345,000	41,298,813	34,435,990	31,518,379	30,473,473
Total primary government program revenues	42,148,861	44,238,573	46,521,445	41,128,476	43,855,452	36,874,619	35,437,794	32,552,589
Net (expense)/revenue								
Governmental activities	(19,505,223)	(14,676,748)	(11,540,649)	(11,248,332)	(10,174,949)	(9,102,310)	(7,228,342)	(9,243,324)
Business-type activities	7,361,465	6,673,462	920,224	301,213	263,601	627,086	138,063	330,070
Total primary government net expense	(12,143,758)	(8,003,286)	(10,620,425)	(10,947,119)	(9,911,348)	(8,475,224)	(7,090,279)	(8,913,254)

CHANGE IN NET ASSETS
Last Eight Fiscal Years (1)
(accrual basis of accounting)

CITY OF BRENHAM

TABLE 2

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
General revenues and other changes in net assets								
Governmental activities:								
Property taxes	5,011,013	4,787,893	4,547,830	4,152,080	3,505,543	3,091,085	2,899,464	2,680,158
Sales taxes	3,678,707	3,727,329	3,696,762	3,524,009	3,290,760	2,910,902	2,610,841	2,588,412
Other taxes	3,344,311	3,501,962	3,511,940	3,524,583	2,956,555	2,960,726	2,744,151	2,587,861
Grants and contributions not restricted	-	-	-	-	-	-	16,624	28,348
Investment income not restricted	12,790	181,281	460,201	587,125	261,901	143,000	138,952	111,107
Miscellaneous	105,935	120,375	208,690	55,483	120,666	119,836	134,188	103,857
Gain (loss) on sale of capital assets	7,879	5,482	37,643	9,508	5,458	(58,343)	21,536	(51,110)
Payments from component Unit	850,941	931,773	927,717	770,877	661,417	661,407	622,061	675,704
Transfers	2,836,566	3,146,621	154,171	96,380	239,378	374,031	645,069	1,671,039
Total government activities	15,848,142	16,402,716	13,544,954	12,720,045	11,041,678	10,202,644	9,832,886	10,395,376
Business-type activities:								
Investment income not restricted	50,841	129,159	348,525	462,286	312,516	227,280	272,546	314,044
Miscellaneous	44,971	192,729	126,353	267,835	18,812	22,538	31,950	30,894
Gain (loss) on sale of capital assets	-	-	-	(138,624)	10,032	1,170	-	-
Transfers	(2,836,566)	(3,146,621)	(154,171)	(96,380)	(239,378)	(374,031)	(645,069)	(1,671,039)
Total business-type activities	(2,740,754)	(2,824,734)	320,707	495,117	101,982	(123,043)	(340,573)	(1,326,101)
Total primary government general revenues and other changes in net assets	13,107,388	13,577,982	13,865,661	13,215,162	11,143,660	10,079,601	9,492,313	9,069,275
Change in net assets								
Governmental activities, as previously reported	(820,515)	1,725,968	2,004,305	1,471,713	866,729	1,100,334	2,604,544	1,152,052
Restatement in capital assets (2)	-	-	-	-	17,915,958	-	-	-
Restatement in deferred revenue (3)	-	-	-	-	127,197	-	-	-
Restatement in bonds (4)	-	-	-	-	-	-	(300,000)	-
Restatement in capital assets (5)	110,028	-	-	-	-	-	-	-
Governmental activities, restated	(710,487)	1,725,968	2,004,305	1,471,713	18,909,885	1,100,334	2,304,544	1,152,052
Business-type activities, as previously reported	1,784,145	3,292,404	1,240,931	796,330	365,583	504,043	(202,510)	(996,031)
Restatement in capital assets (2)	-	-	-	-	113,453	-	-	-
Restatement in bonds (4)	-	-	-	-	-	-	300,000	-
Restatement in charges for services (6)	556,324	-	-	-	-	-	-	-
Business-type activities, restated	2,340,469	3,292,404	1,240,931	796,330	479,036	504,043	97,490	(996,031)
Total primary government change in net assets	1,629,982	5,018,373	3,245,236	2,268,044	19,388,921	1,604,377	2,402,034	156,021
Component unit								
Program expenses	\$ 205,065	\$ 190,761	\$ 191,425	\$ 163,868	\$ 137,649	\$ 154,949	\$ 157,137	\$ 145,353
Program revenues	-	-	-	-	-	-	-	-
Brenham Community Development Corporation	-	-	-	-	-	-	-	-
Net expenses	(205,065)	(190,761)	(191,425)	(163,868)	(137,649)	(154,949)	(157,137)	(145,353)
General revenues and other changes in net assets								
Component unit activities:								
Sales taxes	1,226,236	1,242,443	1,232,254	1,174,670	1,096,920	970,301	870,280	862,804
Investment income not restricted	2,365	7,088	24,727	28,427	14,220	1,275	1,344	4,704
Miscellaneous	-	-	30,000	-	-	560	844	25,201
Gain (loss) on sale of capital assets	-	5,348	-	-	-	(28,194)	-	-
Payments from component unit	(850,941)	(931,773)	(927,717)	(770,877)	(661,417)	(661,407)	(622,061)	(675,704)
Total component unit activities	377,660	323,106	359,264	432,220	449,723	282,534	250,407	217,005
Component unit change in assets	\$ 172,595	\$ 132,345	\$ 167,839	\$ 268,352	\$ 312,074	\$ 127,585	\$ 93,270	\$ 71,652

(1) The City implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data will be accumulated over time.

(2) As restated for infrastructure valuations in compliance with GASB 34 implementation.

(3) As restated for prior year accrued franchise taxes which were not recorded.

(4) As restated for reallocation of \$300,000 in long term debt from business type activities to governmental activities.

(5) As restated for prior year capital assets which were not recorded.

(6) As restated for prior year correction to charges for services.

FUND BALANCES - GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

CITY OF BRENHAM

TABLE 3

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004 (1)	2003	2002	2001
General fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 37,908	\$ 40,578	\$ 35,748	\$ 41,038	\$ 56,306	\$ 31,179
Unreserved	2,764,850	2,764,850	2,687,654	2,251,108	1,661,118	1,217,177	632,990	363,249	919,391	1,383,016
Total general fund	\$ 2,764,850	\$ 2,764,850	\$ 2,687,654	\$ 2,251,108	\$ 1,699,026	\$ 1,257,755	\$ 668,738	\$ 404,287	\$ 975,697	\$ 1,414,195
All other governmental funds:										
Reserved, reported in:										
Debt service fund	\$ 481,884	\$ 337,949	\$ 418,335	\$ 333,943	\$ 200,931	\$ 146,770	\$ 177,877	\$ 295,934	\$ 316,626	\$ 250,540
Unreserved reported in:										
Special revenue funds	1,829,883	1,400,880	1,126,499	700,725	170,553	220,271	161,873	201,107	255,728	275,857
Capital projects funds	77,479	699,191	7,787,965	8,722,314	10,196,685	1,738,329	2,348,041	3,638,494	1,551,731	(985,788)
Total all other governmental funds	\$ 2,389,246	\$ 2,438,020	\$ 9,332,799	\$ 9,756,982	\$ 10,568,169	\$ 2,105,370	\$ 2,687,791	\$ 4,135,535	\$ 2,124,085	\$ (459,391)

(1) As restated for reallocation of \$300,000 in long term debt from business type activities to governmental activities.

