

CITY OF BRENHAM, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2011



PREPARED BY THE FINANCE DIVISION

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

**TABLE OF CONTENTS
For The Fiscal Year Ended September 30, 2011**

INTRODUCTORY SECTION

Letter of Transmittal	1
Certificate of Achievement for Excellence in Financial Reporting	5
Organizational Chart	6
List of Principal Officials.....	7

FINANCIAL SECTION

Independent Auditor's Report	9
Management's Discussion and Analysis	11
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets.....	23
Statement of Activities	25
Fund Financial Statements:	
Balance Sheet – Governmental Funds	26
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	28
Statement of Net Assets – Proprietary Funds	31
Statement of Revenues, Expenditures, and Changes in Fund Net Assets – Proprietary Funds	33
Statement of Cash Flows – Proprietary Funds	34
Notes to the Financial Statements	37

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Other Postemployment Benefit Plan (OPEB).....	67
Schedule of Funding Progress – Texas Municipal Retirement System (TMRS)	69
Schedule of Revenues, Expenditures, and Changes in Fund Balances	
Budget and Actual–General Fund.....	70
Notes to the Required Supplementary Information.....	71

COMBINING FUND STATEMENTS AND SCHEDULES

Nonmajor Governmental Funds	
Special Revenue Funds	73
Capital Projects Funds	73
Internal Service Funds	75
Debt Service Fund.....	75
Combining Balance Sheet – Other Governmental Funds	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	
Other Governmental Funds.....	77
Combining Balance Sheet – Special Revenue Funds.....	78
Statement of Revenues, Expenditures, and Changes in Fund Balances –	
Special Revenue Funds	79
Combining Balance Sheet – Nonmajor Capital Projects Funds.....	80
Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital	
Projects Funds	81
Internal Service Funds	
Combining Statement of Net Assets	82
Statement of Revenues, Expenditures, and Changes in Fund Net Assets	83
Combining Statement of Cash Flows – Internal Service Funds.....	84

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

**TABLE OF CONTENTS
For The Fiscal Year Ended September 30, 2011**

Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:

Debt Service Fund.....	85
Hotel/Motel Tax Fund.....	86
Hotel/Motel Fund - Washington County	87
PD Criminal Law Enforcement Fund.....	88
Courts Technology/Security Fund	89
Parks Capital Improvements Fund.....	90
US 290 Pass Thru Finance Fund.....	91
Brenham Community Development Corporation Fund	92

REPORTS FOR MANAGEMENT SECTION

Government-wide Expenses by Function	94
Government-wide Revenues	95
General Governmental Expenditures by Function.....	96
Reconciliation of Property Tax Receivable	97
Revenues by Source – Governmental Funds	98
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to General Governmental Expenditures	99
Property Value and Construction	100
Revenue by Source – Business Type Activities.....	101
Electric Customers, Consumption and Sales	102
Gas Customers, Consumption and Sales	103
Electric Rates.....	104
Gas Rates.....	105
Ten Largest Electric Customers	106
Ten Largest Gas Customers	107
The Water System - Utility Billing Statistics.....	108
The Wastewater System - Utility Billing Statistics.....	109
The Sanitation System - Utility Billing Statistics	110
Schedule of Expenditures of Federal and State Awards	111
Notes to Schedule of Expenditures of Federal and State Awards.....	113

STATISTICAL SECTION

Financial Trends

Net Assets by Component.....	116
Changes in Net Assets by Component.....	117
Fund Balances – Governmental Funds.....	119
Changes in Fund Balances – Governmental Funds.....	120

Revenue Capacity

Tax Revenues by Source – Governmental Funds.....	121
Assessed and Estimated Actual Value of Taxable Property	122
Sales Subject to Sales Tax by Industry	123
Direct and Overlapping Property and Sales Tax Rates.....	124
Ten Largest Property Taxpayers	125
Property Tax Levies and Collections	126
Principal Sales Taxpayers by Industry	127

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

**TABLE OF CONTENTS
For The Fiscal Year Ended September 30, 2011**

Debt Capacity	
Ratio of Outstanding Debt by Type.....	128
Ratio of Net General Obligation Bonded Debt	129
Direct and Overlapping Debt	130
Legal Debt Margin Information	131
Pledged-Revenue Coverage	132
Demographics/Economics	
Demographic and Economic Information	133
Principal Employers	134
Operating	
Full-time Equivalent Employees	135
Operations Indicators by Function/Program	136
Capital Assets by Function/Program	137

AUDIT SECTION

Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	139
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March 5, 2012

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, 2011. 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, 2011 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, 2011, 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 body 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 four-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, Wastewater, 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 70 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

Unlike some parts of the nation, the City of Brenham's economy is stable and we are fortunate to have a diversified revenue base which has helped mitigate some of the economic hardships other governmental entities are facing. Several indicators of our stable economy are noted below.

- Growth in Sales Tax Revenue – Sales tax which is the largest revenue source for funding General Fund operations and maintenance, was budgeted to increase only 1.24% over the prior year. Although consumer spending was expected to remain tight, actual sales tax performance for FY11 was higher than budgeted levels by 1.4%.

ECONOMIC CONDITION AND OUTLOOK – (continued)

- Growth in Property Valuations – The City of Brenham’s certified taxable property valuations have grown from \$975,919,507 last year to \$998,947,118 for FY12. This overall increase of 2.4% included over \$26 million in new improvements, and provided a small increase in tax revenues for FY12.
- Unemployment Rate for the County – The unemployment rate for Washington County in September 2011 was 6.4%, which is higher than the rate of 5.9% one year ago. Although the current rate did increase slightly, it compares favorably to the state’s average unemployment rate of 8.4% for the same period.
- The City’s Hotel Occupancy Tax (HOT) Fund experienced growth during FY11. Total collections were higher than budgeted levels by 17% and also exceeded the three previous fiscal years.

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 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.

In FY11, Main Street Brenham, the City’s downtown area, was again recognized by the Texas Historical Commission and the National Trust for Historic Preservation as one of 55 National Main Street Cities from Texas. Brenham has held this designation for 12 years. The Main Street Brenham program continues to thrive with a strong volunteer base which organizes and supports many downtown festivals, events and tourism promotions. During November, 2011, the dedication and grand opening of Toubin Park was held. This project, showcasing a historic underground cistern, created a downtown attraction that brings interesting history to light. Main Street Brenham also published the Burning of Brenham, a novel documenting the historical significance of the underground cistern at Toubin Park. Belle’s Alley, another downtown park project, was also completed during the fiscal year. Memorial and honorary brick pavers line the walkway which serves as an entrance to Toubin Park.

The Economic Development Foundation (EDF) works closely with the City to promote growth within the existing business community and to market Brenham’s competitive advantage as a location for new businesses. The EDF received additional funding for a new website project which was launched in July, 2011. The new website integrates the content management system, GIS mapping capabilities and prospect management system, allowing prospects to easily access community data.

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 wastewater – 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 several years, including FY11, the City has experienced favorable net revenues over expenditures which were used for the following major initiatives:

- Replenish the General Fund reserve in accordance with the 90-day reserve policy – It is the City's policy to maintain an unrestricted fund balance reserve sufficient to cover 90 days of operating expenditures. At the close of FY10, General Fund reserves had fallen to 83 days coverage. At the end of FY11, the reserves had grown to over \$3.3 million or over 101 days coverage.
- Although we budgeted \$101,511 of General Fund reserves for FY12 capital equipment expenditures, we were able to identify additional funds, after replenishment of the 90-day reserves, of \$155,957 to be combined with the amount noted above for capital projects in the subsequent fiscal year.
- The two-year construction of the U.S. Highway 290 Transportation Project began in mid-2011. 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. The City's portion of the FY11 debt service costs were funded from existing reserves deferring a tax rate increase until FY12.

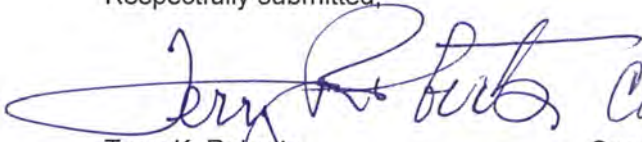
AWARDS AND ACKNOWLEDGEMENTS

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, 2010. This is the third 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.

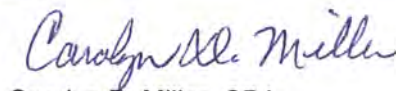
A Certificate of Achievement is valid for a period of one-year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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.

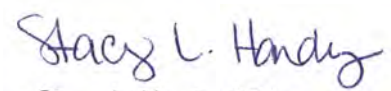
Respectfully submitted,



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, 2010

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.



Linda C. Davison

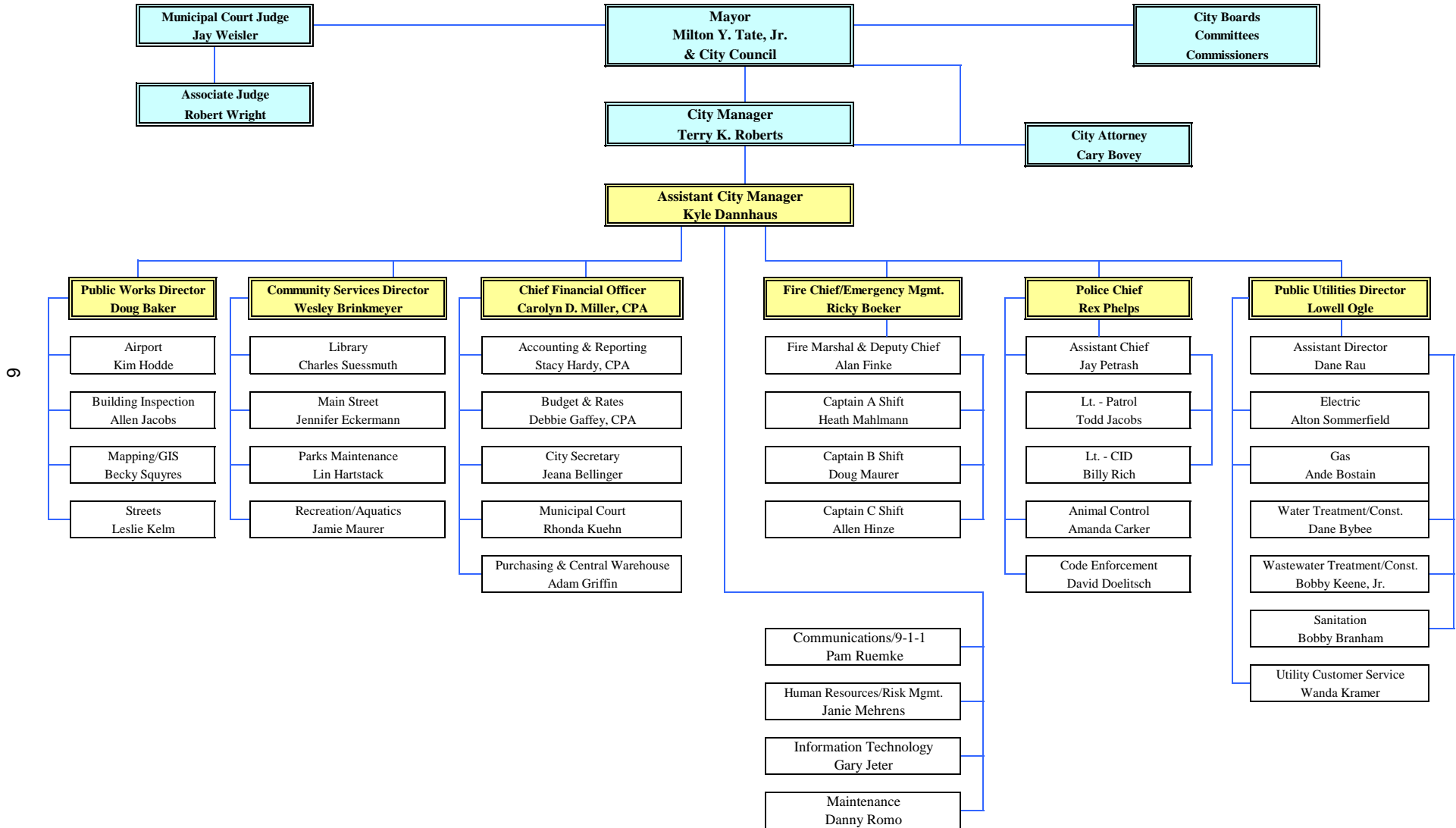
President

Jeffrey R. Emmer

Executive Director

CITY OF BRENHAM - ORGANIZATIONAL CHART

(As of September 30, 2011)



**CITY OF BRENHAM
PRINCIPAL OFFICERS
SEPTEMBER 30, 2011**

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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FINANCIAL
SECTION





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, 2011, 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, 2011, 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 March 5, 2012 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 67 through 69, and the analysis and budgetary comparison information on pages 70 through 71 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 combining and individual nonmajor financial statements, analysis and budgetary comparison information, and schedules within the reports for management 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.

Seidel, Schmasser & Company

March 5, 2012
Brenham, Texas

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2011

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, 2011. 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 \$86,499 (net assets). Of this amount, \$19,051 (*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 \$3,472.
- As of the close of the current fiscal year, the City of Brenham's governmental funds reported combined ending fund balances of \$9,944 an increase of \$4,790 in comparison with the prior year. Approximately \$3,529 is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,837 or 24.5% of total general fund expenditures.
- The City of Brenham's total bonded debt increased by \$13,260 or 33% 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, 2011

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 11 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and US 290 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 9 governmental funds are presented in the supplementary information section. The governmental FFS can be found on pages 26-29 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 31-35 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 37-65 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 76-92 of this report. Information relating to federal and state grant awards begins on page 111 of this report. The statistical section can be found on pages 116-136 of this report.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets serve as a useful indicator of the City's financial position. Assets exceeded liabilities by \$86,499 (net assets) at the close of the fiscal year, compared to assets exceeding liabilities by \$83,027 (net assets) at the end of the prior fiscal year. The City's total assets increased by \$3,472 during the period.

City of Brenham, Texas						
Net Assets						
(Amounts in Thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 21,823	\$ 6,796	\$ 22,191	\$ 20,432	\$ 44,014	\$ 27,228
Capital assets	52,699	54,013	50,677	49,593	103,376	103,606
Total assets	<u>74,522</u>	<u>60,809</u>	<u>72,868</u>	<u>70,025</u>	<u>147,390</u>	<u>130,834</u>
Long-term debt outstanding	32,433	17,990	19,743	21,253	52,176	39,243
Other liabilities	2,535	2,488	6,180	6,075	8,715	8,563
Total liabilities	<u>34,968</u>	<u>20,478</u>	<u>25,923</u>	<u>27,328</u>	<u>60,891</u>	<u>47,806</u>
Net assets:						
Invested in capital assets, net of related debt	35,294	35,290	31,846	29,365	67,141	64,655
Restricted	307	538	-	-	307	538
Unrestricted	3,953	4,502	15,099	13,332	19,051	17,835
Total net assets	<u>\$ 39,554</u>	<u>\$ 40,330</u>	<u>\$ 46,945</u>	<u>\$ 42,697</u>	<u>\$ 86,499</u>	<u>\$ 83,028</u>

By far the largest portion of the City of Brenham's net assets, 77.62%, 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 1%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$19,052 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, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

City of Brenham, Texas						
Changes in Net Assets						
(Amounts in Thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 1,390	\$ 1,349	\$ 41,952	\$ 38,491	\$ 43,342	\$ 39,840
Operating grants and contributions	627	866	16	-	643	866
Capital grants and contributions	610	1,213	600	229	1,210	1,442
General revenues:						
Property taxes	4,980	5,011	-	-	4,980	5,011
Sales taxes	3,775	3,679	-	-	3,775	3,679
Franchise taxes	3,152	2,885	-	-	3,152	2,885
Hotel Occupancy taxes	523	434	-	-	523	434
Alcoholic Beverage taxes	24	25	-	-	24	25
Other	394	978	117	96	511	1,074
Total revenues	<u>15,475</u>	<u>16,440</u>	<u>42,685</u>	<u>38,816</u>	<u>58,160</u>	<u>55,256</u>
Expenses:						
General government	5,174	5,756	-	-	5,174	5,756
Public safety	6,579	6,831	-	-	6,579	6,831
Highway/streets	2,629	2,680	-	-	2,629	2,680
Interest on Long Term Debt	939	855	-	-	939	855
Culture and recreation	3,514	3,676	-	-	3,514	3,676
Health and welfare	289	299	-	-	289	299
Water	-	-	3,430	3,088	3,430	3,088
Wastewater	-	-	2,861	2,979	2,861	2,979
Electric	-	-	23,963	22,260	23,963	22,260
Gas	-	-	2,603	3,200	2,603	3,200
Sanitation	-	-	2,707	2,669	2,707	2,669
Total Expenses	<u>19,124</u>	<u>20,097</u>	<u>35,564</u>	<u>34,196</u>	<u>54,688</u>	<u>54,293</u>
Increase (decrease) in net assets before transfers	(3,649)	(3,656)	7,121	4,620	3,472	964
Transfers	<u>2,873</u>	<u>2,836</u>	<u>(2,873)</u>	<u>(2,836)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(776)	(820)	4,248	1,784	3,472	964
Net assets - beginning	40,330	41,040	42,697	40,357	83,027	81,397
Restatement of net assets	-	110	-	556	-	666
Net assets - beginning as restated	<u>40,330</u>	<u>41,150</u>	<u>42,697</u>	<u>40,913</u>	<u>83,027</u>	<u>82,063</u>
Net assets - ending	<u>\$39,554</u>	<u>\$ 40,330</u>	<u>\$ 46,945</u>	<u>\$ 42,697</u>	<u>\$ 86,499</u>	<u>\$ 83,027</u>

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

Governmental activities. Governmental activities decreased the City of Brenham's net assets by \$776 compared to a decrease of \$820 in the prior fiscal year. Key elements of this decrease are noted below.

Revenues decreased \$965 (5.9%) during the year. This decrease is attributable to several factors.

Program Revenues

- Charges for Services increased \$41 (3%) due primarily to increased Municipal Court fees and fines.
- Operating Grants and Contributions decreased by \$239 (27.5%) which is primarily due to the following: in FY10 Washington County paid \$105 for the BVWACS radio tower project, and the City received \$95 for the STEP grant which was not awarded to the City in FY11.
- Capital Grants and Contributions decreased by \$603 (49.8%) due primarily to the following: in FY10, the airport runway project was substantially complete, and public safety grants for the BVWACS radio system were also received.

General Revenues

- Property Taxes decreased \$31 due to a decline in taxable values of -0.59% for the fiscal year.
- Sales Tax increased \$96 over the prior year due to increased consumer spending. With higher motor fuel costs, more consumers chose to limit their travel outside the City limits and shop locally.
- Franchise Taxes are received from the enterprise funds and are budgeted at 7% of revenue. The franchise taxes were higher than the prior year by \$267 which is directly attributable to increased revenues in the Electric and Water Funds.
- Hotel Occupancy Taxes were higher by \$89 or 20.5% due to the implementation and collection of a new 7% hotel occupancy tax for properties located in Washington County, but outside the city limits.
- Other Revenues were lower than the prior year by \$584, and the components are noted below.
 - Payments from Component Unit were lower by \$631, due to proceeds from issuance of Limited Tax Notes which were transferred to the Component Unit for capital improvements at the business park.
 - Interest income was higher by \$6, insurance proceeds were higher by \$20, and the sale of assets increased by \$5 over the prior year.

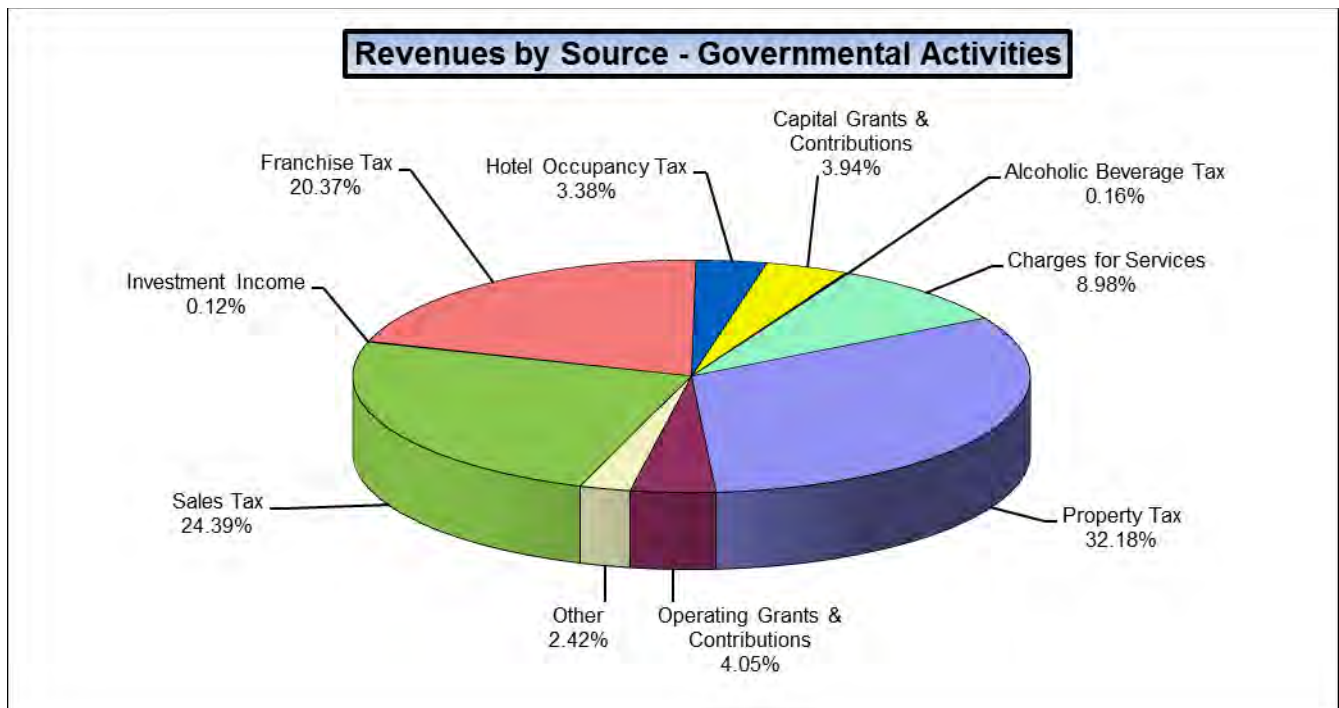
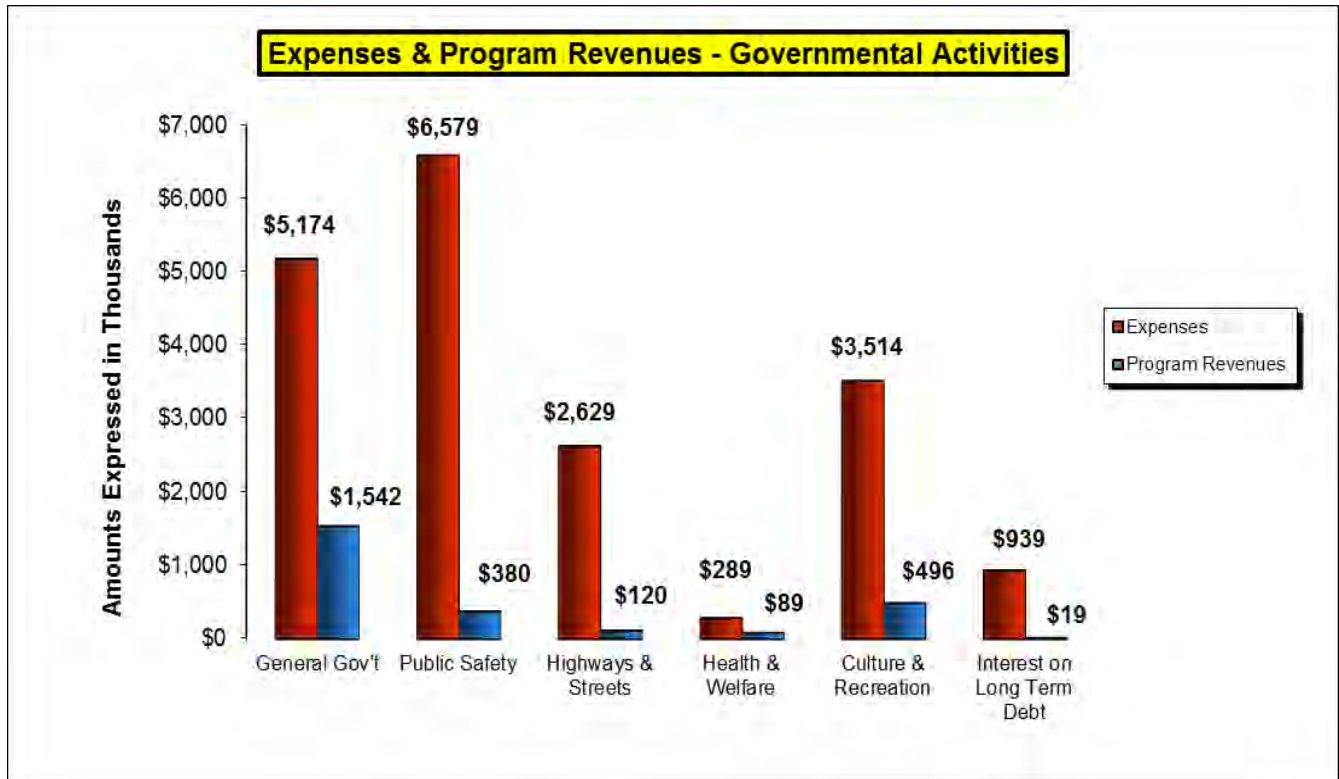
Expenses decreased \$973 or 4.8% during the year. This decrease is attributable to several factors.

- General Government expenditures decreased by \$582. As noted in the section above, the timing of capital and operating grants impacts the revenue and corresponding expenditures of the general government departments. The FY10 expenditures included the Henderson Park Lift Station and the general government portion of the BVWACS interoperability radio project.
- Public Safety expenditures decreased by \$252 which is due primarily to the timing of the public safety portion of the BVWACS interoperability radio project and the Police Department K-9 program which were implemented in FY10.
- Highway & Streets expenditures decreased by \$51 which is attributable to reduced funding for Phase II of the street rehabilitation project.
- Interest on Long Term Debt increased \$84 primarily from the issuance of new Pass-Through Toll Revenue Bonds and Tax Anticipation Notes.
- Culture & Recreation expenditures decreased \$162 related mainly to capital improvements in Fireman's Park and Hohlt Park which occurred in FY10.
- Health & Welfare expenses decreased by \$10 primarily from replacement of a vehicle in FY10.

Transfers increased \$37 during the year due to higher indirect expense allocation and utility transfers for downtown capital improvements.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)



CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

Business-type activities. Business-type activities increased the City of Brenham's net assets by \$4,248 compared to an increase of \$1,784 in the prior fiscal year. Key elements of this increase are noted below.

Revenues increased \$3,869 or 10% during the year. This increase is attributable to several factors.

- The charges for services in the Electric Fund increased by \$2,427. Due to the extreme heat during the summer months, our electric customers increased their KWH consumption by 7% above FY10 consumption.
- Gas Fund revenues decreased \$531 resulting from lower winter gas sales which were 48,782 MCFs below the prior year.
- The charges for services in the Water Fund increased by \$1,224 during the year. With the continuing drought conditions, water consumption totaled 996 million gallons which was 31% or 243 million gallons higher than the previous year.
- Charges for services in the Wastewater Fund were higher by \$166 compared to the previous fiscal year. This increase is due primarily to a higher level of commercial/industrial gallons processed which resulted in higher commercial and industrial surcharge revenue.
- The Sanitation Fund charges for services were higher by \$207 which is due primarily to budgeted rate increases in Transfer Station and Collection Station fees; increase in fees for garbage bags deposited at the Recycling Center and Collection Station; and the rebound in cardboard prices and other recyclables.
- Other Revenue experienced an increase from the prior year of \$21 comprised of a \$45 increase in interest earnings and offset by reduced disposal of surplus capital and non-capital assets.
- Capital grants and contributions were \$600 for various projects: \$348 for an emergency generator at the Water Treatment Plant; \$224 for Woodbridge Subdivision infrastructure improvements; and \$28 for Henderson Park Lift Station.

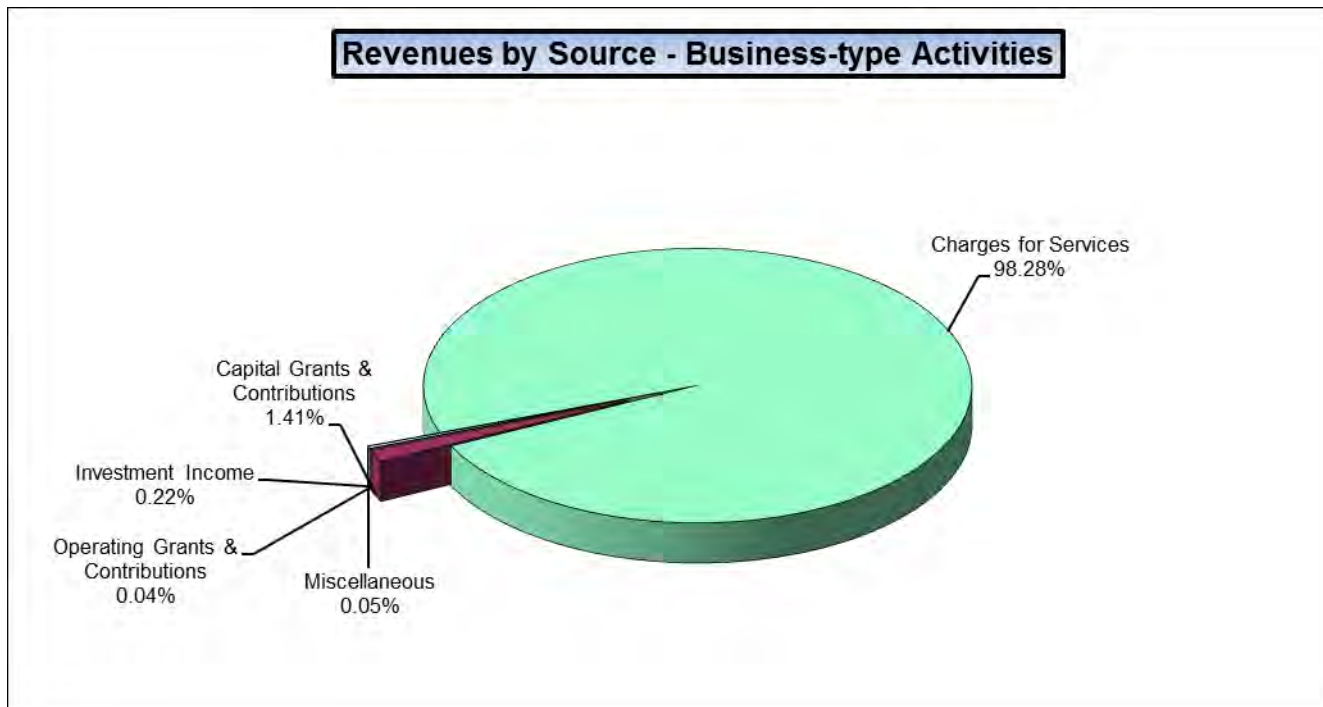
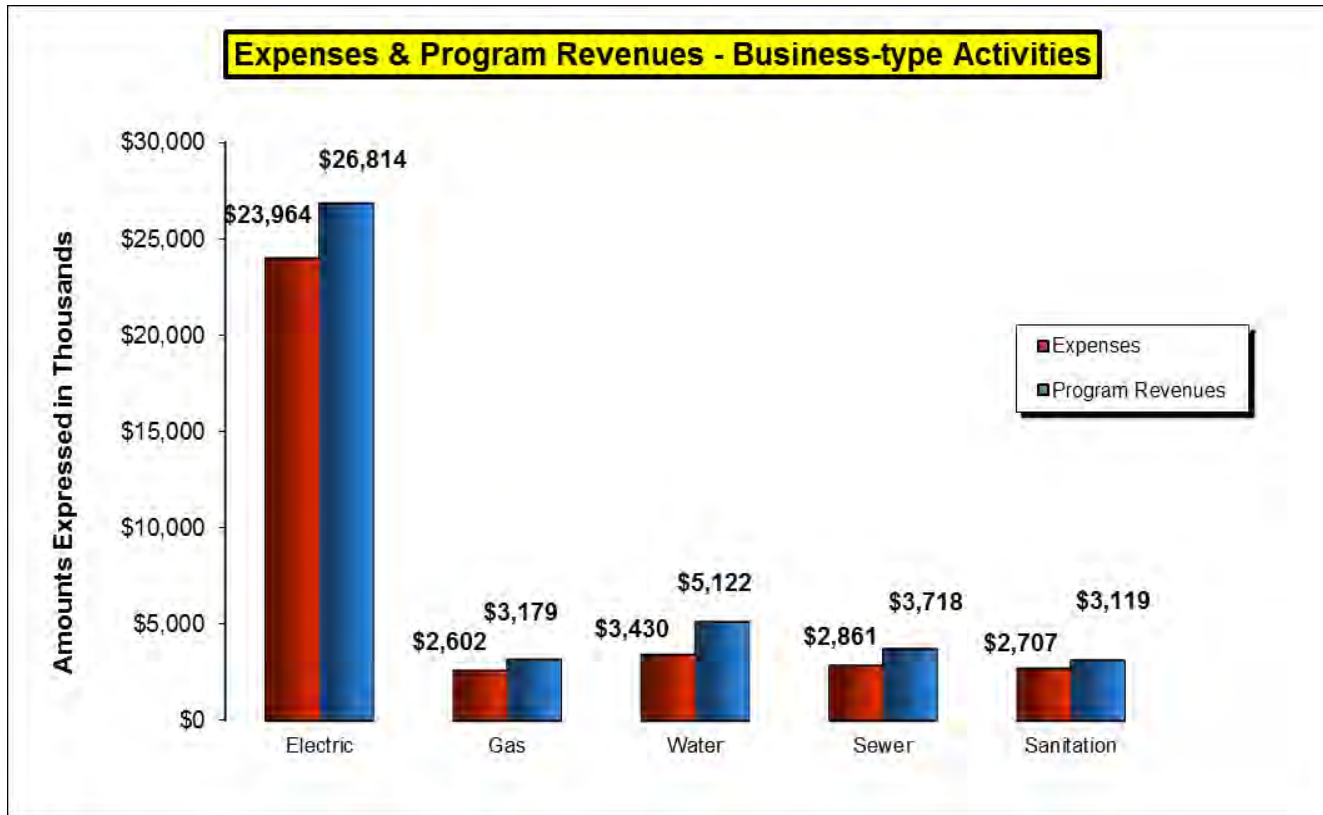
Expenses increased \$1,368 or 4% during the year with specific changes presented below.

- Electric Fund expenses increased by \$1,704 resulting from higher KWH consumption which also results in higher franchise taxes.
- The decrease in Gas Fund expenses of \$598 is due to lower gas purchase costs driven by reduced sales volume which translates to lower franchise taxes.
- The increased revenue from higher water sales has a corresponding impact on expenses in the Water Fund which increased by \$342 due to higher costs for water treatment chemicals, electrical costs and higher franchise taxes.
- Wastewater Fund expenses decreased by \$118 and can be attributed mainly to lower interest expense resulting from the refunding of the 2001 and 2002 Certificates of Obligation.
- With four operational areas, the Sanitation Fund expenses increased by \$38 due primarily to higher vehicle maintenance and improvements to parking lots at the Transfer Station and Collection Station.

Transfers increased \$37 during the year due to higher indirect expense allocation and utility transfers for downtown capital improvements.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)



CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2011

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City of Brenham's governmental funds reported combined ending fund balances of \$9,944 an increase of \$4,790 in comparison with the prior year. The increase is primarily related to the U.S. Hwy 290 Fund activity, which is described below.

The U.S. Hwy 290 Pass-Thru Finance Fund has a total fund balance of \$5,404 which is an increase of \$4,955 in comparison to the prior fiscal year. When the Pass-Through Toll Revenue Bonds were issued this year, the City received \$15,000 in proceeds. In accordance with the TxDOT agreement, \$10,000 was paid in FY11 and the remaining balance will be paid in the subsequent fiscal year.

The Debt Service Fund has a total fund balance of \$246 all of which is restricted for the payment of debt. The fund balance decreased during the current year by \$236 due utilization of fund balance to pay the initial debt service payments for the U.S. Hwy 290 project deferring a tax increase until FY12.

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 \$9,377; those of the Gas Fund were \$1,021; the Water Fund \$2,447; the Wastewater Fund \$1,396 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 General Fund is the chief operating fund of the City of Brenham. With the implementation of *GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions*, six other governmental funds were combined with the General Fund.

The original revenue budget was \$11,673 and the final amended budget was \$11,787, an increase of \$114. Revenues were amended by \$35 for the sale of surplus assets via an online auction, and \$86 for increased Municipal Court fines.

The original expenditure budget was \$14,604 and the final amended budget was \$14,531 (a decrease of \$73) which is primarily due to the downtown master plan which was deferred to FY12.

The original budget for transfers-in was \$3,078 and the final amended budget was \$3,068 a decrease of \$10. This change is related to a transfer-out to the Electric Fund for street light and signal maintenance, which reduced the overall transfers-in to the General Fund.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2011

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, 2011 amounts to \$103,376 (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 \$229 or less than 1%.

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

- Governmental capital assets showed a net decrease of \$1,314 due primarily to the following: the current year net change (additions less retirements) was \$1,603 while the current year depreciation expense was \$2,916. However, current year increases included \$50 donation of Linda Anderson Park from Washington County; Woodbridge Subdivision infrastructure improvements donated by the developer for \$375; and construction-in-progress additions of \$172 related to paving and drainage infrastructure improvements in the Southwest Industrial Park, Section 3.
- Business-type capital assets showed a net increase of \$1,085. In comparing the change between fiscal years, the significant change in is the Infrastructure category. The increase is due primarily to the AMR meter replacement project. Each utility operation is replacing the existing meters with a smart meter and project completion varies between funds. The Electric Utility is 48% complete, Gas Utility is 38% complete, and the Water Utility is 36% complete.

City of Brenham, Texas
Capital Assets
(Amounts in Thousands)
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land and Improvements	\$ 3,048	\$ 2,949	\$ 1,313	\$ 1,313	\$ 4,361	\$ 4,262
Buildings	18,943	19,300	449	381	19,392	19,681
Improvements other than buildings	6,246	6,783	22,333	22,713	28,579	29,496
Furniture, fixtures, and equipment	986	1,157	570	324	1,556	1,481
Machinery	199	233	-	-	199	233
Vehicles	2,575	2,702	1,069	1,027	3,644	3,729
Intangibles	169	178	58	7	227	185
Infrastructure	20,827	21,157	24,688	23,352	45,515	44,509
Construction in progress	368	216	197	475	565	691
Impairment	(662)	(662)	-	-	(662)	(662)
Total	\$ 52,699	\$ 54,013	\$ 50,677	\$ 49,592	\$ 103,376	\$ 103,605

Additional information on the City of Brenham's capital assets can be found in note III.E on pages 47-48 of this report.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2011

CAPITAL ASSET AND DEBT ADMINISTRATION – (Continued)

Long-term debt. At the end of the current fiscal year, the City of Brenham had total bonded debt outstanding, net of unamortized charges, of \$53,778. Of this amount, \$32,932 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 \$20,846 is self-supported debt that is to be repaid from system revenues.

City of Brenham, Texas
Outstanding Debt
General Obligation Bonds, Certificates of Obligation,
Pass-Through Toll Revenue Bonds and Limited Tax Notes
(Amounts in Thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 9,383	\$ 6,906	\$ 6,536	\$ 8,764	\$ 15,919	\$ 15,670
Certificates of Obligation	7,949	11,407	14,972	13,892	22,921	25,299
Pass-Through Toll Revenue Bonds	14,165	-	-	-	14,165	-
Limited Tax Notes	655	-	-	-	655	-
Unamortized Credits/Charges	780	(23)	(662)	(428)	118	(451)
Total	\$ 32,932	\$ 18,290	\$ 20,846	\$ 22,228	\$ 53,778	\$ 40,518

The City of Brenham's total bonded debt increased by \$13,260 or 33% during the current fiscal year primarily due to the issuance of Pass-Through Toll Revenue Bonds for improvements to U.S. Hwy 290.

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% 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, 2011 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 as of September 2011 was 6.4%, which is slightly higher than the rate of 5.9% one year ago. The current rate compares favorably to the state's average unemployment rate of 8.4%.
- Sales tax, which is the City's largest revenue source for funding general government operations, was higher than budgeted levels by 1.4%. However, with the U.S. Hwy 290 construction project and its potential, temporary interference with ease of access to important retail areas, we are continuing a conservative approach for FY12 with only a 1% increase budgeted for sales tax revenue.
- 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 2012 fiscal year.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2011

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

During the current fiscal year, unassigned fund balance in the General Fund, which excludes the other internal funds, grew from \$2,765 to over \$3,301. The City of Brenham's adopted budget for fiscal year 2012 is at a break-even level, so that General Fund expenditures do not utilize any fund balance. For FY12, the City's overall tax rate increased from \$0.5042 to \$0.5432 due to transportation initiative described below. The M&O rate remained at \$0.3420 while the I&S rate increased by \$0.039 from \$0.1622 to \$0.2012.

Two major transportation initiatives were funded in the FY12 budget. First, the two-year construction of the U.S. Highway 290 Transportation Project began in mid-2011. 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. The City's portion of the debt service costs required a \$0.025 increase in the I&S tax rate. Secondly, Limited Tax Notes for \$1.2 million were issued for a Street Overlay project to be performed by an outside contractor. The impact of this additional debt service added \$0.0188 to the I&S tax rate. Both of these increases are partially offset by a tax rate reduction of \$0.0048 for maturing capital leases.

Although we are continuing the AMR meter replacement project, no rate increases were necessary in the fiscal year 2012 operating budgets for the enterprise funds. We believe excess working capital from each of the funds is sufficient to cover meter replacement costs.

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.