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

CITY OF BRENHAM

TABLE 4

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues										
Taxes	\$ 12,013,599	\$ 12,006,792	\$ 11,770,388	\$ 11,181,972	\$ 9,728,777	\$ 9,013,770	\$ 8,233,000	\$ 7,832,768	\$ 7,374,952	\$ 6,508,631
Licenses and permits	76,999	61,989	58,260	54,487	56,146	57,846	57,574	43,572	45,181	50,114
Intergovernmental	1,817,216	1,462,232	769,904	1,648,201	1,656,366	1,596,241	2,094,325	1,269,907	1,425,598	966,026
Charges for services	603,568	571,177	458,378	368,861	363,984	396,353	401,130	331,505	283,369	139,743
Fines and forfeitures	668,762	594,840	493,664	363,253	337,014	344,076	300,235	216,255	217,342	193,627
Investment income	12,428	179,685	457,112	572,336	246,716	137,011	138,952	111,107	187,302	264,869
Payment from component unit	850,941	931,773	927,717	770,877	661,417	661,407	622,061	675,704	714,985	525,976
Contributions and donations	174,272	39,833	176,900	124,608	176,214	44,895	1,084,504	-	265,270	1,156,193
Miscellaneous	111,418	149,984	151,892	85,405	117,772	157,948	139,505	303,328	399,980	347,947
Total revenues	16,329,203	15,998,305	15,264,215	15,170,000	13,344,406	12,409,547	13,071,286	10,784,146	10,913,979	10,153,126
Expenditures										
Current:										
Culture and recreation	2,985,738	2,963,083	2,993,583	2,611,013	2,467,861	2,374,455	2,267,690	2,366,423	2,590,967	1,988,445
Economic development	-	-	-	-	-	-	3,417	275,531	-	-
General government	4,987,652	4,793,575	1,491,349	1,383,100	1,270,288	1,560,873	974,771	980,100	876,371	713,764
Health and welfare	281,388	262,880	535,818	562,579	614,794	214,873	571,160	556,746	613,154	434,823
Highways and streets	1,535,385	1,317,966	1,240,278	1,153,897	1,085,298	1,046,654	1,070,642	1,032,007	1,857,357	1,073,128
Public safety	5,977,319	5,055,235	4,801,776	4,634,054	4,179,268	4,053,844	4,164,948	4,021,661	4,229,819	3,864,203
Debt service:										
Interest & fiscal charges	818,939	816,482	929,359	938,159	664,571	724,066	739,385	716,629	610,758	501,466
Principal retirement	1,291,944	1,319,200	1,165,767	1,070,825	1,138,070	1,038,665	927,215	848,102	916,183	795,244
Issuance costs	800	132,893	1,069	21,072	72,468	-	-	62,692	71,511	-
Capital outlay	2,002,664	9,585,060	2,340,500	3,497,123	2,475,907	1,763,551	4,780,081	3,198,692	2,795,571	2,847,592
Total expenditures	19,881,829	26,246,374	15,499,499	15,871,822	13,968,525	12,776,981	15,499,309	14,058,583	14,561,691	12,218,665
Excess (deficiency) of revenues over (under) expenditures	(3,552,626)	(10,248,069)	(235,284)	(701,822)	(624,119)	(367,434)	(2,428,023)	(3,274,437)	(3,647,712)	(2,065,539)
Other financing sources (uses)										
Transfers in	3,849,305	4,092,165	1,036,319	723,787	802,738	609,424	1,088,710	1,892,850	1,539,723	1,251,490
Transfers out	(1,012,739)	(945,544)	(882,148)	(848,384)	(563,360)	(235,394)	(293,904)	(221,812)	(453,779)	(143,256)
Proceeds from bonds	-	-	-	-	9,000,000	-	-	3,043,442	4,342,199	-
Refunding bonds issued	-	5,941,995	-	1,524,321	-	-	-	-	-	-
Gain on settlement	-	-	-	-	-	-	-	-	75,000	-
Bond premium	-	194,962	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	(6,004,364)	-	(1,501,306)	-	-	-	-	-	-
Proceeds from capital lease	645,621	131,933	-	544,300	288,810	-	449,924	-	289,547	-
Miscellaneous	21,665	19,339	93,476	-	-	-	-	-	-	-
Total other financing sources (uses)	3,503,852	3,430,486	247,647	442,718	9,528,188	374,030	1,244,730	4,714,480	5,792,690	1,108,234
Net change in fund balance	(48,774)	(6,817,583)	12,363	(259,104)	\$ 8,904,069	\$ 6,596	\$ (1,183,293)	\$ 1,440,043	\$ 2,144,978	\$ (957,305)
Debt service as a percentage of non-capital expenditures	11.81%	13.62%	15.93%	16.40%	16.32%	16.01%	15.55%	14.99%	13.59%	13.84%

TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS

CITY OF BRENHAM

Last Ten Fiscal Years

(modified accrual basis of accounting)

TABLE 5

Fiscal Year	Sales Tax	Ad Valorem Taxes (1)	Franchise Taxes (2)	Motel Tax	Mixed Beverage	Other Tax	Total Tax Revenues
2001	\$ 2,573,793	\$ 2,034,652	\$ 1,620,358	\$ 241,369	\$ 16,821	\$ 21,638	\$ 6,508,631
2002	2,552,078	2,386,339	2,152,380	240,653	14,259	29,243	7,374,952
2003	2,588,412	2,656,495	2,289,566	250,942	16,776	30,577	7,832,768
2004	2,610,842	2,812,921	2,412,216	317,533	14,403	65,085	8,233,000
2005	2,910,902	3,092,295	2,593,770	351,238	15,718	49,847	9,013,770
2006	3,290,760	3,481,463	2,567,933	356,745	20,664	11,212	9,728,777
2007	3,524,009	4,133,381	3,117,224	371,468	26,525	9,365	11,181,972
2008	3,696,762	4,561,685	3,047,240	432,687	23,881	8,133	11,770,388
2009	3,727,329	4,777,500	3,031,923	438,632	23,454	7,954	12,006,792
2010	3,678,707	4,990,580	2,879,641	434,330	24,642	5,698	12,013,599

(1) Ad valorem taxes consist of total collections net of any tax refunds.