City of Brenham
Statement of Net Assets
September 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Equivalents	\$ 4,305,636	\$ 8,719,213	\$ 13,024,849	\$ 1,292,533
Receivables - Property Tax (net)	191,219	-	191,219	-
Receivables - Sales Tax	663,035	-	663,035	221,012
Receivables - Occupancy Taxes	56,836	-	56,836	-
Receivables - Account (net)	362,236	5,178,305	5,540,541	-
Receivables - Interest	-	55,649	55,649	-
Internal Balances	(475,085)	475,085	-	-
Due from Other Governments	10,130,260	11,597	10,141,857	-
Inventory at Cost	197,188	1,852,873	2,050,061	-
Notes Receivable, Current	-	51,394	51,394	-
Other Current Assets	13,641	704,275	717,916	-
Restricted Cash	5,908,422	3,483,174	9,391,596	-
Capital Assets, Not Being Depreciated	3,426,260	1,517,854	4,944,114	2,258,383
Notes Receivable, Long Term	-	1,368,539	1,368,539	-
Unamortized Bond Issuance Costs, Net	469,747	291,287	761,034	-
Other Capital Assets, Net	49,272,759	49,158,826	98,431,585	-
Total assets	<u>74,522,153</u>	<u>72,868,071</u>	<u>147,390,225</u>	<u>3,771,928</u>
LIABILITIES				
Accounts Payable and Other Current Liabilities	592,785	2,780,640	3,373,425	104,073
Due to Other Governments	20,811	-	20,811	-
Other Liabilities	167	3,403	3,570	-
Accrued Interest	151,827	94,407	246,234	55,649
Self Insurance Claims Payable	121,665	-	121,665	-
Compensated Absences, Current	148,308	82,737	231,045	-
Bonds Payable, Current	1,383,489	-	1,383,489	-
Lease Payable, Current	116,347	95,507	211,854	-
Revenue Bonds Payable, Current	-	1,456,513	1,456,513	-
Notes Payable, Current - Component Unit	-	-	-	51,394
Consumer Deposits	-	1,666,624	1,666,624	-
Compensated Absences, Long Term	174,545	70,428	244,973	-
Post Employment Benefits	273,384	190,054	463,438	-
Long Term Debt, Net	31,984,884	19,482,453	51,467,337	1,368,539
Total liabilities	<u>34,968,212</u>	<u>25,922,766</u>	<u>60,890,978</u>	<u>1,579,655</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	35,294,268	31,846,549	67,140,817	838,450
Restricted for Debt Service	307,292	-	307,292	-
Restricted for Economic Development	-	-	-	520,619
Restricted for Recreation	-	-	-	213,496
Restricted for Capital Improvements	-	-	-	619,708
Unrestricted	3,952,381	15,098,756	19,051,138	-
Total net assets	<u>\$ 39,553,941</u>	<u>\$ 46,945,305</u>	<u>\$ 86,499,247</u>	<u>\$ 2,192,273</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, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-type Activities	Total		
Primary government:									
Governmental activities:									
General Government	\$ 5,177,514	\$ 934,808	\$ 91,636	\$ 515,429	\$ (3,635,641)	\$ -	\$ (3,635,641)	\$ -	
Public Safety	6,579,061	6,258	374,196	-	(6,198,607)	-	(6,198,607)	-	
Highways and Streets	2,628,682	51,666	29,819	37,603	(2,509,594)	-	(2,509,594)	-	
Health and Welfare	288,699	32,452	57,008	-	(199,239)	-	(199,239)	-	
Culture and Recreation	3,513,628	364,696	74,211	57,113	(3,017,608)	-	(3,017,608)	-	
Interest on Long Term Debt	938,663	-	-	-	(938,663)	-	(938,663)	-	
Total governmental activities	<u>19,126,247</u>	<u>1,389,880</u>	<u>626,870</u>	<u>610,145</u>	<u>(16,499,352)</u>	<u>-</u>	<u>(16,499,352)</u>	<u>-</u>	
Business-type activities:									
Electric	23,962,803	26,814,028	-	-	-	2,851,225	2,851,225	-	
Gas	2,602,842	3,178,811	-	-	-	575,969	575,969	-	
Sanitation	2,706,750	3,119,515	16,622	-	-	429,387	429,387	-	
Wastewater	2,860,922	3,717,883	-	168,878	-	1,025,839	1,025,839	-	
Water	3,430,862	5,122,170	-	430,921	-	2,122,229	2,122,229	-	
Total business-type activities	<u>35,564,179</u>	<u>41,952,407</u>	<u>16,622</u>	<u>599,799</u>	<u>-</u>	<u>7,004,649</u>	<u>7,004,649</u>	<u>-</u>	
Total primary government	<u>\$ 54,690,426</u>	<u>\$ 43,342,287</u>	<u>\$ 643,492</u>	<u>\$ 1,209,944</u>	<u>\$ (16,499,352)</u>	<u>\$ 7,004,649</u>	<u>\$ (9,494,703)</u>	<u>\$ -</u>	
Component unit:									
Brenham Community Devel Corp	\$ 269,757	-	-	-	-	-	-	(269,757)	
Total component unit	<u>\$ 269,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(269,757)</u>	
					Property Taxes	-	4,980,377	-	
					Sales Taxes	-	3,774,894	1,258,298	
					Franchise Taxes	-	3,152,016	-	
					Hotel Occupancy Taxes	-	523,605	-	
					Alcoholic Beverage Taxes	-	24,247	-	
					Investment Income not Restricted	95,798	114,299	1,645	
					Miscellaneous	21,046	165,034	-	
					Gain on Sale of Capital Assets	-	12,771	3,100	
					Payments to/from Component Unit	-	219,526	(219,526)	
					Transfers	(2,872,953)	-	-	
					Total general revenues	<u>15,722,878</u>	<u>(2,756,109)</u>	<u>12,966,769</u>	<u>1,043,517</u>
					Change in net assets	<u>(776,474)</u>	<u>4,248,540</u>	<u>3,472,066</u>	<u>773,760</u>
					Net assets - beginning	<u>40,330,415</u>	<u>42,696,765</u>	<u>83,027,180</u>	<u>1,418,513</u>
					Net assets - ending	<u>\$ 39,553,941</u>	<u>\$ 46,945,305</u>	<u>\$ 86,499,246</u>	<u>\$ 2,192,273</u>

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

**City of Brenham
Balance Sheet
Governmental Funds
September 30, 2011**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>US 290 Pass Thru Finance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and Equivalents	\$ 3,564,436	\$ -	\$ 458,067	\$ 283,133	\$ 4,305,636
Receivables (Net)					
Property Taxes	129,581	61,638	-	-	191,219
Sales Tax	663,035	-	-	-	663,035
Occupancy Tax	-	-	-	56,836	56,836
Accounts	362,236	-	-	-	362,236
Interfund Receivables	183,368	-	-	63,657	247,025
Due from Other Governments	127,758	2,501	-	-	130,259
Inventory at Cost	197,188	-	-	-	197,188
Other Current Assets	7,042	-	-	-	7,042
Restricted Cash	-	263,964	5,012,995	56,661	5,333,620
Restricted Investments	-	-	-	-	-
Total Assets	<u>\$ 5,234,644</u>	<u>\$ 328,103</u>	<u>\$ 5,471,062</u>	<u>\$ 460,287</u>	<u>\$ 11,494,096</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable & Other Current Liabilities	\$ 587,320	\$ -	\$ 3,463	\$ 2,075	\$ 592,858
Interfund Payables	373,308	-	63,656	-	436,964
Due to Other Governments	-	20,811	-	-	20,811
Deferred Revenue	437,198	61,638	-	576	499,412
Other Liabilities	167	-	-	-	167
Total Liabilities	<u>1,397,993</u>	<u>82,449</u>	<u>67,119</u>	<u>2,651</u>	<u>1,550,212</u>
Fund Balances:					
Nonspendable	204,230	-	-	-	204,230
Restricted	103,052	245,654	5,012,995	342,264	5,703,965
Committed	-	-	-	111,424	111,424
Assigned	-	-	390,948	3,948	394,896
Unassigned	3,529,369	-	-	-	3,529,369
Total Fund Balances	<u>3,836,651</u>	<u>245,654</u>	<u>5,403,943</u>	<u>457,636</u>	<u>9,943,884</u>
Total Liabilities and Fund Balances	<u>\$ 5,234,644</u>	<u>\$ 328,103</u>	<u>\$ 5,471,062</u>	<u>\$ 460,287</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, 2011

Total fund balances - total governmental funds \$ 9,943,884

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. 52,699,018

Gross capital assets	90,502,924
Accumulated depreciation	(37,141,564)
Impairment Loss	(662,342)
	52,699,018

Certain long-term assets are not available to pay current period expenditures and therefore are not reported in the governmental funds balance sheet. 10,000,000

Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. (33,763,037)

Bonds payable	32,151,853
Less: Unamortized bond issue costs	(469,749)
Less: Issuance discount	(942)
Add: Issuance premium	1,226,875
Less: Unamortized deferred charges	(445,397)
Accrued interest payable	151,827
Capital lease payable	552,333
Compensated absences	322,853
Post retirement benefits	273,384
	33,763,037

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. 174,664

Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds. 499,412

Net assets of governmental activities \$ 39,553,941

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, 2011

	General Fund	Debt Service Fund	US 290 Pass Thru Finance Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 10,323,014	\$ 1,598,416	\$ -	\$ 523,605	12,445,035
Licenses and Permits	64,465	-	-	-	64,465
Intergovernmental	630,305	-	-	65,951	696,256
Charges for Services	493,247	-	-	65,237	558,484
Fines and Forfeitures	766,908	-	-	-	766,908
Investment Income	5,560	1,255	11,289	155	18,259
Payment from Component Unit	216,500	573,489	-	181,000	970,989
Contributions and Donations	110,004	-	-	1,250	111,254
Miscellaneous	112,749	-	-	3,181	115,930
Total revenues	12,722,752	2,173,160	11,289	840,379	15,747,580
Expenditures					
Current:					
Culture and Recreation	2,495,873	-	-	364,968	2,860,841
General Government	4,754,283	-	-	60,672	4,814,955
Health and Welfare	278,258	-	-	-	278,258
Highways and Streets	1,379,316	-	10,046,872	135	11,426,323
Public Safety	5,800,771	-	-	1,188	5,801,959
Debt service:					
Interest & Fiscal Charges	-	932,687	-	-	932,687
Principal Retirement	-	1,623,452	-	-	1,623,452
Issuance Costs	21,095	55,168	255,146	-	331,409
Capital Outlay	952,527	-	11,847	239,004	1,203,378
Total expenditures	15,682,123	2,611,307	10,313,865	665,967	29,273,262
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,959,371)	(438,147)	(10,302,576)	174,412	(13,525,682)
Other Financing Sources (Uses)					
Transfers In	2,945,685	145,685	-	-	3,091,370
Transfers Out	-	-	(67,679)	(150,738)	(218,417)
Payment to Component Unit	(751,463)	-	-	-	(751,463)
Refunding bonds issued	-	3,060,619	-	-	3,060,619
Payment to refunded bond escrow agent	-	(3,004,387)	-	-	(3,004,387)
Proceeds from Bonds	772,558	-	15,325,116	-	16,097,674
Insurance Proceeds	40,074	-	-	-	40,074
Total other financing sources and (uses)	3,006,854	201,917	15,257,437	(150,738)	18,315,470
Net change in Fund Balances	47,483	(236,230)	4,954,861	23,674	4,789,788
Fund balances - beginning as restated	3,789,168	481,884	449,082	433,962	5,154,096
Fund balances - ending	\$ 3,836,651	\$ 245,654	\$ 5,403,943	\$ 457,636	\$ 9,943,884

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, 2011

Net change in fund balances - total governmental funds \$ 4,789,788

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. (1,314,170)

Capital outlay	1,203,378
Depreciation expense	(2,916,799)
Donation of capital asset	457,853
Proceeds from sale	(23,954)
Loss on disposal	(47,418)
Gain on disposal	12,770
	(1,314,170)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. 22,042

Payments to the State of Texas for the Pass-Thru Financing Program are shown as expenditures in the governmental funds. However, since the state will subsequently repay these amounts, they are reflected as a receivable in the statement of net assets. 10,000,000

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. (14,078,379)

Debt issued:	
General Obligation Refunding Bonds	(3,010,960)
Pass Through Toll Revenue Bonds	(14,180,000)
Limited Tax Notes	(760,000)
Bond issue costs on new debt	330,608
Bond premium on new debt	(1,207,257)
Repayments:	
To Paying Agent:	
For certificate principal	3,004,387
To bond, certificate, and note holders	1,630,953
Amortization of bond premiums, discounts, & charges	113,890
	(14,078,379)

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. (187,557)

Compensated absences	(15,131)
Accrued interest payable	(57,095)
Post retirement benefits	(115,331)
	(187,557)

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. 46,218

For government wide reporting, bond issue costs are deferred and amortized. (54,416)

Change in net assets of governmental activities \$ (776,474)

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, 2011

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	\$ 5,160,150	\$ 696,150	\$ 941,448	\$ 1,203,842	\$ 717,623	\$ 8,719,213	\$ -
Interest Receivable	55,649	-	-	-	-	55,649	-
Receivables - Accounts, Net	3,435,395	234,729	792,087	477,526	238,568	5,178,305	995
Receivables - Interfund	373,308	-	223,494	-	-	596,802	-
Intergovernmental Receivable	-	-	-	-	11,597	11,597	-
Inventory at Cost	754,431	229,291	838,292	30,859	-	1,852,873	-
Other Current Assets	630,762	-	45,297	1,906	26,310	704,275	6,599
Notes Receivable, Net	51,394	-	-	-	-	51,394	-
Restricted Cash	1,794,256	-	1,688,918	-	-	3,483,174	574,802
Total current assets	12,255,345	1,160,170	4,529,536	1,714,133	994,098	20,653,282	582,396
Noncurrent assets:							
Capital Assets, Net	8,624,541	1,647,236	18,466,897	20,511,532	1,426,474	50,676,680	-
Unamortized Bond Issuance Cost	-	-	114,761	176,526	-	291,287	-
Notes Receivable, Long Term	1,368,539	-	-	-	-	1,368,539	-
Total noncurrent assets	9,993,080	1,647,236	18,581,658	20,688,058	1,426,474	52,336,506	-
Total assets	22,248,425	2,807,406	23,111,194	22,402,191	2,420,572	72,989,788	582,396
Liabilities							
Current liabilities:							
Accounts Payable & Other Current Liabilities	\$ 2,435,935	\$ 101,553	\$ 54,603	\$ 40,049	\$ 148,500	\$ 2,780,640	\$ -
Other Liabilities	-	-	2,353	1,050	-	3,403	-
Accrued Interest	110	51	49,732	44,228	286	94,407	-
Interfund Payable	-	-	-	181,784	41,710	223,494	183,368
Self Insurance Claims Payable	-	-	-	-	-	-	122,661
Compensated Absences, Current	37,265	7,644	12,393	13,702	11,733	82,737	-
Lease Payable, Current	8,100	9,566	2,787	3,225	71,829	95,507	-
Revenue Bonds Payable, Current	-	-	600,230	856,283	-	1,456,513	-
Consumer Deposits	1,666,624	-	-	-	-	1,666,624	-
Total current liabilities	4,148,034	118,814	722,098	1,140,321	274,058	6,403,325	306,029
Non current liabilities:							
Compensated Absences	32,788	8,396	12,693	8,192	8,359	70,428	-
Post Employment Benefits	74,469	21,565	37,296	29,229	27,495	190,054	-
Long Term Debt, Net	39,782	8,458	9,370,703	10,048,745	14,765	19,482,453	-
Total noncurrent liabilities	147,039	38,419	9,420,692	10,086,166	50,619	19,742,935	-
Total liabilities	4,295,073	157,233	10,142,790	11,226,487	324,677	26,146,260	306,029
Net Assets							
Invested in Capital Assets, Net of Related Debt	8,576,659	1,629,212	10,520,994	9,779,804	1,339,880	31,846,549	-
Unrestricted	9,376,693	1,020,961	2,447,410	1,395,900	756,015	14,996,979	276,367
Total net assets	\$ 17,953,352	\$ 2,650,173	\$ 12,968,404	\$ 11,175,704	\$ 2,095,895	46,843,528	\$ 276,367

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

101,777
\$ 46,945,305

Net Assets of business-type activities

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, 2011

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	\$ 26,814,022	\$ 3,178,809	\$ 5,122,167	\$ 3,717,881	\$ 3,119,513	\$ 41,952,392	\$ 2,273,703
Total Operating Revenues	<u>26,814,022</u>	<u>3,178,809</u>	<u>5,122,167</u>	<u>3,717,881</u>	<u>3,119,513</u>	<u>41,952,392</u>	<u>2,273,703</u>
Operating expenses:							
Cost of Sales and Services	19,556,731	1,818,520	265,650	-	-	21,640,901	-
Salaries	1,564,473	306,234	597,321	476,399	520,730	3,465,157	-
Supplies	175,788	31,209	436,612	166,758	264,137	1,074,504	-
Maintenance	35,446	18,318	204,306	69,619	106,658	434,347	-
Contractual Services	333,889	25,399	339,016	603,368	1,615,406	2,917,078	2,195,664
Depreciation	383,218	164,510	745,552	807,123	128,381	2,228,784	-
Gross Revenue Tax	1,844,585	221,832	352,104	254,963	56,989	2,730,473	-
Miscellaneous	79,033	19,461	29,099	17,890	12,715	158,198	-
Total operating expenses	<u>23,973,163</u>	<u>2,605,483</u>	<u>2,969,660</u>	<u>2,396,120</u>	<u>2,705,016</u>	<u>34,649,442</u>	<u>2,195,664</u>
Operating Income (loss)	<u>2,840,859</u>	<u>573,326</u>	<u>2,152,507</u>	<u>1,321,761</u>	<u>414,497</u>	<u>7,302,950</u>	<u>78,039</u>
Nonoperating revenues (expenses):							
Intergovernmental	-	-	-	-	16,622	16,622	-
Investment Income	87,974	913	4,101	1,777	862	95,627	414
Interest Expense & Fiscal Charges	(2,237)	(994)	(467,307)	(416,988)	(6,359)	(893,885)	-
Miscellaneous, Net	13,602	2,789	(166)	(52,736)	4,655	(31,856)	-
Total non operating revenue (expenses)	<u>99,339</u>	<u>2,708</u>	<u>(463,372)</u>	<u>(467,947)</u>	<u>15,780</u>	<u>(813,492)</u>	<u>414</u>
Income (loss) before contributions and transfers	2,940,198	576,034	1,689,135	853,814	430,277	6,489,458	78,453
Capital Contributions	-	-	430,921	168,878	-	599,799	-
Transfers In	516,122	-	-	-	-	516,122	-
Transfers Out	(1,622,465)	(477,363)	(465,376)	(470,938)	(352,933)	(3,389,075)	-
Total Transfers In/(Out)	<u>(1,106,343)</u>	<u>(477,363)</u>	<u>(465,376)</u>	<u>(470,938)</u>	<u>(352,933)</u>	<u>(2,872,953)</u>	<u>-</u>
Change in net assets	1,833,855	98,671	1,654,680	551,754	77,344	4,216,304	78,453
Total net assets - beginning	16,119,497	2,551,502	11,313,724	10,623,950	2,018,551		197,914
Total net assets - ending	<u>\$ 17,953,352</u>	<u>\$ 2,650,173</u>	<u>\$ 12,968,404</u>	<u>\$ 11,175,704</u>	<u>\$ 2,095,895</u>		<u>\$ 276,367</u>

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

	32,236
Change in net assets of business-type activities	<u>\$ 4,248,540</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, 2011

	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	\$ 26,568,611	\$ 3,194,274	\$ 4,904,434	\$ 3,690,848	\$ 3,131,605	\$ 41,489,772	\$ -
Receipts from interfund services provided	-	-	-	-	-	-	2,375,964
Gross revenue tax paid to General Fund	(1,844,585)	(221,832)	(352,104)	(254,963)	(56,989)	(2,730,473)	-
Payments to suppliers	(20,476,339)	(1,720,121)	(2,126,682)	(776,078)	(1,901,281)	(27,000,501)	(2,205,202)
Payments to employees	(1,534,851)	(298,768)	(585,457)	(467,715)	(506,981)	(3,393,772)	-
Net cash provided (used) by operating activities	<u>2,712,836</u>	<u>953,553</u>	<u>1,840,191</u>	<u>2,192,092</u>	<u>666,354</u>	<u>8,365,026</u>	<u>170,762</u>
Cash Flows from Non Capital Financing Activities							
Transfers in (out)	(1,106,343)	(477,363)	(465,376)	(470,938)	(352,933)	(2,872,953)	-
Interest paid on consumer deposits	(529)	-	-	-	-	(529)	-
Net cash provided (used) by noncapital financing activities	<u>(1,106,872)</u>	<u>(477,363)</u>	<u>(465,376)</u>	<u>(470,938)</u>	<u>(352,933)</u>	<u>(2,873,482)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities							
Acquisition and construction of capital assets	(1,425,751)	(238,090)	(493,333)	(522,308)	(125,346)	(2,804,828)	-
Principal paid on bonds and capital leases	(7,838)	(9,188)	(692,498)	(789,982)	(80,875)	(1,580,381)	-
Insurance proceeds	499	-	-	-	-	499	-
Proceeds from sales of capital assets	4,731	-	12,138	3,684	-	20,553	-
Interest and fees paid on bonds and capital leases	(1,726)	(1,025)	(430,654)	(376,148)	(7,168)	(816,721)	-
Net cash provided (used) by capital and related financing activities	<u>(1,430,085)</u>	<u>(248,303)</u>	<u>(1,604,347)</u>	<u>(1,684,754)</u>	<u>(213,389)</u>	<u>(5,180,878)</u>	<u>-</u>
Cash Flows from Investing Activities							
Proceeds from sale and maturities of investments	1,863	396	641	742	692	4,334	-
Principal received on notes receivable	48,893	-	-	-	-	48,893	-
Investment income received	32,325	913	4,101	1,777	862	39,978	414
Net cash provided (used) by investing activities	<u>83,081</u>	<u>1,309</u>	<u>4,742</u>	<u>2,519</u>	<u>1,554</u>	<u>93,205</u>	<u>414</u>
Net increase (decrease) in cash and cash equivalents	258,960	229,196	(224,790)	38,919	101,586	403,871	171,176
Cash and cash equivalents, beginning 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>
Cash and cash equivalents, end of year	<u>\$ 6,954,406</u>	<u>\$ 696,150</u>	<u>\$ 2,630,366</u>	<u>\$ 1,203,842</u>	<u>\$ 717,623</u>	<u>\$ 12,202,387</u>	<u>\$ 574,802</u>
Reconciliation of cash and cash equivalents to statement of net assets							
Cash and equivalents	\$ 5,160,150	\$ 696,150	\$ 941,448	\$ 1,203,842	\$ 717,623	\$ 8,719,213	\$ -
Restricted cash and equivalents	1,794,256	-	1,688,918	-	-	3,483,174	574,802
Cash and cash equivalents, end of year	<u>\$ 6,954,406</u>	<u>\$ 696,150</u>	<u>\$ 2,630,366</u>	<u>\$ 1,203,842</u>	<u>\$ 717,623</u>	<u>\$ 12,202,387</u>	<u>\$ 574,802</u>

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

Operating income (loss)	\$ 2,840,859	\$ 573,326	\$ 2,152,507	\$ 1,321,761	\$ 414,497	\$ 7,302,950	\$ 78,039
Adjustments to reconcile net cash provided (used) by operating activities							
Depreciation	383,218	164,510	745,552	807,123	128,381	2,228,784	-
Provision for uncollectible accounts	74,501	3,414	13,702	14,199	4,619	110,435	-
Other income (expense)	26,072	2,788	3,824	2,463	21,275	56,422	-
Changes in assets and liabilities affecting cash provided by operations:							
(Increase) decrease in accounts receivable	(383,040)	9,263	(235,259)	(43,695)	(13,804)	(666,535)	(141)
(Increase) decrease in inventory	(359,529)	(134,015)	(657,877)	(4,675)	-	(1,156,096)	-
(Increase) decrease in interfund receivables	(87,208)	330,791	(493)	-	68,208	311,298	4,938
(Increase) decrease in intergovernmental receivables	-	-	-	-	151	151	-
Increase (decrease) in interfund payables	-	-	-	80,505	41,710	122,215	72,890
Increase (decrease) in self insurance claims liability	-	-	-	-	-	-	(9,224)
(Increase) decrease in other assets	(33,638)	-	(1,022)	(1,906)	(16,536)	(53,102)	24,575
Increase (decrease) in accounts payable and other current liabilities	184,923	(3,990)	(192,607)	7,633	4,104	63	(315)
Increase (decrease) in salaries & benefits payable	(1,557)	(1,610)	(113)	(3,577)	760	(6,097)	-
Increase (decrease) in compensated absences	3,267	1,965	(725)	10,046	12,055	26,608	-
Increase (decrease) in postemployment benefits	27,912	7,111	12,702	2,215	934	50,874	-
Increase (decrease) in consumer deposits	37,056	-	-	-	-	37,056	-
Net cash provided (used) by operating activities	<u>\$ 2,712,836</u>	<u>\$ 953,553</u>	<u>\$ 1,840,191</u>	<u>\$ 2,192,092</u>	<u>\$ 666,354</u>	<u>\$ 8,365,026</u>	<u>\$ 170,762</u>

Noncash investing, capital and financing activities

Purchase of capital asset with lease proceeds	\$ 1,863	\$ 396	\$ 641	\$ 742	\$ 692	\$ 4,334	\$ -
Contribution of capital assets	-	-	430,921	168,878	-	599,799	-

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City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2011

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 has a single general fund which 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, 2011

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 *US 290 Pass-Thru Finance Fund* accounts for pass-thru toll revenue bond proceeds and payments pursuant to the Pass-Thru Agreement with Texas Department of Transportation.