(2) Franchise taxes, which were previously classified as receipt taxes, have been properly re-classified.

ASSESSED (1) AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

CITY OF BRENHAM

TABLE 6

Fiscal Year	Residential	Commercial	Personal Property	Gross Valuation	Exemption	Net Taxable Value	Total Direct Tax Rate
2001	269,118,178	186,973,818	184,013,476	640,105,472	86,518,169	553,587,303	0.37000
2002	294,146,981	207,576,271	201,341,491	703,064,743	96,893,031	606,171,712	0.39500
2003	313,526,154	222,282,517	200,099,154	735,907,825	92,511,210	643,396,615	0.41160
2004	342,870,991	256,701,023	188,770,685	788,342,699	101,481,686	686,861,013	0.41160
2005	361,775,150	256,868,274	177,812,355	796,455,779	90,675,166	705,780,613	0.43620
2006	370,683,893	208,798,536	251,690,047	831,172,476	88,694,515	742,477,961	0.46620
2007	422,316,663	220,190,107	257,897,502	900,404,272	103,247,446	797,156,826	0.50630
2008	465,073,145	247,703,127	290,075,024	1,002,851,296	123,033,453	879,817,843	0.50630
2009	496,035,865	293,274,572	302,853,623	1,092,164,060	146,352,615	945,811,445	0.50420
2010	518,208,990	327,644,944	307,326,105	1,153,180,039	170,403,101	982,776,938	0.50420

(1) The property is reassessed each year. The assessed value is based on 100% of estimated actual value. Tax rates are per \$100 of assessed value.

SALES SUBJECT TO SALES TAX BY INDUSTRY
Last Eight Fiscal Years (1)

CITY OF BRENHAM

TABLE 7

	Calendar Year (2)							
	2009	2008	2007	2006	2005	2004	2003	2002
<u>Sales subject to sales tax</u>								
Retail trade	\$ 185,958,779	\$ 184,046,643	\$ 174,772,296	\$ 166,190,738	\$ 155,327,262	\$ 130,927,048	\$ 126,258,311	\$ 123,089,392
Accommodation/food services	35,554,902	34,620,712	30,261,377	28,528,631	25,819,914	22,751,074	21,939,466	21,527,867
Manufacturing	14,718,595	25,038,093	16,509,175	16,115,966	14,012,727	13,111,304	12,941,111	14,551,417
Wholesale trade	13,395,632	15,368,837	16,316,965	15,797,269	14,047,063	12,158,582	9,870,736	10,151,093
Mining/quarrying/oil/gas extraction	2,789,407	9,146,075	7,752,965	5,464,529	2,131,253	1,510,270	411,837	384,445
Other services	7,646,118	7,623,956	7,391,730	6,339,914	6,790,780	6,782,529	6,175,297	5,925,060
Admin/support/waste mgmt/remediation services	5,511,221	7,191,225	6,385,434	6,511,431	6,535,273	6,127,609	5,335,190	4,878,604
Real estate/rental/leasing	8,322,276	8,207,294	6,275,753	4,927,370	4,082,531	3,566,293	3,379,402	3,195,265
Information	3,293,086	2,587,597	6,053,793	1,662,880	2,479,786	45,820,215	40,204,429	2,949,226
Construction	5,485,705	4,183,561	5,313,078	4,009,748	3,575,204	3,773,376	4,807,705	3,240,315
Professional/scientific/technical services	1,773,675	2,931,954	2,157,118	2,157,118	2,226,815	1,958,581	2,058,213	1,790,163
Educational services	1,759,260	1,767,263	1,815,152	1,585,995	1,270,482	1,537,769	1,740,983	57,479
Finance/insurance	2,649,199	1,399,762	1,074,663	1,182,103	949,048	813,183	1,073,465	1,228,011
Arts/entertainment/recreation	1,135,902	1,016,048	505,007	428,104	401,372	360,531	451,220	331,400
Agriculture/forestry/fishing hunting	116,141	163,971	367,864	338,068	106,869	201,372	125,257	105,119
Transportation/warehousing	225,203	273,397	111,957	27,959	33,263	10,417	-	-
Health care/social assistance	37,369	52,738	34,638	33,136	41,445	29,011	25,904	41,728
Public administration	-	-	-	1,778,439	-	-	-	-
Management of companies/enterprises	-	-	-	-	-	-	-	-
Other	-	-	-	-	110	40,156	155,206	726,073
All industries (3)	\$ 290,372,470	\$ 313,462,791	\$ 289,963,285	\$ 268,569,972	\$ 246,450,244	\$ 258,267,573	\$ 243,817,934	\$ 202,874,609
City sales tax rate (4)	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500

(1) The City implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data will be accumulated over time.

(2) Data was derived from the Texas Comptroller's Quarterly Sales Tax Report for the City of Brenham. Information was selected on a calendar year basis in order to capture those businesses that only file annually. Data for calendar year 2009 was unavailable.

(3) The total for all industries includes sales subject to sales tax for businesses that cannot be shown in their industry category because that category has less than four reporting outlets. Therefore, summation of sales subject to sales tax by industry will be less than the total shown for all industries.

(4) One-quarter of this rate and sales tax revenue collected is allocated to the Brenham Community Development Corporation.

DIRECT AND OVERLAPPING PROPERTY AND SALES TAX RATES
Last Ten Fiscal Years

CITY OF BRENHAM

TABLE 8

Fiscal Year	PROPERTY TAX RATES (per \$100 of assessed value) (1)							SALES TAX RATES (2)		
	City Direct Rates			Brenham Independent School District	Blinn College	Washington County	Total Overlapping Governments	City of Brenham	Washington County	Total Overlapping Governments
	General Fund	Debt Service	Total							
2001	0.27300	0.09700	0.37000	1.54560	0.05760	0.48400	2.45720	0.01500	0.00500	0.02000
2002	0.27500	0.12000	0.39500	1.57170	0.05440	0.45000	2.47110	0.01500	0.00500	0.02000
2003	0.28750	0.12410	0.41160	1.59900	0.05490	0.45160	2.51710	0.01500	0.00500	0.02000
2004	0.30000	0.11160	0.41160	1.59900	0.05670	0.45160	2.51890	0.01500	0.00500	0.02000
2005	0.30510	0.13110	0.43620	1.56900	0.05520	0.44350	2.50390	0.01500	0.00500	0.02000
2006	0.31650	0.14970	0.46620	1.61000	0.05100	0.44350	2.57070	0.01500	0.00500	0.02000
2007	0.31650	0.18980	0.50630	1.44500	0.05130	0.43350	2.43610	0.01500	0.00500	0.02000
2008	0.32450	0.18180	0.50630	1.10840	0.05480	0.43490	2.10440	0.01500	0.00500	0.02000
2009	0.34200	0.16220	0.50420	1.08840	0.05320	0.42600	2.07180	0.01500	0.00500	0.02000
2010	0.34200	0.16220	0.50420	1.08840	0.05450	0.42600	2.07310	0.01500	0.00500	0.02000

(1) Data is from Washington County Appraisal District.

(2) Data is from Texas Comptroller of Public Accounts.

TEN LARGEST PROPERTY TAX PAYERS (1)
 Current Year and Ten Years Ago

CITY OF BRENHAM

TABLE 9

2010			2001		
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Blue Bell Creameries	\$ 38,625,094	4.08%	Mount Vernon Mills, Inc.	\$ 32,278,550	5.83%
Valmonts/Als	24,997,950	2.64%	Blue Bell Creameries	30,135,700	5.44%
MIC Group LLC	17,620,160	1.86%	Valmont Industries	13,900,140	2.51%
Moore Wallace North America	14,461,910	1.53%	Cleaners Hangers Co.	10,536,550	1.90%
Germania Farm Mutual Aid Assoc	11,926,785	1.26%	Brenham Wholesale Groc.	10,067,830	1.82%
PI Components Corp	11,732,220	1.24%	Wal-Mart Properties #32	9,135,270	1.65%
Lowe's Home Centers, Inc. #2521	10,317,980	1.09%	Germania Farm Mutual Aid Assoc	8,121,135	1.47%
Tarlton Supply	9,457,091	1.00%	Sealy Mattress Co.	6,993,360	1.26%
Wal-Mart Real Estate Business Trust	8,266,130	0.87%	Southwestern Bell Telephone	5,930,200	1.07%
Brenham Wholesale Grocery	7,494,020	0.79%	Longwood Elastomers, Inc.	5,040,650	0.91%
Total	\$ 154,899,340	16.38%		\$ 132,139,385	23.87%

(1) Data is from Washington County Appraisal District.

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

CITY OF BRENHAM

TABLE 10

Fiscal Year	Assessed Valuation	Tax Rate	Levy Net of Adjustments	Collected within the Fiscal Year of Levy		Collections from Prior Years	Total Collections		
				Amount	Percentage of Levy		Amount	Percentage of Levy	
2001	553,587,303	0.37000	2,042,221	2,010,387	98.44%	22,592	2,035,652	(1)	99.68%
2002	606,171,712	0.39500	2,391,893	2,354,756	98.45%	27,119	2,386,386	(2)	99.77%
2003	643,396,615	0.41160	2,648,253	2,595,349	98.00%	29,990	2,625,339		99.13%
2004	686,861,013	0.41160	2,827,306	2,746,974	97.16%	66,648	2,813,622		99.52%
2005	705,780,613	0.43620	3,072,218	3,022,400	98.38%	68,463	3,092,295	(3)	100.65%
2006	742,477,961	0.46620	3,468,062	3,413,035	98.41%	30,946	3,443,981		99.31%
2007	797,156,826	0.50630	4,088,719	4,020,719	98.34%	65,640	4,089,261	(4)	100.01%
2008	879,817,843	0.50630	4,495,628	4,493,575	99.95%	85,464	4,581,092	(5)	101.90%
2009	945,811,445	0.50420	4,739,801	4,666,545	98.45%	51,033	4,727,111	(6)	99.73%
2010	982,776,938	0.50420	4,957,748	4,866,421	98.16%	69,767	4,936,188		99.57%

- (1) Includes \$2,673 of 2001 rollback taxes collected.
- (2) Includes \$4,511 in overrages.
- (3) Includes \$1,432 in overrages.
- (4) Includes \$2,902 of 2007 rollback taxes collected.
- (5) Includes \$2,053 of 2008 rollback taxes collected.
- (6) Includes \$9,424 of 2009 rollback taxes collected.

PRINCIPAL SALES TAX PAYERS BY INDUSTRY (1)
Calendar Years 2009 and 2002 (2)

CITY OF BRENHAM

TABLE 11

2009				2002			
Sales Tax Payers By Industry	Sales Subject to Sales Tax	Percentage of All Industries	Number of Reporting Outlets 4th Q	Sales Tax Payers By Industry	Sales Subject to Sales Tax	Percentage of All Industries	Number of Reporting Outlets 4th Q
Retail trade	\$ 185,958,779	64.04%	370	Retail trade	123,089,392	60.67%	378
Accommodation/food services	35,554,902	12.24%	84	Accommodation/food services	21,527,867	10.61%	67
Manufacturing	14,718,595	5.07%	77	Manufacturing	14,551,417	7.17%	65
Wholesale trade	13,395,632	4.61%	45	Wholesale trade	10,151,093	5.00%	29
Mining/quarrying/oil/gas extraction	2,789,407	0.96%	6	Other services	5,925,060	2.92%	104
Other services	7,646,118	2.63%	116	Admin/support/waste mgmt/remediation services	4,878,604	2.40%	61
Admin/support/waste mgmt/remediation services	5,511,221	1.90%	59	Construction	3,240,315	1.60%	79
Real estate/rental/leasing	8,322,276	2.87%	17	Real estate/rental/leasing	3,195,265	1.57%	10
Information	3,293,086	1.13%	9	Information	2,949,226	1.45%	12
Construction	5,485,705	1.89%	81	Professional/scientific/technical services	1,790,163	0.88%	38
Professional/scientific/technical services	1,773,675	0.61%	51	Finance/insurance	1,228,011	0.61%	13
Educational services	1,759,260	0.61%	13	Other	726,073	0.36%	50
Finance/insurance	2,649,199	0.91%	14	Mining/quarrying/oil/gas extraction	384,445	0.19%	4
Arts/entertainment/recreation	1,135,902	0.39%	18	Arts/entertainment/recreation	331,400	0.16%	11
Agriculture/forestry/fishing hunting	116,141	0.04%	12	Agriculture/forestry/fishing hunting	105,119	0.05%	10
Transportation/warehousing	225,203	0.08%	6	Educational services	57,479	0.03%	9
Health care/social assistance	37,369	0.01%	6	Health care/social assistance	41,728	0.02%	4
Other	-	0.00%	10	Public administration	0	0.00%	3
Public administration	-	0.00%	2	Transportation/warehousing	0	0.00%	3
Management of companies/enterprises	-	0.00%	1	Management of companies/enterprises	0	0.00%	0
All industries (3)	\$ 290,372,470	100.00%	991	All industries (3)	\$ 202,874,609	100.00%	950

(1) Sales tax data by business entity is deemed by the Texas State Comptroller to be confidential and may not be publicly disclosed.

(2) Data was derived from the Texas Comptroller's Quarterly Sales Tax Report for the City of Brenham. Information was selected on a calendar year basis in order to capture those business entities that only file annually. Data for calendar year 2010 and prior to 2002 was unavailable.