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, 2011

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, 2011

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 back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2011

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

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

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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.

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 \$63,593 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, 9 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, one qualifies for the long term disability benefit.

11. Implementation of New Pronouncements

In this fiscal year, the City adopted GASB Statement No. 54, "Fund Balance, Reporting and Governmental Fund Type Definitions."

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.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2011

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

1. Basis of accounting

With the exception of the General Fund, all budgets are prepared and adopted on a basis consistent with generally accepted accounting principles of accounting which is the same basis used for financial reporting in these financial statements. See Note 1 under the Required Supplementary Information section regarding the General Fund basis of accounting.

2. Budgeted funds

Annual appropriated budgets are adopted for all governmental fund types except 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, 2011, 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, Debt Service Fund and the US 290 Pass-Thru Finance Fund. Non major governmental funds for which budgets were adopted include the Hotel/Motel Tax, Washington County Hotel/Motel Tax, PD Criminal Law Enforcement Fund, Courts Technology/Security and Parks Capital Improvements 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.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2011

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

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

No fund had a deficit fund balance at year end.

D. Excess of Expenditures Over Appropriations

For fiscal year end September 30, 2011, all expenditures of the General Fund were within appropriations.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2011, the City had an investment in a State Money Pool (TexPool) which had a balance of \$7,137,775 which was included in cash and cash equivalents at September 30, 2011. "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 \$15,347,526 and was included in cash and cash equivalents at September 30, 2011. "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 \$1.0001 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.

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.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2011

III. DETAILED NOTES ON ALL FUNDS (Continued)

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 \$1,216,325 and the bank balances totaled \$1,785,601. Of the bank balances, \$250,000 was covered by federal depository insurance and \$900,833 was collateralized with securities held by the pledging financial institution's trust department or agent in the government's name. The remaining \$634,768 was being held at JP Morgan Chase Bank in an overnight investment sweep account. These funds, although not FDIC insured or collateralized with securities held by the pledging financial institution's trust department or agent in the government's name, were invested in a low risk U.S Treasury plus Money Market Fund. The primary investments of this fund are direct obligations of the U.S. Treasury including Treasury bills, bonds and other obligations issued or guaranteed by the U.S. Treasury and repurchase agreements collateralized by such obligations.

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:

	General Fund
Accounts	\$ 230,545
Assessments	135,691
	366,236
Less Allowance for Uncollectibles	(4,000)
Accounts Receivable, Net	\$ 362,236

Proprietary Funds

	Electric Fund	Gas Fund	Water Fund	Wastewater Fund	Sanitation Fund	Total
Accounts	\$ 3,495,395	\$ 239,729	\$ 804,087	\$ 490,526	\$ 244,568	\$ 5,274,305
Less Allowance for Uncollectibles	(60,000)	(5,000)	(12,000)	(13,000)	(6,000)	(96,000)
Accounts Receivable, Net	\$ 3,435,395	\$ 234,729	\$ 792,087	\$ 477,526	\$ 238,568	\$ 5,178,305

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2011

III. DETAILED NOTES ON ALL FUNDS (Continued)

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)	\$ 129,581	\$ -	\$ 129,581
Delinquent property taxes receivable (Debt Service Fund)	61,638	-	61,638
Franchise fees receivable	177,897	-	177,897
Lien assessments and pending seizures	130,296	-	130,296
Total deferred/unearned revenue for governmental funds	<u>\$ 499,412</u>	<u>\$ -</u>	<u>\$ 499,412</u>
Balances not expected to be collected within one year	\$ 130,296	\$ -	\$ 130,296

C. Receivables – Property Taxes

The following information relates to property taxes receivable for the year ended September 30, 2011:

Original Certified Tax Roll	\$ 975,919,507
Approved Rate (Per \$100 Valuation)	0.5042
Original Levy	4,920,586
Supplements	7,663
Adjusted Levy	<u>\$ 4,928,249</u>
Collections on Current Tax Roll	4,840,737
Total Collections/Refunds/Adjustments	4,914,041
Property Taxes Receivable	\$ 191,219

D. Notes Receivable

Notes receivable at September 30, 2011 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	\$ 419,933
Note receivable from component unit Brenham Community Development Corporation, principal amount \$1,000,000; Interest payable at 4.750% with the first payment due September 30, 2017; maturing September 2029, unsecured	<u>1,000,000</u>
	\$ 1,419,933
Less Current Portion	<u>(51,394)</u>
	<u>\$ 1,368,539</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2011

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets

Capital asset activity for the year ended September 30, 2011 was as follows:

<u>Governmental Activities</u>	Beginning Balance	Increases	Reclass/CIP to Complete	Donations	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:						
Land	\$ 2,929,356	\$ 15,802	\$ -	\$ 59,186	\$ -	\$ 3,004,344
Land Improvements	19,667	-	-	24,000	-	43,667
Intangibles-Easements	10,593	-	-	-	-	10,593
Construction in Progress	216,467	171,815	(20,626)	-	-	367,656
Total Not Being Depreciated	<u>\$ 3,176,083</u>	<u>187,617</u>	<u>(20,626)</u>	<u>83,186</u>	<u>-</u>	<u>3,426,260</u>
Capital Assets, Being Depreciated:						
Buildings	24,563,239	334,391	20,626	-	(26,553)	24,891,703
Improvements Other Than Buildings	11,146,792	-	-	-	(2,640)	11,144,152
Furniture, Fixtures and Equipment	1,629,136	32,843	-	-	(287,117)	1,374,862
Machinery	326,141	-	-	-	-	326,141
Vehicles	6,420,654	308,755	-	-	(148,744)	6,580,665
Radios	625,202	20,419	-	-	-	645,621
Intangibles-Software	181,891	-	-	-	-	181,891
Infrastructure	41,411,404	319,353	-	374,667	(173,792)	41,931,632
Total Being Depreciated	86,304,459	1,015,761	20,626	374,667	(638,846)	87,076,667
Less Impairment	(662,343)	-	-	-	-	(662,343)
Less Accumulated Depreciation for:						
Buildings	(5,262,691)	(710,965)	-	-	25,115	(5,948,541)
Improvements Other Than Bldgs.	(4,363,945)	(535,322)	-	-	1,166	(4,898,101)
Furniture, Fixtures and Equipment	(1,092,582)	(156,201)	-	-	283,237	(965,546)
Machinery	(93,134)	(33,819)	-	-	-	(126,953)
Vehicles	(3,718,836)	(423,173)	-	-	135,476	(4,006,533)
Radios	(3,767)	(64,091)	-	-	-	(67,858)
Intangibles-Software	(15,504)	(8,465)	-	-	-	(23,969)
Infrastructure	(20,254,552)	(984,763)	-	-	135,251	(21,104,064)
Total Accumulated Depreciation	(34,805,011)	(2,916,799)	-	-	580,245	(37,141,565)
Total Being Depreciated, Net	50,837,105	(1,901,038)	20,626	374,667	(58,601)	49,272,759
Capital Assets, Net	<u>\$ 54,013,188</u>	<u>\$ (1,713,421)</u>	<u>\$ -</u>	<u>\$ 457,853</u>	<u>\$ (58,601)</u>	<u>\$ 52,699,019</u>
<u>Business-type Activities</u>	Beginning Balance	Additions	Reclass/CIP to Complete	Contributed Capital	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:						
Land	\$ 1,313,153	\$ -	\$ -	\$ -	\$ -	\$ 1,313,153
Intangibles-Easements	7,437	-	-	-	-	7,437
Construction in Progress	475,053	127,174	(403,111)	-	(1,852)	197,264
Total Not Being Depreciated	1,795,643	127,174	(403,111)	-	(1,852)	1,517,854
Capital Assets, Being Depreciated:						
Buildings	663,737	90,175	-	-	-	753,912
Improvements Other Than Buildings	32,085,895	188,270	254,722	-	(88,063)	32,440,824
Furniture, Fixtures and Equipment	1,257,502	384,083	-	-	-	1,641,585
Vehicles	3,253,392	241,267	-	-	(79,130)	3,415,529
Intangibles-Software	13,449	55,449	-	-	-	68,898
Infrastructure	46,230,719	2,097,471	148,389	223,251	(39,950)	48,659,880
Total Being Depreciated	83,504,694	3,056,715	403,111	223,251	(207,143)	86,980,628
Less Accumulated Depreciation for:						
Buildings	(282,708)	(22,598)	-	-	-	(305,306)
Improvements Other Than Bldgs.	(9,373,441)	(747,552)	-	-	13,049	(10,107,944)
Furniture, Fixtures and Equipment	(932,867)	(139,170)	-	-	-	(1,072,037)
Vehicles	(2,226,373)	(198,886)	-	-	79,130	(2,346,129)
Intangibles-Software	(13,449)	(4,892)	-	-	-	(18,341)
Infrastructure	(22,878,590)	(1,115,686)	-	-	22,231	(23,972,045)
Total Accumulated Depreciation	(35,707,428)	(2,228,784)	-	-	114,410	(37,821,802)
Total Being Depreciated, Net	47,797,266	827,931	403,111	223,251	(92,733)	49,158,826
Capital Assets, Net	<u>\$ 49,592,909</u>	<u>\$ 955,105</u>	<u>\$ -</u>	<u>\$ 223,251</u>	<u>\$ (94,585)</u>	<u>\$ 50,676,680</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2011

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	\$ 642,626
General Government	380,464
Health and Welfare	7,370
Highways and Streets	1,155,442
Public Safety	730,897
Total Governmental Activities	<u><u>\$ 2,916,799</u></u>
<u>Business-type Activities</u>	
Electric	\$ 383,218
Gas	164,510
Water	745,552
Sewer	807,123
Sanitation	128,381
Total Business-type Activities	<u><u>\$ 2,228,784</u></u>

As of September 30, 2011, capital assets of the component unit consist of land (not being depreciated) with a balance of \$2,028,956. The Construction in Progress has a balance of \$229,427 for the expansion of the Southwest Industrial Park and 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 expired November 1, 2010 and continues thereafter on a year to year basis, until terminated. For the year ending September 30, 2011, \$1,818,520 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, 2011 was \$265,650.

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, 2011 was \$19,556,731.

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. As of September 30, 2011, \$10 million has been advanced to TxDOT.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2011

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 \$20,450 per quarter (\$81,800 annually).

The City has the following active construction projects as of September 30, 2011:

General Government Projects

	Contract Amount	Spent-to-Date	Remaining Commitment
Fire Substation - Architect	\$ 191,500	\$ 140,625	\$ 50,875
Westwood Dr. Improvements - Engineer	53,500	20,772	32,728
Ralston Creed Drainage Improvements - Engineer	19,500	-	19,500
	<u>\$ 264,500</u>	<u>\$ 161,397</u>	<u>\$ 103,103</u>

BCDC Projects

	Contract Amount	Spent-to-Date	Remaining Commitment
Business Park Expansion - Engineer	\$ 73,950	\$ 60,778	\$ 13,172
	<u>\$ 73,950</u>	<u>\$ 60,778</u>	<u>\$ 13,172</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2011

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, 2011 the balances were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Electric Fund	General Fund	\$ 373,308
Water Fund	Sewer Fund	\$ 181,784
	Sanitation Fund	41,710
		<u>\$ 223,494</u>
General Fund	Internal Service Fund	\$ 183,368
Other Governmental Fund	Hwy 290 Pass Thru Fund	\$ 63,657

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, 2011:

	<u>Transfers From:</u>				<u>Transfers To:</u>	
	<u>General</u>	<u>Debt Service</u>	<u>Other Gov'tl</u>	<u>Internal Service</u>	<u>Business Type Activities</u>	<u>Net Transfers From</u>
	<u>Governmental Activities</u>					
				<u>Electric</u>		
Governmental Activities						
Major Funds						
Hwy 290 Pass Through	-	67,679	-	-	-	67,679
Other Gov'tl Funds	72,732	78,006	-	-	-	150,738
Internal Service	-	-	-	115,092	-	115,092
Business-type Activities						
Major Funds						
Electric	1,622,465	-	-	-	-	1,622,465
Gas	335,057	-	-	-	142,306	477,363
Water	310,011	-	-	-	155,365	465,376
Wastewater	316,377	-	-	-	154,561	470,938
Sanitation	289,043	-	-	-	63,890	352,933
Total Transfers To	<u>\$ 2,945,685</u>	<u>\$ 145,685</u>	<u>\$ -</u>	<u>\$ 115,092</u>	<u>\$ 516,122</u>	<u>\$ 3,722,584</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2011

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 \$181,000 to the Parks Special Revenue Fund for the following improvements: \$90,000 for construction of the Restrooms at the Hohlt Park Amphitheater and \$91,000 for the construction of an all sports building in Hohlt Park. Additionally, BCDC provided \$3,000 for a bridge at Hohlt Park near the Amphitheater, \$4,000 for lounge chairs at the Aquatics Center, \$2,000 for touchpads at the Aquatics Center, \$7,500 for a lift chair at the Aquatics Center and \$200,000 for Aquatic Center operations, accounted for in the General Fund. Also classified as a payment to the component unit is a \$751,463 transfer from the General Fund from the 2010 Limited Tax Notes proceeds. These funds will be used by BCDC for business park infrastructure improvements. The following schedule shows payments to and from the component unit for the year ended September 30, 2011:

Payments From:	Payments To:			Total Pymts
	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>From</u>
Component Unit				
Brenham Community Development Corp	\$ 216,500	\$ 573,489	\$ 181,000	\$ 970,989
Payments To:	Payments From:			Total Pymts
	<u>General</u>			<u>To</u>
Component Unit				
Brenham Community Development Corp	\$ (751,463)			\$ (751,463)
Total Payments To/(From)				<u>\$ 219,526</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2011

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2011:

	Balance 9/30/2010	Refunding	Additions	FY11 Retirements	Balance 9/30/2011	Due Within One Year	Long Term
Governmental Activities							
2001 COB - Gen	\$ 1,155,755	\$ (962,151)	\$ -	\$ (193,604)	\$ -	\$ -	\$ -
2002 COB - Gen	2,207,090	(1,796,840)	-	(131,665)	278,585	136,312	142,273
2006 COB - Gen	8,045,000	-	-	(375,000)	7,670,000	385,000	7,285,000
2007 GOB Ref - Gen	1,491,332	-	-	(6,872)	1,484,460	6,873	1,477,587
2009 GOB Ref - Gen	5,414,770	-	-	(477,431)	4,937,339	491,695	4,445,644
2010 PTT-Hwy 290 - Gen	-	-	14,180,000	(15,000)	14,165,000	-	14,165,000
2010 Ltd Tax Notes - Gen	-	-	760,000	(105,000)	655,000	105,000	550,000
2010 GOB Ref - Gen	-	989,640	-	(23,366)	966,274	202,052	764,222
2011 GOB Ref - Gen	-	2,021,320	-	(26,125)	1,995,195	56,557	1,938,638
	<u>18,313,947</u>	<u>251,969</u>	<u>14,940,000</u>	<u>(1,354,063)</u>	<u>32,151,853</u>	<u>1,383,489</u>	<u>30,768,364</u>
Unamort Bond Premium	184,463	(16,508)	1,207,258	(148,338)	1,226,875	NA	1,226,875
Unamort Bond Discount	(4,596)	3,512	-	142	(942)	NA	(942)
Ref Deferred Charges - '07 Ref COB	(55,309)	-	-	4,707	(50,602)	NA	(50,602)
Ref Deferred Charges - '09 Ref GOB	(147,925)	-	-	18,590	(129,335)	NA	(129,335)
Ref Deferred Charges - '10 Ref GOB	-	-	(40,653)	3,790	(36,863)	NA	(36,863)
Ref Deferred Charges - '11 Ref GOB	-	-	(235,816)	7,219	(228,597)	NA	(228,597)
	<u>18,290,580</u>	<u>238,973</u>	<u>15,870,789</u>	<u>(1,467,953)</u>	<u>32,932,389</u>	<u>1,383,489</u>	<u>31,548,900</u>
Chase Equip Lease	67,761	-	-	(67,761)	-	-	-
Chase New World Lease	88,959	-	-	(88,959)	-	-	-
Chase '08 Vehicle/Equip Lease	54,013	-	-	(26,441)	27,572	27,572	-
Chase '09 Vehicle Lease	45,194	-	-	(45,194)	-	-	-
Chase BVWACS Radio Lease	610,656	-	-	(85,897)	524,759	88,775	435,984
	<u>866,583</u>	<u>-</u>	<u>-</u>	<u>(314,252)</u>	<u>552,331</u>	<u>116,347</u>	<u>435,984</u>
Compensated Absences ⁽¹⁾	307,722	-	296,615	(281,484)	322,853	148,308	174,545
Total Governmental	<u>\$ 19,464,885</u>	<u>\$ 238,973</u>	<u>\$ 16,167,404</u>	<u>\$ (2,063,689)</u>	<u>\$ 33,807,573</u>	<u>\$ 1,648,144</u>	<u>\$ 32,159,429</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, 2011

III. DETAILED NOTES ON ALL FUNDS (Continued)

Business Type Activities	Balance		FY11		Balance	Due Within	
	9/30/2010	Refunding	Additions	Retirements	9/30/2011	One Year	Long Term
2001 COB - Water Impr	\$ 900,016	\$ (761,250)	\$ -	\$ (138,766)	\$ -	\$ -	\$ -
2001 GOB Ref (Water)	1,895,000	(1,445,000)	-	(450,000)	-	-	-
2001 COB - Wastewater Impr	2,119,230	(1,776,600)	-	(342,630)	-	-	-
2002 COB -Wastewater Impr	4,917,910	(4,003,160)	-	(293,335)	621,415	303,688	317,727
2007 GOB Ref - Water	1,179,937	-	-	(5,437)	1,174,500	5,438	1,169,062
2007 GOB Ref - Wastewater	2,753,730	-	-	(12,690)	2,741,040	12,690	2,728,350
2008 COB - Water	5,955,000	-	-	(40,000)	5,915,000	40,000	5,875,000
2009 GOB Ref - Water	880,448	-	-	(17,268)	863,180	17,489	845,691
2009 GOB Ref - Wastewater	2,054,782	-	-	(40,300)	2,014,482	40,816	1,973,666
2010 GOB Ref - Water	-	783,000	-	(18,488)	764,512	159,863	604,649
2010 GOB Ref - Wastewater	-	1,827,360	-	(43,146)	1,784,214	373,086	1,411,128
2011 GOB Ref - Water	-	1,205,403	-	(20,675)	1,184,728	377,440	807,288
2011 GOB Ref - Wastewater	-	4,503,277	-	(58,202)	4,445,075	126,003	4,319,072
	22,656,053	333,030	-	(1,480,937)	21,508,146	1,456,513	20,051,633
Unamort Bond Discount-Wastewater	(9,332)	7,825	-	289	(1,218)	NA	(1,218)
Unamort Bond Premium-Water	40,765	(13,061)	37,087	(8,732)	56,059	NA	56,059
Unamort Bond Premium-Wastewater	95,142	(30,483)	95,749	(20,657)	139,751	NA	139,751
07 Ref Deferred Chrg-Water	(43,760)	-	-	3,724	(40,036)	NA	(40,036)
07 Ref Deferred Chrg-Wastewater	(102,126)	-	-	8,692	(93,434)	NA	(93,434)
01 Ref Deferred Chrg-Water	(106,317)	81,067	-	25,250	-	NA	-
09 Ref Deferred Chrg-Water	(90,553)	-	-	11,378	(79,175)	NA	(79,175)
09 Ref Deferred Chrg-Wastewater	(211,335)	-	-	26,554	(184,781)	NA	(184,781)
10 Ref Deferred Chrg-Water	-	-	(32,164)	2,998	(29,166)	NA	(29,166)
10 Ref Deferred Chrg-Waterwater	-	-	(75,065)	6,998	(68,067)	NA	(68,067)
11 Ref Deferred Chrg-Water	-	-	152,305	(4,662)	147,643	NA	147,643
11 Ref Deferred Chrg-Waterwater	-	-	(525,373)	16,082	(509,291)	NA	(509,291)
Sub Total Bonds Payable	22,228,537	378,378	(347,461)	(1,413,023)	20,846,431		19,389,918
Compensated Absences	145,510	-	165,493	(157,838)	153,165	82,737	70,428
Chase Equip Lease - 5 Ton Haul Truck-Sanit	11,968	-	-	(11,968)	-	-	-
Chase '08 Vehicle/Equip Lease - Gas	15,366	-	-	(7,522)	7,844	7,844	-
Chase '08 Vehicle/Equip Lease - Sanitation	134,820	-	-	(65,998)	68,822	68,822	-
Chase BVWACS Radio Lease-Electric	55,720	-	-	(7,838)	47,882	8,100	39,782
Chase BVWACS Radio Lease-Gas	11,847	-	-	(1,666)	10,181	1,723	8,458
Chase BVWACS Radio Lease-Water	19,174	-	-	(2,697)	16,477	2,787	13,690
Chase BVWACS Radio Lease-Wastewater	22,187	-	-	(3,121)	19,066	3,226	15,840
Chase BVWACS Radio Lease-Sanitation	20,681	-	-	(2,909)	17,772	3,006	14,766
Total Proprietary	\$ 22,665,810	\$ 378,378	\$ (181,968)	\$ (1,674,580)	\$ 21,187,640	\$ 1,634,758	\$ 19,552,882
Component Unit Governmental Activities							
Note Payable-BCDC to City Elec Fund	\$ 468,826	-	-	\$ (48,893)	\$ 419,933	\$ 51,394	\$ 368,539
Note Payable-BCDC to City Elec Fund-FY10	1,000,000	-	-	-	1,000,000	-	1,000,000
Total Governmental - BCDC	\$ 1,468,826	\$ -	\$ (48,893)	\$ -	\$ 1,419,933	\$ 51,394	\$ 1,368,539