(3) The total for all industries includes sales subject to sales tax for businesses that cannot be shown in their industry category because that category has less than 4 reporting outlets. Therefore, summation of sales subject to sales tax by industry will be less than the total shown for all industries.

RATIO OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

CITY OF BRENHAM

TABLE 12

Fiscal Year	Governmental Activities				Business-Type Activities					Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Certificates of Obligation	General Obligation Refunding	Capital Leases	General Obligation Bonds	Certificates of Obligation	General Obligation Refunding	Capital Leases	Settlement			
2001	\$ 2,110,000	\$ 7,910,000	\$ -	\$ 88,124	\$ 4,725,000	\$ -	\$ -	\$ -	\$ 92,267	\$ 14,925,391	3.86%	1,105
2002	1,735,000	11,767,124	-	239,676	855,000	12,117,876	3,885,000	276,226	80,483	30,956,385	7.84%	2,246
2003	1,340,000	14,433,034	-	171,514	585,000	18,181,966	3,885,000	217,454	67,972	38,881,940	9.85%	2,810
2004	920,000	14,292,528	-	551,381	300,000	17,677,472	3,885,000	166,807	54,689	37,847,877	8.87%	2,692
2005	475,000	13,817,497	-	432,747	-	17,432,503	3,885,000	113,759	40,586	36,197,092	7.85%	2,542
2006	-	22,278,242	-	597,743	-	17,086,758	3,530,000	138,387	25,614	43,656,744	8.69%	3,036
2007	-	19,848,522	1,511,950	878,321	-	12,826,478	7,133,050	417,259	9,719	42,625,299	8.15%	2,960
2008	-	18,899,484	1,505,078	635,451	-	12,125,517	6,714,923	335,720	-	40,216,173	7.11%	2,681
2009	-	12,019,923	7,371,700	471,085	-	14,680,078	9,273,300	250,733	-	44,066,819	7.43%	2,886
2010	-	11,407,845	6,906,103	866,584	-	13,892,156	8,763,898	291,763	-	42,128,349	6.90%	2,681

(1) See Table 17 for total personal income and population information.

RATIO OF NET GENERAL OBLIGATION BONDED DEBT
Last Ten Fiscal Years

CITY OF BRENHAM

TABLE 13

Fiscal Year	General Obligation Bonds	Certificates of Obligation	General Obligation Refunding	Gross Bonded Debt	Less Debt Service Funds Available	Net Bonded Debt	Taxable Assessed Value	Ratio of Net Bonded Debt to Assessed Values	Net Bonded Debt Per Capita (1)
2001	\$ 2,110,000	\$ 7,910,000	\$ -	\$ 10,020,000	\$ 250,540	\$ 9,769,460	\$ 553,587,303	1.76%	723
2002	1,735,000	11,767,124	-	13,502,124	316,626	13,185,498	606,171,712	2.18%	957
2003	1,340,000	14,433,034	-	15,773,034	295,934	15,477,100	643,396,615	2.41%	1,118
2004	920,000	14,292,528	-	15,212,528	177,817	15,034,711	686,861,013	2.19%	1,069
2005	475,000	13,817,497	-	14,292,497	146,770	14,145,727	760,929,323	1.86%	994
2006	-	22,278,242	-	22,278,242	198,430	22,079,812	742,477,961	2.97%	1,535
2007	-	19,848,522	1,511,950	21,360,472	332,812	21,027,660	797,156,826	2.64%	1,460
2008	-	18,899,484	1,505,078	20,404,562	418,335	19,986,227	879,817,843	2.27%	1,332
2009	-	12,019,923	7,371,700	19,391,623	337,949	19,053,674	945,811,445	2.01%	1,248
2010	-	11,407,845	6,906,103	18,313,948	481,884	17,832,064	982,776,938	1.81%	1,135

(1) See Table 17 for population information.

DIRECT AND OVERLAPPING DEBT
Current Year

CITY OF BRENHAM

TABLE 14

NAME OF GOVERNMENTAL UNIT	NET GENERAL OBLIGATION BONDED DEBT OUTSTANDING	2009 TAX ROLL TAXABLE VALUE	PERCENTAGE APPLICABLE TO CITY OF BRENHAM (1)	CITY OF BRENHAM'S SHARE OF DEBT
City of Brenham	\$ 17,832,064	\$ 982,776,938	100.0%	\$ 17,832,064
Total direct debt	<u>17,832,064</u>	<u>982,776,938</u>		<u>17,832,064</u>
Brenham I. S. D.	30,112,791	1,862,335,925	52.8%	15,890,880
Washington County	5,035,000	2,280,797,143	43.1%	2,169,541
Blinn Junior College	-	2,285,181,000	-	-
Total overlapping debt	<u>35,147,791</u>	<u>6,428,314,068</u>		<u>18,060,420</u>
Total direct and overlapping debt	\$ <u>52,979,855</u>	\$ <u>7,411,091,006</u>		\$ <u>35,892,484</u>

Ratio of direct and consolidated overlapping funded debt to taxable assessed valuation 0.48%

Per capita consolidated overlapping tax supported debt (based on population of 15,716) \$2,284

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Brenham. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the government's boundaries and dividing it by the City's total taxable assessed value.

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

CITY OF BRENHAM

TABLE 15

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Taxable assessed valuations	\$ 982,776,938	\$ 945,811,445	\$ 879,817,843	\$ 797,156,826	\$ 742,477,961	\$ 705,780,613	\$ 686,861,013	\$ 643,396,615	\$ 606,171,712	\$ 553,587,303
Tax limit per \$100 valuation	1.65000	1.65000	1.65000	1.65000	1.65000	1.65000	1.65000	1.65000	1.65000	1.65000
O&M tax rate per \$100 valuation	0.34200	0.34200	0.32450	0.31650	0.31650	0.30510	0.30000	0.28750	0.27500	0.27300
Debt limit per \$100 valuation	1.30800	1.30800	1.32550	1.33350	1.33350	1.34490	1.35000	1.36250	1.37500	1.37700
Debt limit	12,854,722	12,371,214	11,661,986	10,630,086	9,900,944	9,492,043	9,272,624	8,766,279	8,334,861	7,622,897
Total net debt applicable to limit	2,107,581	2,219,350	2,046,971	1,980,831	1,754,883	1,655,433	1,574,263	1,485,812	1,385,364	1,234,998
Legal debt margin	\$ 10,747,141	\$ 10,151,864	\$ 9,615,015	\$ 8,649,255	\$ 8,146,061	\$ 7,836,610	\$ 7,698,361	\$ 7,280,467	\$ 6,949,497	\$ 6,387,899
Total net debt applicable to the limit as a percentage of debt limit	16.40%	17.94%	17.55%	18.63%	17.72%	17.44%	16.98%	16.95%	16.62%	16.20%

PLEGGED REVENUE COVERAGE
Last Ten Fiscal Years

CITY OF BRENHAM

TABLE 16

Fiscal Year	Water Fund (1)					
	Utility Charges for Services	Less: Operating Expenses	Net Available Revenue	Debt Service		Debt Service Coverage
				Principal	Interest	
2001	2,227,339	1,908,321	319,018	245,000	287,548	0.60
2002	2,472,349	2,045,722	426,627	402,146	235,015	0.67
2003	2,563,788	2,022,318	541,470	311,230	393,136	0.77
2004	2,690,050	2,161,268	528,782	328,586	377,209	0.75
2005	2,944,778	2,376,870	567,908	341,325	346,490	0.83
2006	3,718,352	2,797,111	921,241	397,213	328,534	1.27
2007	3,254,601	2,784,247	470,354	522,026	303,652	0.57
2008	3,719,245	3,088,309	630,936	537,025	281,166	0.77
2009	4,606,941	2,835,706	1,771,235	569,498	426,689	1.78
2010	3,898,316	2,509,163	1,389,153	629,780	492,080	1.24

Fiscal Year	Wastewater Fund - Self-Supporting Debt (2)					
	Utility Charges for Services	Less: Operating Expenses	Net Available Revenue	Debt Service		Debt Service Coverage
				Principal	Interest	
2001	1,619,162	1,769,162	(150,000)	-	-	-
2002	1,594,352	1,861,284	(266,932)	144,666	338,370	(0.55)
2003	2,032,243	1,964,495	67,748	88,830	561,089	0.10
2004	1,953,796	2,005,729	(51,933)	164,256	653,379	(0.06)
2005	2,377,615	2,315,795	61,820	203,644	648,215	0.07
2006	2,934,264	2,895,413	38,851	303,332	640,901	0.04
2007	3,798,195	2,888,251	909,944	571,241	617,220	0.77
2008	4,119,856	3,191,900	927,956	582,064	592,494	0.79
2009	4,045,839	2,639,477	1,406,362	633,196	544,878	1.19
2010	3,552,059	2,406,199	1,145,860	667,545	497,324	0.98

Fiscal Year	Total Water, and Wastewater Funds (3)					
	Utility Charges for Services	Less: Operating Expenses	Net Available Revenue	Debt Service		Debt Service Coverage
				Principal	Interest	
2001	2,227,339	1,908,321	319,018	245,000	287,548	0.60
2002	4,066,701	3,907,006	159,695	546,812	573,385	0.14
2003	4,596,031	3,986,813	609,218	400,060	954,225	0.45
2004	4,643,846	4,166,997	476,849	492,842	1,030,588	0.31
2005	5,322,393	4,692,665	629,728	544,969	994,705	0.41
2006	6,652,616	5,692,524	960,092	700,545	969,435	0.57
2007	7,052,796	5,672,498	1,380,298	1,093,267	920,872	0.69
2008	7,839,101	6,280,209	1,558,892	1,119,089	873,660	0.78
2009	8,652,780	5,475,183	3,177,597	1,202,694	971,567	1.46
2010	7,450,375	4,915,362	2,535,013	1,297,325	989,404	1.11

(1) Water fund-supported debt includes 1994 general obligation refunding bonds, 2001 general obligation refunding bonds, 2001 certificates of obligation and 2007 general obligation refunding bonds.

(2) Wastewater fund-supported debt includes 2001 and 2002 certificates of obligation and 2007 general obligation refunding bonds.

(3) Wastewater fund was only included in the summary for years 2002 and later

TABLE 17

Fiscal Year	Population (1)	Total Personal Income (000's) (2)	Per Capita Personal Income (3)	Unemployment Rate (4)
2001	14,026	401,466	28,623	3.5
2002	13,988	400,574	28,637	4.4
2003	14,171	404,299	28,530	5.1
2004	14,407	436,921	30,327	5.2
2005	14,484	473,004	32,657	4.6
2006	14,614	495,239	33,888	4.4
2007	14,873	531,516	35,737	3.8
2008	15,049	555,248	36,896	3.8
2009	15,270	591,797	38,756	5.3
2010	15,716	639,780	40,709	5.9

(1) 2001 to 2009 population are projections provided by the Population Division of the U.S. Census Bureau. Data for 2010 is from the results of the 2010 census.

(2) Total personal income derived by taking Brenham population multiplied by per capita personal income for Washington County (see note 3).

(3) Data for years 2001 to 2008, is for Washington County and comes from the Bureau of Economic Analysis. 2009 and 2010 are estimates based on a five year compound average annual growth rate.

(4) Unemployment rates are taken from U.S. Bureau of Labor Statistics. Under the new U.S. Bureau of Labor Statistics mandated methodology for producing labor statistics, a city must have a population of at least 25,000 for city-level estimates to be produced; therefore, the unemployment rates shown for 2005 to 2010 are for Washington County.

PRINCIPAL EMPLOYERS
Current Year and Ten Years Ago

CITY OF BRENHAM

TABLE 18

2010			2001		
Employer (1)	Employees	Percentage of Total City Employment	Employer	Employees	Percentage of Total City Employment
Brenham St Supported Living Ci	1,049	15.15%	Brenham St Supported Living Ci	1,062	17.57%
Blue Bell Creameries	786	11.35%	Blue Bell Creameries	741	12.26%
Brenham I.S.D	719	10.38%	Blinn College	650	10.75%
Blinn College	569	8.22%	Brenham I.S.D	620	10.26%
Wal-Mart Supercenter	380	5.49%	Mount Vernon Mills	350	5.79%
Germania Insurance	324	4.68%	Germania Insurance	285	4.72%
Scott & White Hospital	285	4.12%	Sealy Mattress Company	261	4.32%
City of Brenham	235	3.39%	Trinity Medical Center	250	4.14%
Sealy Mattress Company	211	3.05%	Wal-Mart Supercenter	241	3.99%
Valmont	203	2.93%	Valmont A.L.S.	240	3.97%
Total	4,761	68.76%	Total	4,700	77.76%
Employment (2)	6,924		Employment (3)	6,044	

(1) Major employers as identified in a report issued by Washington County Chamber of Commerce, revised October 2009

(2) Employment is taken from U.S. Bureau of Labor Statistics reports. A city must have a population of at least 25,000 for city-level estimates. Employment shown for 2010 is an estimate based on Washington County employment estimates reported by the U.S. Bureau of Labor Statistics for 2009. City employment is an allocation using the proportion of City to County estimated populations.

(3) Employment is taken from the 2000 Census.