The annual debt service requirement to maturity for all outstanding debt as of September 30, 2011 follows:

FISCAL YEAR ENDING 9/30	PRIMARY GOVERNMENT									
	GENERAL OBLIGATION		TAX NOTES		PTT REVENUE & TAX BONDS		CERTIFICATES OF OBLIGATION		TOTAL REQUIREMENTS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2012	1,870,000	775,160	105,000	14,506	-	554,650	865,000	610,886	2,840,000	1,955,202
2013	1,925,000	737,362	105,000	12,406	-	554,650	900,000	576,316	2,930,000	1,880,734
2014	2,440,000	692,616	110,000	10,306	1,195,000	554,650	480,000	540,931	4,225,000	1,798,503
2015	2,355,000	637,469	110,000	8,106	2,480,000	518,800	550,000	521,590	5,495,000	1,685,965
2016	2,425,000	563,146	110,000	5,631	2,575,000	419,600	580,000	498,569	5,690,000	1,486,946
2017-2021	12,000,000	1,505,327	115,000	3,019	7,915,000	623,800	3,575,000	2,098,727	23,605,000	4,230,873
2022-2026	1,340,000	62,300	-	-	-	-	6,180,000	1,145,611	7,520,000	1,207,911
2027-2028	-	-	-	-	-	-	1,355,000	98,400	1,355,000	98,400
	\$ 24,355,000	\$ 4,973,380	\$ 655,000	\$ 53,975	\$ 14,165,000	\$ 3,226,150	\$ 14,485,000	\$ 6,091,030	\$ 53,660,000	\$ 14,344,535

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2011

III. DETAILED NOTES ON ALL FUNDS (Continued)

Debt outstanding at September 30, 2011 for the primary government is comprised of the following:

\$9,245,000, 2002 Combination Tax and Revenue Certificates of Obligation Post-Refunding Debt due in installments of \$425,000 to \$460,000 through August 15, 2013; interest rates 3.875 to 4.0%	900,000
\$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%	7,670,000
\$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%	5,400,000
\$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%	5,915,000
\$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%	7,815,000
\$760,000; 2010 Limited Tax Notes due in annual installments of \$105,000 to \$115,000 through August 15, 2017; interest rate 2.0-2.625%	655,000
\$14,180,000; 2010 Pass-Through Toll Revenue and Limited Tax Bonds with an installment of \$15,000 August 15, 2011 and annual installments of \$1,195,000 to \$2,790,000 from August 15, 2014 through August 15, 2019; interest rate 3.0-4.0%	14,165,000
\$3,600,000; 2010 General Obligation Refunding Bonds due in annual installments of \$85,000 to \$800,000 through August 15, 2014 and a final installment of \$1,220,000 on August 15, 2020; interest rate 2.0-4.0%	3,515,000
\$7,730,000; 2011 General Obligation Refunding Bonds due in annual installments of \$105,000 to \$1,035,000 through August 15, 2023; interest rate 1.0-3.125%	\$7,625,000
\$480,130 lease payable dated August 30, 2007 due in annual payments of \$108,700, including interest, through August, 2012 (FY08 Vehicles and Equipment)	104,238
\$782,650 lease payable dated February 16, 2010 due in monthly payments of \$10,589 including interest, through March, 2017 (BVWACS Radios)	636,137
Compensated Absences for accrued vacation	476,019
	\$54,876,394
Unamortized Bond Premium	1,422,682
Unamortized Bond Discount	(2,158)
Deferred Charges on Bonds	(1,301,705)
	\$54,995,213

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2011

III. DETAILED NOTES ON ALL FUNDS (Continued)

Debt outstanding for Brenham Community Development Corporation Component Unit at September 30, 2011 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	\$ 419,933
\$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
	\$ 1,419,933

FISCAL YEAR ENDING 9/30	COMPONENT UNIT NOTES PAYABLE	
	PRINCIPAL	INTEREST
	2012	51,394
2013	54,023	17,200
2014	56,787	14,436
2015	59,693	11,531
2016	62,747	8,477
2017-2021	566,119	262,224
2022-2026	380,322	379,504
2027-2029	188,849	267,047
	\$ 1,419,933	\$ 980,248

1. Prior Year Refunding

In 2010, the City issued \$3,600,000 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 2012 through 2014 and 2020. As a result, the refunded bonds are considered to be defeased and the liability has been removed from long-term debt. At September 30, 2011, the outstanding principal on the defeased debt was \$0.

In 2011, the City issued \$7,730,000 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 2001 certificates maturing 2012 through 2014 and August 15, 2012 for 2002 certificates maturing 2014 through 2023. As a result, the refunded bonds are considered to be defeased and the liability has been removed from long-term debt. At September 30, 2011, the outstanding principal on the defeased debt was \$5,800,000.

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 radios, 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.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2011

III. DETAILED NOTES ON ALL FUNDS (Continued)

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	644,714	137,029
Less: Accumulated Depreciation	(348,380)	(188,249)
Total Net Asset	<u>\$ 1,029,019</u>	<u>\$ 390,139</u>

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

The total future minimum lease payments and the net present value of these minimum payments as of September 30, 2011 were as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2012	\$ 133,568	\$ 102,194
2013	104,816	22,246
2014	104,816	22,246
2015	104,816	22,246
2016	104,816	22,246
2017	50,629	10,749
Total Minimum Lease Payments	603,461	\$ 201,927
Less: Amount Representing Interest	(51,130)	(13,883)
Present Value of Minimum Payments	<u>\$ 552,331</u>	<u>\$ 188,044</u>

J. Rebatable Arbitrage

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

At September 30, 2011 the primary government had no liability for rebatable arbitrage.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2011

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	\$ -	\$ 1,688,918
Customer Deposits	-	1,794,256
Debt Service	263,964	-
Hotel/Motel Tax	28,076	-
PD Criminal Law Enforcement	28,585	-
Worker's compensation and health insurance account	574,802	-
Pass Thru Toll Agreement	5,012,995	-
	<u>\$ 5,908,422</u>	<u>\$ 3,483,174</u>

L. Classification of Net Assets

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

M. Classification of Fund Balance:

In the fund financial statements, the components of fund balances reflect policies and procedures established by actions of the City Council and its designated officials.

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

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

Committed Fund Balance – Amounts that can only be used for a specific purpose because they are constrained by limitations that the government imposes upon itself at its highest level of decision making authority and that remain binding unless removed in the same manner.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2011

III. DETAILED NOTES ON ALL FUNDS (Continued)

Assigned Fund Balance – Amounts that are constrained by the City's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

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

The following schedule presents details of fund balance components at September 30, 2011:

	General Fund	Debt Service Fund	US 290 Pass Thru Finance Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Inventory	\$ 197,188	\$ -	\$ -	\$ -	\$ 197,188
Prepaid Assets	7,042	-	-	-	7,042
Restricted for:					
Court Technology and Security	-	-	-	124,676	124,676
Debt Service	-	245,654	-	-	245,654
Grantor and Contributor Purposes	103,052	-	-	-	103,052
Public Safety	-	-	-	30,578	30,578
Transportation and Aviation Projects	-	-	5,012,995	16,604	5,029,599
Tourism Promotion	-	-	-	170,406	170,406
Committed to:					
Park Capital Improvements	-	-	-	111,424	111,424
Assigned to:					
Culture and Recreation	-	-	-	3,948	3,948
Transportation and Aviation Projects	-	-	390,948	-	390,948
Unassigned:	3,529,369	-	-	-	3,529,369
Total Fund Balances:	<u>\$ 3,836,651</u>	<u>\$ 245,654</u>	<u>\$ 5,403,943</u>	<u>\$ 457,636</u>	<u>\$ 9,943,884</u>

N. Due from Other Governments

The government-wide statement of Net Assets shows an amount of \$10,130,260 as Due from Other Governments. \$10,000,000 of this amount is related to the Pass-Through Toll Agreement with TxDOT. The City will receive reimbursement payments from TxDOT which are anticipated to occur during fiscal years 2014 through 2020.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2011

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 \$122,661 at September 30, 2011 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, 2011, the various funds paid into the risk management internal service fund \$1,531,989 of premiums. Net assets as of September 30, 2011 totaled \$276,367. Changes in the balances of claims liabilities for the year ended September 30 are as follows:

	<u>2011</u>	<u>2010</u>
Unpaid Claims, Beginning of Year	\$ 131,883	\$ 78,243
Claims Incurred (including IBNR)	1,742,338	1,934,434
Payments on Claims	(1,751,560)	(1,880,794)
Other, net	-	-
Unpaid Claims, End of Year	<u>\$ 122,661</u>	<u>\$ 131,883</u>

B. Contingent Liabilities

The City participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Audits for some of these federal programs for the year ended September 30, 2011 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, 2011

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. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.tmr.com or by calling 1-800-924-8677.

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

	<i>Plan Year 2010</i>	<i>Plan Year 2011</i>
<i>Employee Deposit Rate</i>	5%	5%
<i>Matching Ratio (City to Employee)</i>	2 to 1	2 to 1
<i>Years Required for Vesting</i>	5	5
<i>Service Retirement Eligibility (Expressed as Age/Years of Service)</i>	60/5, 0/20	60/5, 0/20
<i>Updated Service Credit</i>	100%, Transfers	100%, Transfers
<i>Annuity Increase (To Retirees)</i>	70% of CPI	70% of CPI

2. Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consist of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2011

IV. OTHER INFORMATION (Continued)

The City contributes to the TMRS Plan at an actuarially determined 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 serves as the basis for the rate and the calendar year when the rate goes into effect. As determined by the actuarial valuation performed by TMRS, the City funds the annual required contribution amount for retirement benefits as follows:

Fiscal Year End	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation (Asset)
2009	\$851,388	\$851,388	100%	\$ -
2010	\$833,706	\$833,706	100%	\$ -
2011	\$904,116	\$904,116	100%	\$ -

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, as follows:

Valuation Date	12/31/2008	12/31/2009	12/31/2010 Prior to Restructuring	12/31/2010 Restructured
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	24.0 years; closed period	23.0 years; closed period	20.2 years; closed period	15.0 years; closed period
Amortization Period for new Gains/Losses	25 years	25 years	25 years	25 years
Asset Valuation Method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions				
Investment Rate of Return *	7.5%	7.5%	7.5%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%	3.00%
Cost-Of-Living Adjustments	2.1%	2.1%	2.1%	2.1%

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2011

IV. OTHER INFORMATION (Continued)

3. Funded Status and Funding Progress

In June 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on the actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TRMS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2010, under the two separate actuarial valuations, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2010 ⁽¹⁾	\$ 19,915,730	\$ 24,149,740	82.5%	\$ 4,234,010	\$ 9,567,491	44.3%
12/31/2010 ⁽²⁾	\$ 28,437,560	\$ 29,272,502	97.1%	\$ 834,942	\$ 9,567,491	8.7%

(1) Actuarial valuation performed under the original fund structure

(2) Actuarial valuation performed under the new fund structure

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short term volatility in actuarial accrued liabilities and the actuarial value of assets. 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 liability of benefits.

D. Subsequent Events

At the October 20, 2011 City Council meeting, a resolution was approved to accept the donation of the newly constructed outdoor amphitheater at Hohlt Park. This project was privately funded and then donated to the City. By accepting the donation, the City will assume ownership, operation and maintenance of the amphitheater.

At the November 3, 2011 meeting, the City Council approved several bids for the construction of restrooms in Hohlt Park. The contracts totaled \$107,777.

On November 17, 2011, the City Council authorized the issuance and sale of \$1,200,000 of Limited Tax Notes, Series 2011, to fund Phase II of the Street Overlay Project. The interest rate on the notes is 1.71 percent with a maturity date of August 15, 2018.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2011

IV. OTHER INFORMATION (Continued)

E. New Pronouncements

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

- Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." The requirements of this statement are effective for FY12, but the effect of implementing this statement is unknown.

F. Change in Beginning Fund Balance

1. Reclassification

At the end of the year it was determined a reclassification of beginning fund balance was necessary as the result of a previously reported special revenue fund that per accounting standards must now be classified as a major fund.

2. New Standard

During the year the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." With the implementation of GASB 54, several funds previously reported as special revenue funds no longer met the definition and needed to be reclassified as part of the General Fund or as a capital improvement fund.

The following discloses the restatement of governmental fund balances as of the beginning of the fiscal year:

	<u>General Fund</u>	<u>US 290 Pass Thru Finance Fund</u>	<u>Other Governmental Funds</u>
Fund Balance/Net assets as previously reported	\$ 2,764,850	\$ -	\$ 1,907,362
Increase(decrease) due to reclassification of special revenue funds	1,024,318		(1,024,318)
Increase(decrease) due to reclassification of non major fund to major		449,082	(449,082)
Fund Balance/Net assets as restated	<u>\$ 3,789,168</u>	<u>\$ 449,082</u>	<u>\$ 433,962</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.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2011

IV. OTHER INFORMATION (Continued)

Currently, six retirees and three 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	\$5,632.92
Retiree & Spouse	\$11,493.12

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 221 active members as of October 1, 2010, the effective date of this OPEB valuation. The City pays 95% of monthly premiums (\$469.41) for active members, 77.5% of premiums (\$741.81) for member and spouse, 80.1% of premiums (\$669.86) for member and child, and 72.5% for family coverage (\$943.97).

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 and one active employee qualify 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 09/30/2011	FY Ending 09/30/2010	FY Ending 09/30/2009
<i>Determination of Annual Required Contribution</i>			
Normal Cost at fiscal year end	\$ 99,378	\$ 69,731	\$ 69,731
Amortization of UAAL	90,122	70,504	70,504
Annual Required Contribution (ARC)	\$ 189,500	\$ 140,235	\$ 140,235
<i>Determination of Net OPEB Obligation</i>			
Annual Required Contribution	\$ 189,500	\$ 140,235	\$ 140,235
Interest on prior year Net OPEB Obligation	11,131	5,609	-
Adjustment to ARC	(15,474)	(7,798)	-
Annual OPEB Cost	\$ 185,157	\$ 138,046	\$ 140,235
Contributions made	-	-	-
Estimated increase in Net OPEB Obligation	\$ 185,157	\$ 138,046	\$ 140,235
<i>Estimated Net OPEB Obligation - begin of year</i>	\$ 278,281	\$ 140,235	\$ -
<i>Estimated Net OPEB Obligation - end of year</i>	\$ 463,438	\$ 278,281	\$ 140,235

Funded Status and Funding Progress. As of October 1, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$1,558,393, and the actuarial value of the assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,558,393. The covered payroll (annual payroll of active employees covered by the plan) was \$10,139,094 and the ratio of the UAAL to the covered payroll was 15%.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2011

IV. OTHER INFORMATION (Continued)

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 City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the three preceding years:

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
9/30/2011	4.0%	\$ 185,157	0.00%	\$ 463,438

Actuarial Methods and Assumptions. The following assumptions were used in the October 1, 2010 actuarial valuation:

Actuarial Valuation Information	
10/01/10	
Actuarial cost method	projected unit credit
Amortization method	level dollar
Amortization period in years	30 - closed
Asset valuation method	fair value

The actuarial assumptions also included a 4% discount rate without prefunding, an annual healthcare cost trend rate of 7.7% for 2011 and then reduced by decrements to a rate of 5.8% 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	27%	10%
50	27%	15%
55	22%	10%
60	25%	14%

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.

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REQUIRED SUPPLEMENTARY
INFORMATION

**City of Brenham, Texas
Required Supplementary Information
September 30, 2011**

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL) ⁽¹⁾	Unfunded Actuarial Accrued Liabilities (UAAL) ⁽²⁾	Funded Ratio	Covered Payroll ⁽³⁾	Funded Ratio
October 1, 2008	-	\$ 1,219,154	\$ 1,219,154	0%	\$ 9,114,493	13%
October 1, 2009	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2010	-	\$ 1,558,393	\$ 1,558,393	0%	\$10,139,094	15%

- (1) Actuarial Accrued Liability determined under the projected 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, 2011

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

	<u>12/31/2010</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
Actuarial Value of Assets	\$ 28,437,560	\$ 18,760,400	\$ 17,950,666
Actuarial Accrued Liability	29,272,502	22,545,959	21,639,916
Percentage Funded	97.1%	83.2%	83.0%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	834,942	3,785,559	3,689,250
Annual Covered Payroll	9,567,491	9,171,150	9,116,479
UAAL as a Percentage of Covered Payroll	8.7%	41.3%	40.5%
Net Pension Obligation (NPO) Beginning of Period	-	-	-
Annual Pension Cost:			
Annual Required Contribution (ARC)	904,116	833,706	851,388
Interest on NPO	-	-	-
Adjustment to ARC	-	-	-
	<u>904,116</u>	<u>833,706</u>	<u>851,388</u>
Contributions Made	904,116	833,706	851,388
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, 2010 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, 2011

	Budgeted Amounts		Actual	Adjustments to Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Revenues						
Taxes	\$ 10,037,564	\$ 10,037,564	\$ 10,323,014	\$ -	\$ 10,323,014	\$ 285,450
Licenses and Permits	75,090	75,090	64,465	-	64,465	(10,625)
Intergovernmental	144,675	146,675	630,305	(466,864)	163,441	16,766
Charges for Services	532,660	506,660	493,247	-	493,247	(13,413)
Fines and Forfeitures	640,025	726,506	766,908	-	766,908	40,402
Investment Income	6,700	6,700	5,560	(177)	5,383	(1,317)
Payment from Component Unit	200,000	216,500	216,500	-	216,500	-
Contributions and Donations	-	-	110,004	(110,004)	-	-
Miscellaneous	36,195	71,795	112,749	(10,165)	102,584	30,789
Total revenues	11,672,909	11,787,490	12,722,752	(587,210)	12,135,542	348,052
Expenditures						
Current:						
Culture and Recreation	2,500,237	2,521,237	2,495,873	(81,240)	2,414,633	106,604
General Government	4,990,753	4,923,948	4,754,283	(31,898)	4,722,385	201,563
Health and Welfare	234,214	234,214	278,258	(45,990)	232,268	1,946
Highways and Streets	1,358,237	1,340,727	1,379,316	(154,178)	1,225,138	115,589
Public Safety	5,520,165	5,511,226	5,800,771	(312,150)	5,488,621	22,605
	14,603,606	14,531,352	14,708,501	(625,456)	14,083,045	448,307
Debt Service:						
Issuance Costs	-	-	21,095	(21,095)	-	-
	-	-	21,095	(21,095)	-	-
Capital Outlay	46,000	36,500	952,527	(792,774)	159,753	(123,253)
Total Expenditures	14,649,606	14,567,852	15,682,123	(1,439,325)	14,242,798	325,054
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,976,697)	(2,780,362)	(2,959,371)	852,115	(2,107,256)	673,106
Other Financing Sources (Uses)						
Transfers In	3,078,208	3,068,208	2,945,685	(16,276)	2,929,409	(138,799)
Transfers Out	(101,511)	(326,346)	-	(326,346)	(326,346)	-
Payment to Component Unit	-	-	(751,463)	751,463	-	-
Proceeds from Bonds	-	-	772,558	(772,558)	-	-
Insurance Proceeds	-	38,500	40,074	-	40,074	1,574
Total other financing sources and (uses)	2,976,697	2,780,362	3,006,854	(363,717)	2,643,137	(137,225)
Net change in fund balance	-	-	47,483	488,398	535,881	535,881
Fund balance - beginning as restated	2,764,850	2,764,850	3,789,168	(1,024,318)	2,764,850	-
Fund balance - ending	\$ 2,764,850	\$ 2,764,850	\$ 3,836,651	\$ (535,920)	\$ 3,300,731	\$ 535,881

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

City of Brenham, Texas
Required Supplementary Information
September 30, 2011

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1: Budgetary Basis of Accounting

With the exception of General Fund, all budgets are prepared and adopted on a basis consistent with generally accepted accounting principles which is the same basis of accounting used for financial reporting in these financial statements. The General Fund budget, as shown in the financial statements, is prepared and adopted on a different basis. Intergovernmental revenues are budgeted as “contra expenditures” to more clearly reflect the departmental operations. At the end of the year, adjusting journal entries are posted to reclass the “contra expenditures” to intergovernmental revenues. Also, with the implementation of *GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions*, six other governmental funds were combined with the General Fund for financial reporting purposes. The effect of these items is shown in the adjustments to budget basis column.

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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, in the City of Brenham, that is restricted to various functions and organizations that develop and promote tourism.

Hotel/Motel Tax Fund – Washington County

This fund is used to account for a 7% occupancy tax assessed on hotel and motel occupants, outside the city limits but within Washington County, that is restricted to various functions and organizations that develop and promote tourism.

PD Criminal Law Enforcement Fund

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

Courts Technology/Security Fund

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

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.

Parks Capital Improvements Fund

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

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.