FULL-TIME EQUIVALENT EMPLOYEES
Last Eight Fiscal Years (1)

CITY OF BRENHAM

TABLE 19

<u>Function/program</u>	<u>Fiscal Year</u>							
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Streets/Drainage	16.90	16.90	17.50	17.50	17.88	18.28	18.31	18.28
Parks/Recreation	25.80	27.38	20.10	20.10	20.08	20.23	20.23	20.48
Aquatic Center	15.04	15.04	20.19	20.19	22.50	23.12	22.25	24.37
Library	8.14	8.03	8.92	8.92	7.88	6.84	7.36	7.84
Central Communication	17.16	13.13	14.17	13.17	13.19	14.22	14.70	12.72
Police	37.00	34.00	34.00	33.00	32.00	32.75	32.00	32.00
Fire	15.00	12.13	12.00	11.00	11.00	10.50	10.50	10.50
Animal Control	3.00	4.00	4.40	3.40	3.00	3.00	3.00	3.00
Municipal Court	4.60	4.75	4.60	4.60	4.60	3.60	3.60	3.60
Public Works	6.00	6.00	6.14	6.14	6.14	5.89	5.64	5.64
Administration	8.08	8.08	7.00	10.00	8.00	8.25	6.50	6.50
Main St/Community Development	2.00	2.00	2.00	-	-	-	-	-
Utility Billing/Customer Service	10.00	10.00	10.00	10.00	10.00	10.73	9.73	10.73
Finance	10.39	10.45	10.00	10.00	11.00	10.00	12.00	12.00
Public Information	2.00	2.00	2.00	2.00	2.00	2.00	4.00	3.00
Public Utilities	7.00	7.00	6.00	6.00	6.00	8.00	9.33	9.00
Central Warehouse/Maintenance	8.00	8.00	8.38	9.38	9.38	9.40	8.37	6.40
Information Technology	5.00	5.00	4.50	3.50	4.50	4.50	3.00	3.00
Electric	12.00	12.00	11.00	11.00	11.00	11.00	12.00	12.00
Gas	5.00	5.00	5.00	5.33	5.33	5.33	5.33	5.33
Water Treatment	6.50	5.50	7.00	6.00	6.00	6.00	7.00	7.00
Water Construction	5.50	5.50	5.50	5.34	5.34	5.34	5.34	5.34
Wastewater Treatment	4.50	5.50	7.00	7.00	7.00	7.00	8.00	8.00
Wastewater Construction	5.50	5.50	5.50	5.33	5.33	5.33	5.33	5.33
Transfer Station	2.75	3.08	3.08	3.08	3.08	5.14	3.99	4.56
Collection Station	2.83	1.39	1.08	1.08	1.08	-	-	-
Recycling Center	2.25	2.25	2.25	2.25	2.25	2.33	3.33	3.25
Collection	2.75	3.59	4.03	5.03	4.59	5.84	7.17	8.50
Special Revenues/Grants	-	-	-	-	-	2.25	3.00	4.00
Total	250.69	243.20	243.34	240.34	240.15	246.87	251.01	252.37

(1) The City implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data will be accumulated over time.

OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Eight Fiscal Years (1)

CITY OF BRENHAM

TABLE 20

	2010	2009	2008	Fiscal Year		2005	2004	2003
				2007	2006			
Recreation/Parks								
Number of athletic tournaments (2)	36	33	31	32	38	35	31	NA
Aquatic Center								
Number of Visitors	67,000	67,526	73,506	66,793	70,363	67,914	58,627	49,089
Number of Annual Passes	97	145	143	137	140	140	159	239
Number of Monthly Passes	962	930	927	907	878	913	814	615
Streets								
Road maintenance in linear feet	33,958	11,186	9,376	11,738	16,393	12,967	7,750	7,955
Library								
Circulation	75,174	73,700	70,174	44,933	49,004	47,545	49,754	51,204
Central Communications								
Number of Incoming Calls	712,766	749,499	682,254	561,436	519,038	503,992	481,609	436,210
Number of 9-1-1 Calls	30,388	30,594	30,001	30,702	27,253	20,496	17,928	16,075
Police								
Traffic Citations	8,230	8,038	6,445	3,593	2,988	3,186	4,513	2,508
Traffic Warning Tickets Issued	7,493	4,274	3,426	3,536	4,188	5,297	8,516	4,237
Mileage on Police units	422,313	382,597	296,882	296,422	299,527	295,802	300,602	312,246
Fire (3)								
Fire Responses	70	73	81	118	80	86	71	68
Rescues	17	33	28	52	34	32	32	30
Animal Control/Shelter/Adoption								
Number of Incoming Animals	1,760	1,455	1,723	1,846	1,464	1,784	1,876	1,812
Animals Adopted	343	300	385	401	343	342	304	301
Municipal Court								
Traffic dispositions	5,703	5,582	4,444	5,614	5,132	4,232	4,429	3,388
Other dispositions	1,527	1,603	1,647	1,413	1,505	1,953	1,790	1,850
Public Works								
Building Inspection Visits	1,956	1,818	1,936	1,742	1,692	1,779	1,552	1,536
Electric								
kWh delivered	271,319,462	271,248,570	290,272,935	302,190,150	314,772,687	308,467,816	293,512,414	302,866,896
Customers served	8,235	8,150	8,060	7,947	7,728	7,585	7,556	7,564
Gas								
mcf delivered	443,345	420,851	522,411	602,719	563,508	543,062	557,790	644,920
Customers served	4,212	4,151	4,106	4,050	3,982	3,965	3,944	3,956
Water								
Gallons delivered	752,748,100	926,510,200	883,015,900	799,546,600	958,383,100	811,893,100	736,565,100	782,517,000
Customers served	7,077	6,946	6,816	6,654	6,372	6,211	6,134	6,124
Wastewater								
Effluent plant gallons processed	727,301,000	762,338,000	772,589,000	810,562,100	751,247,000	759,309,000	696,397,880	727,604,500
Commercial/Industrial gallons processed	327,125,800	385,150,300	393,674,700	394,462,700	406,897,100	359,657,100	352,189,200	381,528,924
Customers served	6,373	6,284	6,198	6,073	5,839	5,766	5,722	5,719
Sanitation								
Customers served	5,610	5,468	5,299	5,168	5,065	4,979	4,949	5,158

(1) The City implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data will be accumulated over time.

(2) Tournament data for 2003 is not available.

(3) Operating indicators for the Fire Department are based on calendar year. Figures for 2008 are year-to-date December 12, 2008.