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CITY OF BRENHAM, TEXAS

Internal Service Funds

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

Workers' Compensation Fund

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

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, 2011**

	Special Revenue Funds	Nonmajor Capital Projects Funds	Total Other Governmental Funds
Assets			
Cash and Equivalents	\$ 212,739	\$ 70,394	\$ 283,133
Receivables (Net)			
Occupancy Tax	56,836	-	56,836
Interfund Receivables	-	63,657	63,657
Restricted Cash	56,661	-	56,661
Total Assets	\$ 326,236	\$ 134,051	\$ 460,287
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable & Other Current	\$ -	\$ 2,075	\$ 2,075
Deferred Revenue	576	-	576
Total Liabilities	576	2,075	2,651
Fund Balances:			
Restricted	325,660	16,604	342,264
Committed	-	111,424	111,424
Assigned	-	3,948	3,948
Total Fund Balances	325,660	131,976	457,636
Total Liabilities and Fund Balances	\$ 326,236	\$ 134,051	\$ 460,287

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

For the Year Ended September 30, 2011

	Special Revenue Funds	Nonmajor Capital Projects Funds	Total Other Governmental Funds
Revenues			
Taxes	\$ 523,605	\$ -	\$ 523,605
Intergovernmental	-	65,951	65,951
Charges for Services	65,237	-	65,237
Investment Income	73	82	155
Payment from Component Unit	-	181,000	181,000
Contributions and Donations	-	1,250	1,250
Miscellaneous	3,181	-	3,181
Total revenues	592,096	248,283	840,379
Expenditures			
Current:			
Culture and Recreation	364,968	-	364,968
General Government	32,324	28,348	60,672
Highways and Streets	-	135	135
Public Safety	1,188	-	1,188
Capital Outlay	-	239,004	239,004
Total expenditures	398,480	267,487	665,967
Excess (Deficiency) of Revenues Over (Under) Expenditures	193,616	(19,204)	174,412
Other Financing Sources (Uses)			
Transfers Out	(72,732)	(78,006)	(150,738)
Total other financing sources and (uses)	(72,732)	(78,006)	(150,738)
Net change in Fund Balances	120,884	(97,210)	23,674
Fund balances - beginning as restated	204,776	229,186	433,962
Fund balances - ending	\$ 325,660	\$ 131,976	\$ 457,636

City of Brenham
Combining Balance Sheet
Other Governmental Funds - Special Revenue Funds
September 30, 2011

	Hotel/Motel Tax Fund	Hotel/Motel Tax Fund- Washington County	PD Crim. Law Enforcement Fund	Courts Tech./Security Fund	Total Special Revenue Funds
Assets					
Cash and Equivalents	\$ 84,098	\$ 1,396	\$ 2,569	\$ 124,676	\$ 212,739
Receivables (Net)					
Occupancy Tax	56,836	-	-	-	56,836
Restricted Cash	28,076	-	28,585	-	56,661
Total Assets	<u>\$ 169,010</u>	<u>\$ 1,396</u>	<u>\$ 31,154</u>	<u>\$ 124,676</u>	<u>\$ 326,236</u>
Liabilities and Fund Balances					
Liabilities:					
Deferred Revenue	\$ -	\$ -	\$ 576	\$ -	\$ 576
Total Liabilities	<u>-</u>	<u>-</u>	<u>576</u>	<u>-</u>	<u>576</u>
Fund Balances:					
Restricted	169,010	1,396	30,578	124,676	325,660
Total Fund Balances	<u>169,010</u>	<u>1,396</u>	<u>30,578</u>	<u>124,676</u>	<u>325,660</u>
Total Liabilities and Fund Balances	<u>\$ 169,010</u>	<u>\$ 1,396</u>	<u>\$ 31,154</u>	<u>\$ 124,676</u>	<u>\$ 326,236</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, 2011

	Hotel/Motel Tax Fund	Hotel/Motel Tax Fund- Washington County	PD Crim. Law Enforcement Fund	Courts Tech./Security Fund	Total Special Revenue Funds
Revenues					
Taxes	\$ 468,371	\$ 55,234	\$ -	\$ -	\$ 523,605
Charges for Services	-	-	-	65,237	65,237
Investment Income	36	-	37	-	73
Miscellaneous	-	-	3,181	-	3,181
Total revenues	<u>468,407</u>	<u>55,234</u>	<u>3,218</u>	<u>65,237</u>	<u>592,096</u>
Expenditures					
Current:					
Culture and Recreation	311,130	53,838	-	-	364,968
General Government	-	-	-	32,324	32,324
Public Safety	-	-	1,188	-	1,188
Total expenditures	<u>311,130</u>	<u>53,838</u>	<u>1,188</u>	<u>32,324</u>	<u>398,480</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>157,277</u>	<u>1,396</u>	<u>2,030</u>	<u>32,913</u>	<u>193,616</u>
Other Financing Sources (Uses)					
Transfers Out	(48,000)	-	-	(24,732)	(72,732)
Total other financing sources and (uses)	<u>(48,000)</u>	<u>-</u>	<u>-</u>	<u>(24,732)</u>	<u>(72,732)</u>
Net change in Fund Balances	109,277	1,396	2,030	8,181	120,884
Fund balances - beginning	<u>59,733</u>	<u>-</u>	<u>28,548</u>	<u>116,495</u>	<u>204,776</u>
Fund balances - ending	<u>\$ 169,010</u>	<u>\$ 1,396</u>	<u>\$ 30,578</u>	<u>\$ 124,676</u>	<u>\$ 325,660</u>

City of Brenham
Combining Balance Sheet
Other Governmental Funds - Nonmajor Capital Projects Funds
September 30, 2011

	Airport Capital Impr. Fund	2006 Capital Projects Fund	Capital Leases Fund	Parks Capital Improvements Fund	Henderson Park LS Grant Fund	Total Nonmajor Capital Projects Funds
Assets						
Cash and Cash Equivalents	\$ 16,604	\$ -	\$ -	\$ 51,715	\$ 2,075	\$ 70,394
Interfund receivable	-	-	-	63,657	-	63,657
Total Assets	<u>\$ 16,604</u>	<u>-</u>	<u>-</u>	<u>\$ 115,372</u>	<u>\$ 2,075</u>	<u>\$ 134,051</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts Payable & Other Current	\$ -	\$ -	\$ -	\$ -	\$ 2,075	\$ 2,075
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,075</u>	<u>2,075</u>
Fund Balances:						
Restricted	16,604	-	-	-	-	16,604
Committed	-	-	-	111,424	-	111,424
Assigned	-	-	-	3,948	-	3,948
Total Fund Balances	<u>16,604</u>	<u>-</u>	<u>-</u>	<u>115,372</u>	<u>-</u>	<u>131,976</u>
Total Liabilities and Fund Balances	<u>\$ 16,604</u>	<u>-</u>	<u>-</u>	<u>\$ 115,372</u>	<u>\$ 2,075</u>	<u>\$ 134,051</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, 2011

	Airport Capital Impr. Fund	2006 Capital Projects Fund	Capital Leases Fund	Parks Capital Improvements Fund	Henderson Park LS Grant Fund	Total Nonmajor Capital Projects Funds
Revenues						
Intergovernmental	\$ 37,603	\$ -	\$ -	\$ -	\$ 28,348	\$ 65,951
Investment Income	-	79	3	-	-	82
Payment from Component Unit	-	-	-	181,000	-	181,000
Contributions and Donations	-	-	-	1,250	-	1,250
Total revenues	<u>37,603</u>	<u>79</u>	<u>3</u>	<u>182,250</u>	<u>28,348</u>	<u>248,283</u>
Expenditures						
Current:						
General Government	-	-	-	-	28,348	28,348
Highways and Streets	135	-	-	-	-	135
Capital Outlay	-	-	20,419	218,585	-	239,004
Total expenditures	<u>135</u>	<u>-</u>	<u>20,419</u>	<u>218,585</u>	<u>28,348</u>	<u>267,487</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>37,468</u>	<u>79</u>	<u>(20,416)</u>	<u>(36,335)</u>	<u>-</u>	<u>(19,204)</u>
Other Financing Sources (Uses)						
Transfers Out	-	(79)	(77,927)	-	-	(78,006)
Total other financing sources and (uses)	<u>-</u>	<u>(79)</u>	<u>(77,927)</u>	<u>-</u>	<u>-</u>	<u>(78,006)</u>
Net change in Fund Balances	37,468	-	(98,343)	(36,335)	-	(97,210)
Fund balances (deficit) - beginning	(20,864)	-	98,343	151,707	-	229,186
Fund balances - ending	<u>\$ 16,604</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,372</u>	<u>\$ -</u>	<u>\$ 131,976</u>

City of Brenham
Internal Service Funds
Combining Statement of Net Assets
September 30, 2011

	Workers' Compensation Fund	Self-Insured Health Ins. Fund	Total
Assets			
Receivables - Accounts, Net	\$ -	\$ 995	\$ 995
Other Current Assets	1,000	5,599	6,599
Restricted Cash	323,735	251,067	574,802
Total Assets	\$ 324,735	\$ 257,661	\$ 582,396
Liabilities and Fund Balances			
Liabilities:			
Interfund Payable	\$ 67,283	\$ 116,085	\$ 183,368
Self Insurance Claims Payable	-	122,661	122,661
Total Liabilities	67,283	238,746	306,029
Net Assets			
Unrestricted	257,452	18,915	276,367
Total Net Assets	\$ 257,452	\$ 18,915	\$ 276,367

City of Brenham, Texas
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year ended September 30, 2011

	Workers' Compensation Fund	Self-Insured Health Ins. Fund	Total
Operating revenues:			
Charges for Services	\$ 142,713	\$ 2,130,990	\$ 2,273,703
Total operating revenues	<u>142,713</u>	<u>2,130,990</u>	<u>2,273,703</u>
Operating expenses:			
Contractual Services	97,403	2,098,261	2,195,664
Total operating expenses	<u>97,403</u>	<u>2,098,261</u>	<u>2,195,664</u>
Operating Income (loss)	<u>45,310</u>	<u>32,729</u>	<u>78,039</u>
Nonoperating revenues (expenses):			
Transfer (In)Out	(115,092)	115,092	-
Investment Income	413	1	414
Total Nonoperating revenues (expenses):	<u>(114,679)</u>	<u>115,093</u>	<u>414</u>
Change in net assets	(69,369)	147,822	78,453
Total net assets - beginning (deficit)	326,821	(128,907)	197,914
Total net assets - ending	<u>\$ 257,452</u>	<u>\$ 18,915</u>	<u>\$ 276,367</u>

City of Brenham, Texas
Internal Service Funds
Combining Statement of Cash Flows
For the Year ended September 30, 2011

	Workers' Compensation Fund	Self-Insured Health Ins. Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Cash Flows from Operating Activities			
Receipts from interfund services provided	\$ 214,933	\$ 2,161,031	\$ 2,375,964
Payments to suppliers	(99,840)	(2,105,362)	(2,205,202)
Net cash provided (used) by operating activities	<u>115,093</u>	<u>55,669</u>	<u>170,762</u>
 Cash Flows from Non Capital Financing Activities			
Transfers in (out)	\$ (115,092)	\$ 115,092	\$ -
Net cash provided (used) by non capital financing activities	<u>(115,092)</u>	<u>115,092</u>	<u>-</u>
 Cash Flows from Investing Activities			
Investment income received	\$ 413	\$ 1	\$ 414
Net cash provided (used) by investing activities	<u>413</u>	<u>1</u>	<u>414</u>
 Net increase in cash and cash equivalents	414	170,762	171,176
 Cash and cash equivalents, beginning of the year	<u>323,321</u>	<u>80,305</u>	<u>403,626</u>
 Cash and cash equivalents, end of the year	<u><u>\$ 323,735</u></u>	<u><u>\$ 251,067</u></u>	<u><u>\$ 574,802</u></u>
 Reconciliation of cash and cash equivalents to statement of net assets			
Restricted cash and equivalents	\$ 323,735	\$ 251,067	\$ 574,802
Cash and cash equivalents, end of year	<u><u>\$ 323,735</u></u>	<u><u>\$ 251,067</u></u>	<u><u>\$ 574,802</u></u>
 Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income (loss)	\$ 45,310	\$ 32,729	\$ 78,039
Changes in assets and liabilities affecting cash provided by operations:			
(Increase) decrease in accounts receivable	-	(141)	(141)
(Increase) decrease in interfund receivables	4,938	-	4,938
Increase (decrease) in interfund payables	67,282	5,608	72,890
Increase (decrease) in self insurance claims liability	(2,422)	(6,802)	(9,224)
(Increase) decrease in other assets	-	24,575	24,575
Increase (decrease) in accounts payable and other current liabilities	(15)	(300)	(315)
Net cash provided (used) by operating activities	<u><u>\$ 115,093</u></u>	<u><u>\$ 55,669</u></u>	<u><u>\$ 170,762</u></u>

City of Brenham
Debt Service
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,601,305	\$ 1,601,305	\$ 1,598,416	\$ (2,889)
Investment Income	1,400	1,400	1,255	(145)
Payments from Other Governments	250,000	250,000	-	(250,000)
Payment from Component Unit	567,781	567,781	573,489	5,708
Total revenues	<u>2,420,486</u>	<u>2,420,486</u>	<u>2,173,160</u>	<u>(247,326)</u>
Expenditures				
Debt Service:				
Interest and Fiscal Charges	1,302,512	1,302,512	932,687	369,825
Principal Retirement	1,548,534	1,548,534	1,623,452	(74,918)
Issuance Costs	300	300	55,168	(54,868)
Total Expenditures	<u>2,851,346</u>	<u>2,851,346</u>	<u>2,611,307</u>	<u>240,039</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(430,860)</u>	<u>(430,860)</u>	<u>(438,147)</u>	<u>(7,287)</u>
Other Financing Sources (Uses)				
Transfer In	77,922	77,922	145,685	67,763
Refunding bonds issued	-	-	3,060,619	3,060,619
Payment to refunded bond escrow agent	-	-	(3,004,387)	(3,004,387)
Total other financing sources and (uses)	<u>77,922</u>	<u>77,922</u>	<u>201,917</u>	<u>123,995</u>
Net change in fund balance	(352,938)	(352,938)	(236,230)	116,708
Fund balance - beginning	<u>481,884</u>	<u>481,884</u>	<u>481,884</u>	<u>-</u>
Fund balance - ending	<u>\$ 128,946</u>	<u>\$ 128,946</u>	<u>\$ 245,654</u>	<u>\$ 116,708</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, 2011

	<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	\$ 400,000	\$ 400,000	\$ 468,371	\$ 68,371
Investment Income	-	-	36	36
Total revenues	<u>400,000</u>	<u>400,000</u>	<u>468,407</u>	<u>68,407</u>
Expenditures				
Current:				
Culture and Recreation	312,000	312,000	311,130	870
Total Expenditures	<u>312,000</u>	<u>312,000</u>	<u>311,130</u>	<u>870</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>88,000</u>	<u>88,000</u>	<u>157,277</u>	<u>69,277</u>
Other Financing Sources (Uses)				
Transfers Out	(48,000)	(48,000)	(48,000)	-
Total other financing sources and (uses)	<u>(48,000)</u>	<u>(48,000)</u>	<u>(48,000)</u>	<u>-</u>
Net change in fund balance	40,000	40,000	109,277	69,277
Fund balance - beginning	59,733	59,733	59,733	-
Fund balance - ending	<u>\$ 99,733</u>	<u>\$ 99,733</u>	<u>\$ 169,010</u>	<u>\$ 69,277</u>

City of Brenham
Hotel/Motel Fund - Washington County
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2011

	<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	\$ 45,000	\$ 55,234	\$ 55,234	\$ -
Total revenues	<u>45,000</u>	<u>55,234</u>	<u>55,234</u>	<u>-</u>
Expenditures				
Current:				
Culture and Recreation	\$ 45,000	\$ 55,234	\$ 53,838	\$ 1,396
Total Expenditures	<u>45,000</u>	<u>55,234</u>	<u>53,838</u>	<u>1,396</u>
Net change in fund balance	-	-	1,396	1,396
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,396</u>	<u>\$ 1,396</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, 2011

	<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	\$ 37	\$ (163)
Program Income/Restitution	10,000	10,000	3,181	(6,819)
Total revenues	<u>10,200</u>	<u>10,200</u>	<u>3,218</u>	<u>(6,982)</u>
Expenditures				
Current:				
Public Safety	<u>8,500</u>	<u>8,500</u>	<u>1,188</u>	<u>7,312</u>
Total Expenditures	<u>8,500</u>	<u>8,500</u>	<u>1,188</u>	<u>7,312</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,700</u>	<u>1,700</u>	<u>2,030</u>	<u>330</u>
Net change in fund balance	1,700	1,700	2,030	330
Fund balance - beginning	28,548	28,548	28,548	-
Fund balance - ending	<u>\$ 30,248</u>	<u>\$ 30,248</u>	<u>\$ 30,578</u>	<u>\$ 330</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$ 80,500	\$ 80,500	\$ 65,237	\$ (15,263)
Total revenues	<u>80,500</u>	<u>80,500</u>	<u>65,237</u>	<u>(15,263)</u>
Expenditures				
Current:				
General Government	40,508	40,508	32,324	8,184
Total Expenditures	<u>40,508</u>	<u>40,508</u>	<u>32,324</u>	<u>8,184</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>39,992</u>	<u>39,992</u>	<u>32,913</u>	<u>(7,079)</u>
Other Financing Sources (Uses)				
Transfers Out	(36,500)	(36,500)	(24,732)	11,768
Total other financing sources and (uses)	<u>(36,500)</u>	<u>(36,500)</u>	<u>(24,732)</u>	<u>11,768</u>
Net change in fund balance	3,492	3,492	8,181	4,689
Fund balance - beginning	116,495	116,495	116,495	-
Fund balance - ending	<u>\$ 119,987</u>	<u>\$ 119,987</u>	<u>\$ 124,676</u>	<u>\$ 4,689</u>

City of Brenham
Parks Capital Improvements Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions and Donations	\$ -	\$ -	\$ 1,250	\$ 1,250
Payment from Component Unit	91,000	181,000	181,000	-
Total revenues	<u>91,000</u>	<u>181,000</u>	<u>182,250</u>	<u>1,250</u>
Expenditures				
Capital Outlay	<u>201,000</u>	<u>291,000</u>	<u>218,585</u>	<u>72,415</u>
Total Expenditures	<u>201,000</u>	<u>291,000</u>	<u>218,585</u>	<u>72,415</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(110,000)</u>	<u>(110,000)</u>	<u>(36,335)</u>	<u>73,665</u>
Net change in fund balance	(110,000)	(110,000)	(36,335)	73,665
Fund balance - beginning	151,707	151,707	151,707	-
Fund balance - ending	<u>\$ 41,707</u>	<u>\$ 41,707</u>	<u>\$ 115,372</u>	<u>\$ 73,665</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ 8,500	\$ 8,500	\$ 11,289	\$ 2,789
Total revenues	<u>8,500</u>	<u>8,500</u>	<u>11,289</u>	<u>2,789</u>
Expenditures				
Current:				
Highways and Streets	15,200,000	15,200,000	10,046,872	5,153,128
Debt Service:				
Issuance Costs	223,000	223,000	255,146	(32,146)
Capital Outlay	-	-	11,847	(11,847)
Total Expenditures	<u>15,423,000</u>	<u>15,423,000</u>	<u>10,313,865</u>	<u>(11,847)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(15,414,500)</u>	<u>(15,414,500)</u>	<u>(10,302,576)</u>	<u>5,111,924</u>
Other Financing Sources (Uses)				
Transfers In	100,000	100,000	-	(100,000)
Transfers Out	-	-	(67,679)	(67,679)
Bond Proceeds	15,690,000	15,690,000	15,325,116	(364,884)
Total other financing sources and (uses)	<u>15,790,000</u>	<u>15,790,000</u>	<u>15,257,437</u>	<u>(532,563)</u>
Net change in fund balance	375,500	375,500	4,954,861	4,579,361
Fund balance - beginning	449,082	449,082	449,082	-
Fund balance - ending	<u>\$ 824,582</u>	<u>\$ 824,582</u>	<u>\$ 5,403,943</u>	<u>\$ 4,579,361</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,241,481	\$ 1,241,481	\$ 1,258,298	\$ 16,817
Investment Income	4,000	4,000	1,645	(2,355)
Miscellaneous	-	384,809	284,390	(100,419)
Total revenues	<u>1,245,481</u>	<u>1,630,290</u>	<u>1,544,333</u>	<u>(85,957)</u>
Expenditures				
Current:				
Economic Development	295,386	208,886	191,777	17,109
Debt Service:				
Interest and Fiscal Charges	22,331	22,331	22,331	-
Principal Retirement	48,893	48,893	48,893	-
Bond Issue Costs	-	21,095	-	21,095
Capital Outlay	20,090	99,431	203,492	(104,061)
Total Expenditures	<u>386,700</u>	<u>400,636</u>	<u>466,493</u>	<u>(65,857)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>858,781</u>	<u>1,229,654</u>	<u>1,077,840</u>	<u>(151,814)</u>
Other Financing Sources (Uses)				
Payment to Primary Government	(858,781)	(965,281)	(970,989)	(5,708)
Payment from Primary Government	-	-	751,463	751,463
Proceeds from Bonds	-	772,558	-	(772,558)
Total other financing sources and (uses)	<u>(858,781)</u>	<u>(192,723)</u>	<u>(219,526)</u>	<u>(5,708)</u>
Net change in fund balance	-	1,036,931	858,314	(157,522)
Fund balance - beginning	551,159	551,159	551,159	-
Fund balance - ending	<u>\$ 551,159</u>	<u>\$ 1,588,090</u>	<u>\$ 1,409,473</u>	<u>(\$ 157,522)</u>

Net change in fund balance - component unit \$ 858,314

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.

Donation of land	25,713
Construction in progress additions	203,492

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

Sale of land	(307,003)
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Bond principal payments are expenditures in the component unit, but they reduce long term liabilities in the statement of net assets.	48,893
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Some expenses reported in the statement of activities do not require the use of current
financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest payable	<u>(55,649)</u>
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Change in net assets of component unit	<u>\$ 773,760</u>
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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 Nine 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	Wasterwater	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
2011	5,177,514	6,579,061	2,628,682	288,699	-	3,513,628	938,663	23,962,803	2,602,842	3,430,862	2,860,922	2,706,750

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
Last Nine Fiscal Years

CITY OF BRENHAM

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES							Total
	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		
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	
2011	43,342,287	643,492	1,209,944	12,455,139	-	114,299	165,034	12,771	219,526	58,162,492	

95

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

Fiscal Year	General Government	Public Safety	Highways and Streets	Health and Welfare	Culture & Recreation	Economic Development	Debt Service	Capital Outlay	Totals
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
2011	4,814,955	5,801,959	11,426,323	278,258	2,860,841	-	2,887,548	1,203,378	29,273,262

96

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
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
2011	181,116	4,919,898	(4,909,795)	191,219

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	MISCEL-LANEOUS	TOTAL REVENUES
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
2011	12,445,035	64,465	696,256	558,484	766,908	1,216,432	15,747,580

(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

FISCAL YEAR	PRINCIPAL	INTEREST AND FISCAL CHARGES	TOTAL DEBT SERVICE	TOTAL GENERAL GOVERNMENTAL EXPENDITURES	RATIO OF DEBT SERVICE TO GENERAL GOVERNMENTAL EXPENDITURES
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
2011	1,623,452	932,687	2,556,139	29,273,262	8.73

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
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
2011	975,919,507	210	19,274,211	146	15,613,921	9	36,800	2	39,000	367	34,963,932

REVENUES BY SOURCE - BUSINESS TYPE ACTIVITIES
Last Ten Fiscal Years

CITY OF BRENHAM

FISCAL YEAR	ELECTRIC	GAS	WATER	WASTEWATER	SANITATION	TOTAL REVENUES
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
2011	26,814,028	3,178,811	5,122,170	3,717,883	3,119,515	41,952,407

ELECTRIC CUSTOMERS, CONSUMPTION AND SALES
Last Ten Fiscal Years

CITY OF BRENHAM

	<i>FISCAL YEAR</i>									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Number of customers										
Residential	5,357	5,337	5,273	5,184	5,061	4,925	4,844	4,828	4,852	4,807
Commercial	1,178	1,154	1,146	1,165	1,191	1,138	1,124	1,111	1,100	1,060
Large commercial	317	308	303	294	288	282	276	274	273	258
Industrial	21	23	23	22	20	26	26	28	29	31
Street lights	1,248	1,238	1,228	1,218	1,205	1,175	1,137	1,135	1,126	1,115
Security lights	165	175	176	177	182	182	178	180	184	183
Total	8,286	8,235	8,150	8,060	7,947	7,728	7,585	7,556	7,564	7,454
Consumption (in KWH)										
Residential	80,534,797	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
Commercial	16,835,349	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
Large commercial	68,446,624	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
Industrial	122,217,940	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
Street lights	1,437,576	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
Security lights	296,472	289,440	278,448	276,192	277,728	280,800	276,576	279,264	284,736	288,768
Total	289,768,758	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
Sales (1)										
Residential	\$ 8,477,097	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
Commercial	1,829,938	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
Large commercial	6,195,255	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
Industrial	9,683,819	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
Street lights	101,171	95,651	106,217	92,907	81,595	81,238	76,322	76,337	71,278	71,869
Security lights	41,660	40,639	39,090	38,696	39,011	39,525	38,901	39,114	38,603	34,107
Total	\$ 26,328,940	\$ 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
Annual average consumption per customer (in KWH)										
Residential	15,034	14,365	14,041	14,138	13,884	14,981	14,699	13,908	14,503	14,345
Commercial	14,291	14,181	14,254	14,651	14,349	15,604	15,693	15,307	16,015	16,010
Large commercial	215,920	211,061	211,393	221,642	223,010	227,810	229,858	225,149	223,204	212,828
Industrial	5,819,902	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
Street lights	1,152	1,152	1,152	1,152	1,152	1,152	1,152	1,152	1,152	1,152
Security lights	1,797	1,654	1,582	1,562	1,526	1,543	1,554	1,551	1,547	1,578
Monthly average bill per customer										
Residential	\$ 132	123	128	127	106	120	103	98	93	86
Commercial	129	125	134	134	113	129	113	111	106	98
Large commercial	1,629	1,532	1,665	1,695	1,409	1,552	1,325	1,299	1,155	1,072
Industrial	38,428	30,657	33,777	38,392	41,009	37,865	31,023	25,519	23,295	21,710
Street lights	7	6	7	6	6	6	6	6	5	5
Security lights	21	19	19	18	18	18	18	18	17	16
Average price per KWH purchased	0.0637	0.0637	0.0626	0.0691	0.0557	0.0650	0.0501	0.0480	0.0441	0.0411
Average price per KWH sold	0.0909	0.0879	0.0938	0.0896	0.0756	0.0828	0.0703	0.0686	0.0622	0.0586
% line loss	5.83%	5.83%	5.14%	5.32%	4.52%	4.06%	5.19%	5.33%	5.37%	4.35%

(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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Number of customers										
Residential	3,686	3,653	3,611	3,562	3,490	3,443	3,423	3,417	3,448	3,446
Small commercial	363	368	350	357	369	345	344	329	314	319
Large commercial	129	126	125	122	124	127	128	129	127	130
Governmental	65	64	63	63	64	64	66	65	63	60
Industrial	1	1	2	3	3	3	4	4	4	3
Total	4,244	4,212	4,151	4,106	4,050	3,982	3,965	3,944	3,956	3,958
Consumption (in mcf)										
Residential	100,773	133,709	93,011	97,885	112,591	89,134	94,947	101,988	126,301	118,657
Small commercial	24,741	27,617	20,183	22,379	24,202	21,183	18,386	18,501	21,078	17,603
Large commercial	152,773	153,974	135,470	149,571	168,806	164,018	153,229	160,421	180,596	189,458
Governmental	40,885	46,813	41,174	42,332	43,576	40,741	42,915	43,974	49,862	28,570
Industrial	75,391	81,232	131,013	210,244	253,544	248,432	233,585	232,906	267,083	332,488
Total	394,563	443,345	420,851	522,411	602,719	563,508	543,062	557,790	644,920	686,776
Sales (1)										
Residential	\$ 1,095,738	\$ 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
Small commercial	215,979	253,361	181,313	280,878	261,881	247,547	180,366	166,469	191,032	102,501
Large commercial	1,077,654	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
Governmental	293,843	351,882	295,795	465,583	403,126	431,779	374,630	349,391	399,995	148,032
Industrial	489,495	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
Total	\$ 3,172,709	\$ 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
Annual average consumption per customer (in mcf)										
Residential	27	37	26	27	32	26	28	30	37	34
Small commercial	68	75	58	63	66	61	53	56	67	55
Large commercial	1,184	1,222	1,084	1,223	1,361	1,291	1,197	1,244	1,422	1,457
Governmental	629	731	654	676	681	637	650	677	791	476
Industrial	75,391	81,232	65,507	70,081	84,515	82,811	58,396	58,227	66,771	110,829
Monthly average bill per customer										
Residential	25	33	24	32	34	30	25	25	31	19
Small commercial	50	57	43	66	59	60	44	42	51	27
Large commercial	696	755	643	1,129	1,009	1,085	850	790	877	566
Governmental	377	458	391	619	525	562	473	448	529	206
Industrial	40,791	45,237	36,858	62,613	57,174	62,526	38,442	33,983	36,028	43,065
Average price per mcf purchased	4.5500	5.2824	4.8929	8.3838	6.4885	8.1660	7.2225	5.9204	5.7464	3.5759
Average price per mcf sold	8.0400	8.3910	7.9910	11.5683	9.3524	10.3125	8.7480	7.9000	7.6426	5.0280
% line loss (gain)	1.47%	2.72%	0.85%	0.04%	1.94%	-0.21%	0.18%	-0.85%	0.35%	1.14%

103

(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

2011			2002		
NAME	ELECTRIC BILLINGS	PERCENTAGE OF TOTAL CITY ELECTRIC CHARGES	NAME	ELECTRIC BILLINGS	PERCENTAGE OF TOTAL CITY ELECTRIC CHARGES
Blue Bell Creameries	\$ 3,888,134	14.77%	Mount Vernon Mills, Inc.	\$ 2,259,554	12.75%
Blinn College	1,190,424	4.52%	Blue Bell Creameries	2,144,976	12.10%
City of Brenham	1,144,201	4.35%	City of Brenham	690,206	3.89%
Valmont/Als - Abated	1,098,388	4.17%	Blinn	617,696	3.49%
BISD	816,702	3.10%	Valmont/Als	589,520	3.33%
StanPac USA	655,101	2.49%	Cleaners Hanger Company	420,878	2.37%
Brenham State Supported Living	615,203	2.34%	Brenham State Supported Living	369,243	2.08%
Scott & White Hospital - Brenham	515,082	1.96%	Brenham Wholesale Grocery	241,957	1.37%
Brenham Wholesale Grocery	363,584	1.38%	Germania Insurance	207,279	1.17%
Germania Insurance	347,019	1.32%	Trinity Medical Center	199,158	1.12%
Total	\$ 10,633,838	40.39%	Total	\$ 7,740,468	43.67%

2011 Total Electric Charges \$ 26,328,940

2002 Total Electric Charges \$ 17,723,612

TEN LARGEST GAS CUSTOMERS
Current Year and Nine Years Ago

CITY OF BRENHAM

2011			2002		
NAME	GAS BILLINGS	PERCENTAGE OF TOTAL CITY	NAME	GAS BILLINGS	PERCENTAGE OF TOTAL CITY
		GAS CHARGES			GAS CHARGES
Blue Bell Creameries	\$ 537,822	16.95%	Mount Vernon Mills, Inc.	\$ 929,438	26.92%
Valmont/Als	215,191	6.78%	Tuscarora	444,479	12.87%
Blinn College	205,524	6.48%	Blue Bell Creameries	362,470	10.50%
Longwood Elastomers	181,008	5.71%	Cleaners Hanger Co.	146,328	4.24%
Scott & White Hospital - Brenham	111,364	3.51%	Longwood Elastomers	107,402	3.11%
Brenham I.S.D.	64,890	2.05%	Valmont/Als	98,791	2.86%
Brenham Housing Authority	42,573	1.34%	Blinn College	90,187	2.61%
City of Brenham	27,939	0.88%	Trinity Medical Center	59,085	1.71%
Germania Mutual	19,690	0.62%	Brenham I.S.D.	41,929	1.21%
Trinity Care Center	17,305	0.55%	Ellison's Greenhouse	41,665	1.21%
Total	\$ 1,423,307	44.86%	Total	\$ 2,321,773	67.24%

2011 Total Gas Charges \$ 3,172,709

2002 Total Gas Charges \$ 3,453,109

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

City of Brenham

	Fiscal Year		
	2011	2010	(DEC)/INC
<u>NUMBER OF CUSTOMERS</u>			
Residential	5,408	5,361	47
Commercial	1,248	1,234	14
Meter on Fire Hydrant	14	9	5
Sprinkler	494	473	21
TOTAL	7,164	7,077	87
<u>CONSUMPTION (in gallons)</u>			
Residential	469,200,500	356,686,700	112,513,800
Commercial	330,640,800	286,464,400	44,176,400
Meter on Fire Hydrant	6,296,600	2,681,700	3,614,900
Sprinkler	190,224,900	106,915,300	83,309,600
TOTAL	996,362,800	752,748,100	243,614,700
<u>SALES (in dollars)</u>			
Residential	\$ 2,410,428	1,906,120	\$ 504,308
Commercial	1,401,245	1,241,648	159,597
Meter on Fire Hydrant	46,548	19,634	26,914
Sprinkler	1,075,276	593,904	481,372
TOTAL	\$ 4,933,497	3,761,306	\$ 1,172,191
<u>ANNUAL AVERAGE CONSUMPTION PER CUSTOMER</u>			
Residential (in gallons)	86,760	66,534	20,226
Commercial	264,937	232,143	32,794
Meter on Fire Hydrant	449,757	297,967	151,790
Sprinkler	385,071	226,037	159,034
<u>MONTHLY AVERAGE BILL PER CUSTOMER</u>			
Residential	\$ 37	30	\$ 7
Commercial	94	84	10
Meter on Fire Hydrant	277	182	95
Sprinkler	181	105	76
AVERAGE PRICE PER 1000 GALLONS PURCHASED	0.267	0.260	(0.076)
AVERAGE PRICE PER 1000 GALLONS SOLD	4.952	4.997	(0.045)
% LINE LOSS	3.53% *	10.50% *	-6.97%

*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		
	2011	2010	(DEC)/INC
<u>NUMBER OF CUSTOMERS</u>			
Residential	5,332	5,290	42
Commercial	1,095	1,075	20
Industrial	6	7	(1)
Oak Hill Acres Flow Meter	1	1	-
TOTAL	6,434	6,373	61

<u>SALES (in dollars)</u>			
Residential	\$ 1,544,959	\$ 1,581,513	\$ (36,554)
Commercial	1,325,173	1,180,115	145,058
Industrial	711,605	646,212	65,393
Oak Hill Acres Flow Meter	43,379	69,960	(26,581)
TOTAL	\$ 3,625,117	\$ 3,477,801	\$ 147,316

<u>MONTHLY AVERAGE BILL PER CUSTOMER</u>			
Residential	\$ 24	\$ 25	\$ (1)
Commercial	101	91	10
Industrial	9,883	7,693	2,190
Oak Hill Acres Flow Meter	3,615	5,830	(2,215)

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

City of Brenham

	Fiscal Year		
	2011	2010	(DEC)/INC
<u>NUMBER OF CUSTOMERS</u>			
Residential	5,180	5,069	111
Residential - Rural	5	3	2
Commercial	543	538	5
Dumpster	-	-	-
TOTAL	5,728	5,610	118

<u>SALES (in dollars)</u>			
Residential	\$ 874,859	\$ 857,800	\$ 17,059
Residential - Rural	1,216	623	593
Commercial	946,008	918,387	27,621
Dumpster	-	-	-
TOTAL	\$ 1,822,083	\$ 1,776,810	\$ 45,273

<u>MONTHLY AVERAGE BILL PER CUSTOMER</u>			
Residential	\$ 14	\$ 14	(0)
Residential - Rural	20	17	3
Commercial	145	142	3

CITY OF BRENHAM, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT NUMBER	PROGRAM AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT 09/30/10	FEDERAL/ STATE FUNDS RECEIVED	FEDERAL/ STATE EXPENDITURES	NET OTHER TRANSACTIONS	ACCRUED OR (DEFERRED) REVENUE AT 09/30/11
<u>U.S. DEPARTMENT OF JUSTICE</u>								
Bulletproof Vest Partnership 2007 Grant	16.607		\$ 1,248	\$ 188	\$ (188)	\$ -	\$ -	\$ -
<u>U.S. DEPARTMENT OF HOMELAND SECURITY & FEMA</u>								
FY2008 Staffing for Adequate Fire & Emergency Response Grant	97.083	EMW-2008-FR-00416	\$ 325,140	\$ 24,191	\$ (140,859)	\$ 142,005	\$ -	\$ 25,337
<u>U.S. DEPARTMENT OF ENERGY</u>								
American Recovery and Reinvestment Act Grant								
Energy Efficiency and Conservation Block Grant	81.128	DE-EE0000893	\$ 57,576	\$ -	\$ (57,576)	\$ 57,576	\$ -	\$ -
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>								
Texas Community Development Block Grant								
Housing and Community Development Block Grant	14.228	729079	\$ 250,000	\$ 187,852	\$ (216,200)	\$ 28,348	\$ -	\$ -
Texas Department of Transportation								
Routine Airport Maintenance Program (RAMP)		M017 BRENM	50,000	20,456	(19,569)	-	(887)	-
Routine Airport Maintenance Program (RAMP)		M117 BRENM	50,000	-	-	29,819	-	29,819
Routine Airport Maintenance Program (RAMP)		M217 BRENM	50,000	-	-	-	-	-
			<u>\$ 150,000</u>	<u>\$ 20,456</u>	<u>\$ (19,569)</u>	<u>\$ 29,819</u>	<u>\$ (887)</u>	<u>\$ 29,819</u>
Texas State Library and Archives Commission								
Loan Star Libraries Grant - Fiscal Year 2011			\$ 7,716	\$ -	\$ (7,716)	\$ 7,716	\$ -	\$ -
TOTAL FEDERAL AND STATE CASH AWARDS			<u>\$ 791,680</u>	<u>\$ 232,687</u>	<u>\$ (442,108)</u>	<u>\$ 265,464</u>	<u>\$ (887)</u>	<u>\$ 55,156</u>

See accompanying note to schedule of expenditures of federal and state awards.

CITY OF BRENHAM, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT NUMBER	PROGRAM AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT 09/30/10	FEDERAL/ STATE FUNDS RECEIVED	FEDERAL/ STATE EXPENDITURES	NET OTHER TRANSACTIONS	ACCRUED OR (DEFERRED) REVENUE AT 09/30/11
U.S. DEPARTMENT OF TRANSPORTATION - FAA								
Texas Department of Transportation (1)								
Federally Assisted Airport Development Grant RUNWAY	20.106	0717BRENM & 0817BRENM	\$ 1,883,357	\$ -	\$ (37,603)	\$ 37,603	\$ -	\$ -
TOTAL NON-CASH FEDERAL AND STATE AWARDS			<u>\$ 1,883,357</u>	<u>\$ -</u>	<u>\$ (37,603)</u>	<u>\$ 37,603</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.

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.

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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 Nine Fiscal Years (1)
(accrual basis of accounting)

CITY OF BRENNHAM

TABLE 1

Description	FISCAL YEAR								
	2011	2010	2009 (5)	2008	2007	2006 (2)	2005	2004 (3)	2003
Governmental activities:									
Invested in capital assets, net of related debt	\$ 35,294,268	\$ 35,289,795	\$ 35,421,458	\$ 33,407,787	\$ 32,212,469	\$ 32,062,294	\$ 12,937,041	\$ 11,978,324	\$ 8,599,427
Restricted	307,292	537,786	391,469	470,187	333,943	1,439,731	3,145,253	3,059,760	4,328,818
Unrestricted	3,952,381	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	39,553,941	40,330,415	41,040,902	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	31,846,549	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	15,098,756	13,332,206	11,851,906	8,766,360	8,201,530	6,940,747	5,436,192	5,954,831	6,695,793
Subtotal business-type activities net assets	46,945,305	42,696,765	40,356,296	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	67,140,817	64,654,354	63,925,848	61,704,509	59,295,077	59,904,629	40,498,011	38,066,046	30,234,454
Restricted	307,292	537,786	391,469	470,996	872,765	1,683,278	4,695,684	5,060,755	9,944,056
Unrestricted	19,051,138	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)	\$ 86,499,247	\$ 83,027,180	\$ 81,397,198	\$ 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	\$ 838,450	\$ 867,353	\$ 135,227	\$ 223,467	\$ 163,683	\$ 163,683	\$ 85,538	\$ 134,928	\$ 35,537
Restricted	1,353,823	551,160	1,110,691	890,106	782,051	513,699	-	-	-
Unrestricted	-	-	-	-	-	-	279,770	102,795	108,916
Total component unit net assets (4)	\$ 2,192,273	\$ 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 Nine Fiscal Years (1)
(accrual basis of accounting)

CITY OF BRENHAM

TABLE 2

	FISCAL YEAR								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Program expenses									
Governmental activities:									
General government	\$ 5,177,514	\$ 5,755,450	\$ 5,241,430	\$ 2,001,542	\$ 1,888,188	\$ 1,993,032	\$ 1,930,824	\$ 1,071,441	\$ 1,099,474
Public safety	6,579,061	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	2,628,682	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	288,699	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	3,513,628	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	938,663	855,569	918,260	952,463	991,486	709,650	743,699	758,226	696,557
Total government activities program expenses	19,126,247	20,097,040	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	23,962,803	22,259,716	22,428,215	26,690,324	23,342,221	25,991,891	20,843,491	19,621,793	18,431,275
Gas	2,602,842	3,198,740	2,905,012	5,975,923	5,646,666	6,027,066	5,225,571	4,537,389	5,023,642
Sanitation	2,706,750	2,669,678	2,464,142	2,621,538	2,331,316	2,309,317	2,062,243	2,007,536	1,689,275
Wastewater	2,860,922	2,979,406	3,286,770	3,803,759	3,559,574	3,544,654	2,944,784	2,656,350	2,559,845
Water	3,430,862	3,088,039	3,316,393	3,405,073	3,164,010	3,162,284	2,732,815	2,557,248	2,439,366
Total business-type activities program expenses	35,564,179	34,195,579	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	54,690,426	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	934,808	866,090	782,976	652,831	482,252	423,312	450,653	405,857	284,763
Public safety	6,258	8,548	5,446	6,138	2,321	34,020	28,641	25,130	30,798
Highways and streets	51,666	51,996	44,094	38,284	13	14	15	59	59
Health and welfare	32,452	35,606	47,472	37,566	30,290	32,094	7,179	11,299	13,245
Economic development	-	-	-	-	-	-	-	25	25
Culture and recreation	364,696	387,113	348,065	275,555	271,842	267,813	314,012	316,720	241,706
Operating grants and contributions	626,870	865,607	469,206	678,485	915,090	678,830	933,651	968,117	965,931
Capital grants and contributions	610,145	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	2,626,895	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	26,814,028	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	3,178,811	3,740,133	3,372,455	6,061,128	5,639,536	5,768,269	4,803,557	4,412,176	4,945,353
Sanitation	3,119,515	2,913,758	2,767,713	2,731,314	2,468,172	2,427,160	2,171,215	1,981,540	1,667,958
Wastewater	3,717,883	3,552,062	4,104,465	4,119,867	3,798,212	2,934,281	2,377,633	1,953,816	1,756,712
Water	5,122,170	3,898,319	4,688,689	3,719,257	3,254,617	3,718,368	2,944,790	2,690,075	2,563,880
Operating grants and contributions	16,622	-	8,316	5,000	-	-	100	12,281	33,195
Capital grants and contributions	599,799	229,089	115,539	240,481	-	10,160	-	-	275,531
Total business-type activities program revenues	42,568,828	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	45,195,723	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	(16,499,352)	(16,668,657)	(14,676,748)	(11,540,649)	(11,248,332)	(10,174,949)	(9,102,310)	(7,228,342)	(9,243,324)
Business-type activities	7,004,649	4,524,899	6,673,462	920,224	301,213	263,601	627,086	138,063	330,070
Total primary government net expense	(9,494,703)	(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 Nine Fiscal Years (1)
(accrual basis of accounting)

CITY OF BRENHAM

TABLE 2

	FISCAL YEAR								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
General revenues and other changes in net assets									
Governmental activities:									
Property taxes	4,980,377	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	3,774,894	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	3,699,868	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	18,501	12,790	181,281	460,201	587,125	261,901	143,000	138,952	111,107
Miscellaneous	143,988	105,935	120,375	208,690	55,483	120,666	119,836	134,188	103,857
Gain (loss) on sale of capital assets	12,771	7,879	5,482	37,643	9,508	5,458	(58,343)	21,536	(51,110)
Payments from component Unit	219,526	850,941	931,773	927,717	770,877	661,417	661,407	622,061	675,704
Transfers	2,872,953	2,836,566	3,146,621	154,171	96,380	239,378	374,031	645,069	1,671,039
Total government activities	15,722,878	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	95,798	50,841	129,159	348,525	462,286	312,516	227,280	272,546	314,044
Miscellaneous	21,046	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	(2,872,953)	(2,836,566)	(3,146,621)	(154,171)	(96,380)	(239,378)	(374,031)	(645,069)	(1,671,039)
Total business-type activities	(2,756,109)	(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	12,966,769	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	(776,474)	(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	(776,474)	(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	4,248,540	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	4,248,540	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	3,472,066	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	\$ 269,757	\$ 205,065	\$ 190,761	\$ 191,425	\$ 163,868	\$ 137,649	\$ 154,949	\$ 157,137	\$ 145,353
Program revenues	-	-	-	-	-	-	-	-	-
Brenham Community Development Corporation	-	-	-	-	-	-	-	-	-
Net expenses	(269,757)	(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	1,258,298	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	1,645	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	3,100	-	5,348	-	-	-	(28,194)	-	-
Payments from component unit	(219,526)	(850,941)	(931,773)	(927,717)	(770,877)	(661,417)	(661,407)	(622,061)	(675,704)
Transfers	-	-	-	-	-	-	-	-	-
Total component unit activities	1,043,517	377,660	323,106	359,264	432,220	449,723	282,534	250,407	217,005
Component unit change in assets	\$ 773,760	\$ 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

CITY OF BRENHAM

Last Ten Fiscal Years

(modified accrual basis of accounting)

TABLE 3

	FISCAL YEAR									
	2011 (2)	2010	2009	2008	2007	2006	2005	2004 (1)	2003	2002
General fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,908	\$ 40,578	\$ 35,748	\$ 41,038	\$ 56,306
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
Nonspendable	204,230	-	-	-	-	-	-	-	-	-
Restricted	103,052	-	-	-	-	-	-	-	-	-
Unassigned	3,529,369	-	-	-	-	-	-	-	-	-
Total general fund	\$ 3,836,651	\$ 2,764,850	\$ 2,764,850	\$ 2,687,654	\$ 2,251,108	\$ 1,699,026	\$ 1,257,755	\$ 668,738	\$ 404,287	\$ 975,697
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
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
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
Restricted	5,600,913	-	-	-	-	-	-	-	-	-
Committed	111,424	-	-	-	-	-	-	-	-	-
Assigned	394,896	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 6,107,233	\$ 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

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

(2) Implimentation of GASB 54 beginning in 2011, prior years are not restated.