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 Last Eight Fiscal Years (1)

CITY OF BRENHAM

TABLE 21

Function/program	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Recreation/Parks								
Park acreage	150	150	150	150	150	150	150	150
Parks	7	7	7	7	7	7	7	7
Aquatic centers	1	1	1	1	1	1	1	1
Baseball fields	8	8	8	8	8	8	8	8
Softball fields	9	9	9	9	9	9	9	9
Tennis courts	6	6	6	6	6	6	6	6
Soccer fields	12	12	12	12	12	12	12	12
Skateboard parks	1	1	1	1	1	1	1	1
Library								
Libraries	1	1	1	1	1	1	1	1
Airports	1	1	1	1	1	1	1	1
Police								
Stations	1	1	1	1	1	1	1	1
Police vehicles	43	43	40	38	33	34	33	33
Fire								
Fire stations	1	1	1	1	1	1	1	1
Fire trucks	5	5	5	5	5	5	5	5
Animal control/shelter/adoption								
Shelters	1	1	1	1	1	1	1	1
Electric								
Miles of service lines	118	118	118	116	115	113	112	110
Gas								
Miles of service lines	116	115	115	111	111	110	109	107
Water								
Miles of water mains	149	148	145	143	138	137	136	136
Wastewater								
Miles of sanitary mains	137	137	136	135	129	128	127	127
Sanitation								
Collection stations	1	1	1	1	1	1	1	1
Transfer stations	1	1	1	1	1	1	1	1
Recycling stations	1	1	1	1	1	1	1	1

(1) The City implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data will be accumulated over time.

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SEIDEL, SCHROEDER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS ADVISORS

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 the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, detected or corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Internal Control Over Compliance

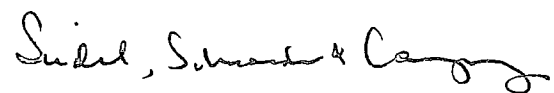
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance 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 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 combination of deficiencies, in internal controls 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, detected or corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

February 25, 2011
Brenham, Texas





SEIDEL, SCHROEDER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

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

Compliance

We have audited City of Brenham, Texas (the "City") compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the 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, 2010.

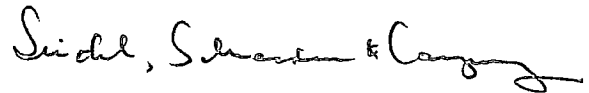
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 determination of financial statement amounts. 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*.

We noted certain matters that we reported to management of City of Brenham, Texas, in a separate letter dated February 25, 2011.

This report is intended solely for the information and use of the audit committee, City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

February 25, 2011
Brenham, Texas



CITY OF BRENHAM, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the City of Brenham, Texas (the "City").
2. No significant deficiencies 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 relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the City expresses an unqualified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 to be reported in this Schedule.
7. The program tested as a major program was the
 - U.S. Department of Transportation/Texas Department of Transportation CFDA No. 20.106
 - U.S. Department of Homeland Security – Assistance to Firefighter Grants CFDA No. 97.044
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City did not qualify as a low-risk auditee.

CITY OF BRENHAM, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

CITY OF BRENHAM, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT NUMBER	PROGRAM AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT 09/30/09	FEDERAL/ STATE FUNDS RECEIVED	FEDERAL/ STATE EXPENDITURES	NET OTHER TRANSACTIONS	ACCRUED OR (DEFERRED) REVENUE AT 09/30/10
U.S. DEPARTMENT OF JUSTICE								
Bulletproof Vest Partnership 2006 Grant	16.607		2,499	250	(1,014)	764	-	-
Bulletproof Vest Partnership 2007 Grant	16.607		1,248	-	(311)	499	-	188
Recovery Act of 2009 Byrne Justice Assistance Grant	16.804	2009SBB91227	57,916	-	(57,916)	57,916	-	-
FY09 Byrne Justice Assistance Grant	16.738	2009DJBX1094	10,052	-	(10,052)	10,052	-	-
			\$ 71,715	\$ 250	\$ (69,293)	\$ 69,231	\$ -	\$ 188
U.S. DEPARTMENT OF HOMELAND SECURITY & FEMA								
FY2008 Assistance to Firefighters Grant	97.044	EMW-2008-FR-00220	362,880	-	(362,830)	362,830	-	-
FY2008 Staffing for Adequate Fire & Emergency Response Grant	97.083	EMW-2008-FR-00416	325,140	-	(65,130)	89,321	-	24,191
Homeland Security Grant Program	97.067	2009-SS-T9-0064	25,000	-	(25,000)	25,000	-	-
			\$ 713,020	\$ -	\$ (452,959)	\$ 477,150	\$ -	\$ 24,191
U.S. DEPARTMENT OF ENERGY								
American Recovery and Reinvestment Act Grant								
Energy Efficiency and Conservation Block Grant	81.128	DE-EE0000893	57,576	-	-	-	-	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT								
Texas Community Development Block Grant								
Housing and Community Development Block Grant	14.228	729079	250,000	-	(33,800)	221,652	-	187,852
U.S. DEPARTMENT OF TRANSPORTATION								
Texas Department of Transportation								
Selective Traffic Enforcement Program-2009 Comprehensive	20.6		55,299	7,936	(7,936)	-	-	-
Selective Traffic Enforcement Program-2010 Comprehensive	20.6		52,492	-	(27,276)	27,276	-	-
			\$ 107,791	\$ 7,936	\$ (35,212)	\$ 27,276	\$ -	\$ -
Texas Department of Transportation								
Routine Airport Maintenance Program (RAMP)		M917 BRENM	50,000	9,461	(9,461)	-	-	-
Routine Airport Maintenance Program (RAMP)		M017 BRENM	50,000	-	-	20,456	-	20,456
Routine Airport Maintenance Program (RAMP)		M117 BRENM	50,000	-	-	-	-	-
			\$ 150,000	\$ 9,461	\$ (9,461)	\$ 20,456	\$ -	\$ 20,456
Texas State Library and Archives Commission								
Loan Star Libraries Grant - Fiscal Year 2010		442-10239	9,415	-	(9,415)	9,415	-	-
Loan Star Libraries Grant - Fiscal Year 2011			7,716	-	-	-	-	-
			\$ 17,131	\$ -	\$ (9,415)	\$ 9,415	\$ -	\$ -
TOTAL FEDERAL AND STATE CASH AWARDS			\$ 1,367,232	\$ 17,647	\$ (610,142)	\$ 825,180	\$ -	\$ 232,686

CITY OF BRENHAM, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT NUMBER	PROGRAM AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT 09/30/09	FEDERAL/ STATE FUNDS RECEIVED	FEDERAL/ STATE EXPENDITURES	NET OTHER TRANSACTIONS	ACCRUED OR (DEFERRED) REVENUE AT 09/30/10
U.S. DEPARTMENT OF TRANSPORTATION - FAA								
Texas Department of Transportation (1)								
Federally Assisted Airport Development Grant RUNWAY	20.106	0717BRENM & 0817BRENM	\$ 1,883,357	\$ -	\$ (459,901)	\$ 459,901	\$ -	\$ -
TOTAL NON-CASH FEDERAL AND STATE AWARDS			<u>\$ 1,883,357</u>	<u>\$ -</u>	<u>\$ (459,901)</u>	<u>\$ 459,901</u>	<u>\$ -</u>	<u>\$ -</u>

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

City of Brenham, Texas
Notes to Federal Awards Section
September 30, 2010

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. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements

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