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

CITY OF BRENHAM

TABLE 4

	FISCAL YEAR									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues										
Taxes	\$ 12,445,035	\$ 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
Licenses and permits	64,465	76,999	61,989	58,260	54,487	56,146	57,846	57,574	43,572	45,181
Intergovernmental	696,256	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
Charges for services	558,484	603,568	571,177	458,378	368,861	363,984	396,353	401,130	331,505	283,369
Fines and forfeitures	766,908	668,762	594,840	493,664	363,253	337,014	344,076	300,235	216,255	217,342
Investment income	18,259	12,428	179,685	457,112	572,336	246,716	137,011	138,952	111,107	187,302
Payment from component unit	970,989	850,941	931,773	927,717	770,877	661,417	661,407	622,061	675,704	714,985
Contributions and donations	111,254	174,272	39,833	176,900	124,608	176,214	44,895	1,084,504	-	265,270
Miscellaneous	115,930	111,418	149,984	151,892	85,405	117,772	157,948	139,505	303,328	399,980
Total revenues	15,747,580	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
Expenditures										
Current:										
Culture and recreation	2,860,841	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
Economic development	-	-	-	-	-	-	-	3,417	275,531	-
General government	4,814,955	4,987,652	4,793,575	1,491,349	1,383,100	1,270,288	1,560,873	974,771	980,100	876,371
Health and welfare	278,258	281,388	262,880	535,818	562,579	614,794	214,873	571,160	556,746	613,154
Highways and streets	11,426,323	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
Public safety	5,801,959	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
Debt service:										
Interest & fiscal charges	932,687	818,939	816,482	929,359	938,159	664,571	724,066	739,385	716,629	610,758
Principal retirement	1,623,452	1,291,944	1,319,200	1,165,767	1,070,825	1,138,070	1,038,665	927,215	848,102	916,183
Issuance costs	331,409	800	132,893	1,069	21,072	72,468	-	-	62,692	71,511
Capital outlay	1,203,378	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
Total expenditures	29,273,262	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
Excess (deficiency) of revenues over (under) expenditures	(13,525,682)	(3,552,626)	(10,248,069)	(235,284)	(701,822)	(624,119)	(367,434)	(2,428,023)	(3,274,437)	(3,647,712)
Other financing sources (uses)										
Transfers in	3,091,370	3,849,305	4,092,165	1,036,319	723,787	802,738	609,424	1,088,710	1,892,850	1,539,723
Transfers out	(218,417)	(1,012,739)	(945,544)	(882,148)	(848,384)	(563,360)	(235,394)	(293,904)	(221,812)	(453,779)
Payment to Component Unit	(751,463)	-	-	-	-	-	-	-	-	-
Proceeds from bonds	16,097,674	-	-	-	-	9,000,000	-	-	3,043,442	4,342,199
Refunding bonds issued	3,060,619	-	5,941,995	-	1,524,321	-	-	-	-	-
Gain on settlement	-	-	-	-	-	-	-	-	-	75,000
Bond premium	-	-	194,962	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	(3,004,387)	-	(6,004,364)	-	(1,501,306)	-	-	-	-	-
Proceeds from capital lease	-	645,621	131,933	-	544,300	288,810	-	449,924	-	289,547
Miscellaneous	40,074	21,665	19,339	93,476	-	-	-	-	-	-
Total other financing sources (uses)	18,315,470	3,503,852	3,430,486	247,647	442,718	9,528,188	374,030	1,244,730	4,714,480	5,792,690
Net change in fund balance	\$ 4,789,788	\$ (48,774)	\$ (6,817,583)	\$ 12,363	\$ (259,104)	\$ 8,904,069	\$ 6,596	\$ (1,183,293)	\$ 1,440,043	\$ 2,144,978
Debt service as a percentage of non-capital expenditures	10.29%	11.81%	13.62%	15.93%	16.40%	16.32%	16.01%	15.55%	14.99%	13.59%

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
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
2011	3,774,894	4,970,273	3,145,892	523,605	24,247	6,124	12,445,035

(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
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
2011	531,338,057	330,838,349	276,091,085	1,138,267,491	162,347,984	975,919,507	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 Nine Fiscal Years (1)

CITY OF BRENHAM

TABLE 7

	2010	2009	2008	2007	2006	2005	2004	2003	2002
<u>Sales subject to sales tax</u>									
Retail trade	\$ 184,434,383	\$ 185,958,779	\$ 184,899,069	\$ 176,374,582	\$ 165,564,470	\$ 154,723,485	\$ 128,219,315	\$ 126,258,311	\$ 123,089,392
Accommodation/food services	36,298,144	35,547,090	34,609,238	31,635,974	28,528,631	25,761,532	22,784,614	21,939,466	21,527,867
Manufacturing	14,031,339	15,744,268	25,038,093	16,522,060	16,115,966	14,012,727	11,181,932	12,941,111	14,551,417
Wholesale trade	12,950,217	13,395,632	16,490,784	16,316,965	17,216,891	14,364,045	13,550,787	9,870,736	10,151,093
Mining/quarrying/oil/gas extraction	3,152,929	4,229,845	9,146,075	7,752,965	5,464,529	2,019,117	2,128,802	411,837	384,445
Other services	8,264,050	7,646,118	7,642,688	7,529,497	6,339,914	6,837,315	6,295,677	6,175,297	5,925,060
Admin/support/waste mgmt/remediation services	5,490,493	5,511,221	7,191,225	6,385,434	6,511,431	6,535,273	6,196,661	5,487,051	4,881,149
Real estate/rental/leasing	4,675,387	4,934,661	7,408,045	5,840,137	4,927,370	4,082,531	3,112,151	3,379,402	3,195,265
Information	3,403,518	3,293,086	2,587,597	6,743,249	1,662,880	2,743,990	45,820,215	40,204,429	2,949,226
Construction	4,864,757	5,485,705	4,183,561	5,313,078	4,009,748	3,529,516	3,919,448	4,807,705	3,240,315
Professional/scientific/technical services	1,661,032	1,773,675	2,931,954	2,202,976	2,250,152	2,294,657	1,958,581	2,058,213	1,790,163
Educational services	1,886,553	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	2,399,368	2,649,199	1,399,762	1,074,663	1,182,103	1,263,093	800,927	1,073,465	1,228,011
Arts/entertainment/recreation	1,098,302	1,135,902	1,016,048	664,880	428,104	401,372	360,305	451,220	331,400
Agriculture/forestry/fishing hunting	136,705	116,141	163,971	367,864	338,068	130,726	309,314	125,257	105,119
Transportation/warehousing	223,081	225,203	273,397	111,957	27,959	33,263	10,417	-	-
Health care/social assistance	47,212	37,369	52,738	34,638	33,136	39,545	29,011	25,904	41,728
Public administration	-	-	-	-	1,778,439	-	-	-	-
Management of companies/enterprises	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	110	18,250	155,206	726,073
All industries (3)	\$ 292,177,360	\$ 297,373,449	\$ 314,645,173	\$ 293,550,391	\$ 269,363,326	\$ 246,650,161	\$ 254,318,729	\$ 243,969,795	\$ 202,874,609
City sales tax rate (4)	0.01500	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 2011 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			Total	City of Brenham	Washington County	Total Overlapping Governments
	General Fund	Debt Service	Total	Independent School District	Blinn College	Washington County	Overlapping Governments			
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
2011	0.34200	0.16220	0.50420	1.11840	0.05590	0.43580	2.11430	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

2011			2002		
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	\$ 39,804,114	4.08%	Mount Vernon Mills, Inc.	\$ 29,240,530	4.82%
Valmonts/Als	25,831,650	2.65%	Blue Bell Creameries	27,136,125	4.48%
MIC LLC (East)	15,399,600	1.58%	Valmont Industries	15,807,915	2.61%
Moore Wallace North America	14,777,560	1.51%	Wallace Computer Services	12,472,160	2.06%
MIC Group LLC (West)	14,487,680	1.48%	Cleaners Hangers Co.	11,424,730	1.88%
Germania Farm Mutual Aid Assoc	11,980,930	1.23%	Wal-Mart Properties #32	10,619,940	1.75%
PI Components Corp.	9,525,830	0.98%	Germania Farm Mutual Aid Assoc	9,444,660	1.56%
Lowe's Home Centers, Inc. #2521	9,378,810	0.96%	Brenham Wholesale Groc.	9,123,520	1.51%
Wal-Mart Real Estate Business Trust	8,106,950	0.83%	Sealy Mattress Co.	7,417,060	1.22%
Brenham Wholesale Grocery	7,264,500	0.74%	P I Components	6,824,170	1.13%
Total	\$ 156,557,624	16.04%	Total	\$ 139,510,810	23.02%

(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 (6)	Total Collections		
				Amount	Percentage of Levy		Amount	Percentage of Levy	
2002	\$ 606,171,712	0.39500	\$ 2,391,893	\$ 2,354,756	98.45%	\$ 27,119	\$ 2,386,386	(1)	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	(2)	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	(3)	100.01%
2008	879,817,843	0.50630	4,495,628	4,493,575	99.95%	85,464	4,581,092	(4)	101.90%
2009	945,811,445	0.50420	4,739,801	4,666,545	98.45%	51,033	4,727,111	(5)	99.73%
2010	982,776,938	0.50420	4,957,748	4,866,421	98.16%	69,767	4,936,188		99.57%
2011	975,919,507	0.50420	4,928,249	4,840,754	98.22%	73,287	4,914,041		99.71%

(1) Includes \$4,511 in overrages.

(2) Includes \$1,432 in overrages.

(3) Includes \$2,902 of 2007 rollback taxes collected.

(4) Includes \$2,053 of 2008 rollback taxes collected.

(5) Includes \$9,424 of 2009 rollback taxes collected.

(6) Collections from prior years are recognized as revenue in the year they are received, not the year in which they are levied,

PRINCIPAL SALES TAX PAYERS BY INDUSTRY (1)
 Calendar Years 2010 and 2002 (2)

CITY OF BRENHAM

TABLE 11

Sales Tax Payers By Industry	2010			Sales Tax Payers By Industry	2002		
	Sales Subject to Sales Tax	Percentage of All Industries	Number of Reporting Outlets 4th Q		Sales Subject to Sales Tax	Percentage of All Industries	Number of Reporting Outlets 4th Q
Retail trade	\$ 184,434,383	63.12%	376	Retail trade	123,089,392	60.67%	378
Accommodation/food services	36,298,144	12.42%	95	Accommodation/food services	21,527,867	10.61%	67
Manufacturing	14,031,339	4.80%	77	Manufacturing	14,551,417	7.17%	65
Wholesale trade	12,950,217	4.43%	50	Wholesale trade	10,151,093	5.00%	29
Mining/quarrying/oil/gas extraction	3,152,929	1.08%	4	Other services	384,445	0.19%	104
Other services	8,264,050	2.83%	117	Admin/support/waste mgmt/remediation services	5,925,060	2.92%	62
Admin/support/waste mgmt/remediation services	5,490,493	1.88%	60	Construction	4,881,149	2.41%	81
Real estate/rental/leasing	4,675,387	1.60%	17	Real estate/rental/leasing	3,195,265	1.57%	10
Information	3,403,518	1.16%	11	Information	2,949,226	1.45%	12
Construction	4,864,757	1.67%	74	Professional/scientific/technical services	3,240,315	1.60%	39
Professional/scientific/technical services	1,661,032	0.57%	53	Finance/insurance	1,790,163	0.88%	13
Educational services	1,886,553	0.65%	13	Other	57,479	0.03%	48
Finance/insurance	2,399,368	0.82%	17	Mining/quarrying/oil/gas extraction	1,228,011	0.61%	4
Arts/entertainment/recreation	1,098,302	0.38%	16	Arts/entertainment/recreation	331,400	0.16%	11
Agriculture/forestry/fishing hunting	136,705	0.05%	11	Agriculture/forestry/fishing hunting	105,119	0.05%	10
Transportation/warehousing	223,081	0.08%	6	Educational services	0	0.00%	9
Health care/social assistance	47,212	0.02%	6	Health care/social assistance	41,728	0.02%	4
Public administration	0	0.00%	11	Public administration	0	0.00%	3
Management of companies/enterprises	0	0.00%	2	Transportation/warehousing	0	0.00%	3
Other	0	0.00%	1	Management of companies/enterprises	726,073	0.36%	0
All industries (3)	\$ 292,177,360	100.00%	1,017	All industries (3)	\$ 202,874,609	100.00%	952

(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	Revenue Bonds	Limited Tax Notes	Capital Leases	General Obligation Bonds	Certificates of Obligation	General Obligation Refunding	Capital Leases	Settlement			
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
2011	-	7,948,585	9,383,268	14,165,000	655,000	552,333	-	6,536,415	14,971,731	188,043	-	54,400,376	8.02%	3,427

(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	Revenue Bonds	Limited Tax Notes	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)
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
2011	-	7,948,585	9,383,268	14,165,000	655,000	32,151,853	245,654	31,906,199	975,919,507	3.27%	2,010

(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	2010 TAX ROLL TAXABLE VALUE	PERCENTAGE APPLICABLE TO CITY OF BRENHAM (1)	CITY OF BRENHAM'S SHARE OF DEBT
City of Brenham	\$ 31,906,199	\$ 975,919,507	100.0%	\$ 31,906,199
Total direct debt	<u>31,906,199</u>	<u>975,919,507</u>		<u>31,906,199</u>
Brenham I. S. D.	27,544,959	1,869,625,499	52.2%	14,378,100
Washington County	4,755,000	2,262,626,587	43.1%	2,050,934
Blinn Junior College	<u>-</u>	<u>2,263,553,948</u>	-	<u>-</u>
Total overlapping debt	<u>32,299,959</u>	<u>6,395,806,034</u>		<u>16,429,034</u>
Total direct and overlapping debt	\$ <u>64,206,158</u>	\$ <u>7,371,725,541</u>		\$ <u>48,335,233</u>

Ratio of direct and consolidated overlapping funded debt to taxable assessed valuation 0.66%

Per capita consolidated overlapping tax supported debt (based on population of 15,872) \$3,045

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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Taxable assessed valuations	\$ 975,919,507	\$ 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
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	0.34200	0.32450	0.31650	0.31650	0.30510	0.30000	0.28750	0.27500
Debt limit per \$100 valuation	1.30800	1.30800	1.30800	1.32550	1.33350	1.33350	1.34490	1.35000	1.36250	1.37500
Debt limit	12,765,027	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
Total net debt applicable to limit	2,611,307	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
Legal debt margin	\$ 10,153,720	\$ 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
Total net debt applicable to the limit as a percentage of debt limit	20.46%	16.40%	17.94%	17.55%	18.63%	17.72%	17.44%	16.98%	16.95%	16.62%

PLEGGED REVENUE COVERAGE
Last Ten Fiscal Years

CITY OF BRENHAM

TABLE 16

Fiscal Year	Water Fund (1)						Debt Service Coverage	Fiscal Year	Wastewater Fund - Self-Supporting Debt (2)						Debt Service Coverage
	Utility Charges for Services	Less: Operating Expenses	Net Available Revenue	Debt Service		Debt Service Coverage			Utility Charges for Services	Less: Operating Expenses	Net Available Revenue	Debt Service		Debt Service Coverage	
				Principal	Interest (3)							Principal	Interest (3)		
2002	\$ 2,472,349	\$ 2,045,722	\$ 426,627	\$ 402,146	\$ 235,015	\$ 0.67	2002	\$ 1,594,352	\$ 1,861,284	\$ (266,932)	\$ 144,666	\$ 338,370	\$ (0.55)		
2003	2,563,788	2,022,318	541,470	311,230	393,136	0.77	2003	2,032,243	1,964,495	67,748	88,830	561,089	0.10		
2004	2,690,050	2,161,268	528,782	328,586	377,209	0.75	2004	1,953,796	2,005,729	(51,933)	164,256	653,379	(0.06)		
2005	2,944,778	2,376,870	567,908	341,325	346,490	0.83	2005	2,377,615	2,315,795	61,820	203,644	648,215	0.07		
2006	3,718,352	2,797,111	921,241	397,213	328,534	1.27	2006	2,934,264	2,895,413	38,851	303,332	640,901	0.04		
2007	3,254,601	2,784,247	470,354	522,026	303,652	0.57	2007	3,798,195	2,888,251	909,944	571,241	617,220	0.77		
2008	3,719,245	3,088,309	630,936	537,025	281,166	0.77	2008	4,119,856	3,191,900	927,956	582,064	592,494	0.79		
2009	4,606,941	2,835,706	1,771,235	569,498	426,689	1.78	2009	4,045,839	2,639,477	1,406,362	633,196	544,878	1.19		
2010	3,898,316	2,509,163	1,389,153	629,780	492,080	1.24	2010	3,552,059	2,406,199	1,145,860	667,545	497,324	0.98		
2011	5,122,167	2,969,660	2,152,507	690,635	430,063	1.92	2011	3,717,881	2,396,120	1,321,761	790,302	375,458	1.13		

Total Water and Wastewater Funds						
Fiscal Year	Utility Charges for Services	Less: Operating Expenses	Net Available Revenue	Debt Service		Debt Service Coverage
				Principal	Interest (3)	
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
2011	8,840,048	5,365,780	3,474,268	1,480,937	805,522	1.52

(1) Water fund-supported debt includes 2001 general obligation refunding bonds, 2001 and 2008 certificates of obligation, and 2007, 2009, 2010, 2011 general obligation refunding bonds.

(2) Wastewater fund-supported debt includes 2001 and 2002 certificates of obligation, and 2007, 2009, 2010, 2011 general obligation refunding bonds.

(3) Interest is represented on a cash basis.

TABLE 17

Fiscal Year	Population (1)	Total Personal Income (000's) (2)	Per Capita Personal Income (3)	Unemployment Rate (4)
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
2011	15,872	678,696	42,761	6.0

(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. Data for 2011 is estimated based on prior percent increase.

(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, 2010, and 2011 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 2011 are for Washington County.

PRINCIPAL EMPLOYERS
Current Year and Ten Years Ago

CITY OF BRENHAM

TABLE 18

2011			2002		
Employer (1)	Employees	Percentage of Total City Employment	Employer	Employees	Percentage of Total City Employment
Brenham St Supported Living Ctr	1,027	14.90%	Brenham St Supported Living Ctr	965	15.70%
Blue Bell Creameries	854	12.39%	Blue Bell Creameries	800	13.01%
Brenham I.S.D.	734	10.65%	Brenham I.S.D.	650	10.57%
Blinn College	477	6.92%	Blinn College	600	9.76%
MIC Group	432	6.27%	Wal-Mart Supercenter	387	6.30%
Valmont	370	5.37%	Mt. Vernon Mills	320	5.21%
Wal-Mart Supercenter	335	4.86%	Germania Insurance	305	4.96%
City of Brenham	314	4.56%	Trinity Medical Center	300	4.88%
Scott & White Hospital	292	4.24%	Sealy Mattress Company	275	4.47%
Germania Insurance	288	4.18%	City of Brenham	250	4.07%
Total	5,123	74.35%	Total	4,852	78.93%
Employment (2)	6,890		Employment (3)	6,147	

(1) Major employers as identified in a report issued by Washington County Chamber of Commerce, revised January 2012.

(2) Employment is taken from U.S. Bureau of Labor Statistic 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 2011. 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 Nine Fiscal Years (1)

CITY OF BRENHAM

TABLE 19

Function/program	FISCAL YEAR								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Streets/Drainage	16.90	16.90	16.90	17.50	17.50	17.88	18.28	18.31	18.28
Parks/Recreation	25.80	25.80	27.38	20.10	20.10	20.08	20.23	20.23	20.48
Aquatic Center	15.04	15.04	15.04	20.19	20.19	22.50	23.12	22.25	24.37
Library	8.14	8.14	8.03	8.92	8.92	7.88	6.84	7.36	7.84
Central Communication	17.16	17.16	13.13	14.17	13.17	13.19	14.22	14.70	12.72
Police	38.00	37.00	34.00	34.00	33.00	32.00	32.75	32.00	32.00
Fire	15.00	15.00	12.13	12.00	11.00	11.00	10.50	10.50	10.50
Animal Control	4.00	3.00	4.00	4.40	3.40	3.00	3.00	3.00	3.00
Municipal Court	4.60	4.60	4.75	4.60	4.60	4.60	3.60	3.60	3.60
Public Works	6.00	6.00	6.00	6.14	6.14	6.14	5.89	5.64	5.64
Administration	6.28	8.08	8.08	7.00	10.00	8.00	8.25	6.50	6.50
Main St/Community Development	3.00	2.00	2.00	2.00	-	-	-	-	-
Utility Billing/Customer Service	10.00	10.00	10.00	10.00	10.00	10.00	10.73	9.73	10.73
Finance	9.39	10.39	10.45	10.00	10.00	11.00	10.00	12.00	12.00
HR/Risk Management	2.80	-	-	-	-	-	-	-	-
Purchasing/Warehouse	-	-	-	-	-	-	-	-	-
Public Information	-	2.00	2.00	2.00	2.00	2.00	2.00	4.00	3.00
Public Utilities	7.00	7.00	7.00	6.00	6.00	6.00	8.00	9.33	9.00
Central Warehouse/Maintenance	8.00	8.00	8.00	8.38	9.38	9.38	9.40	8.37	6.40
Information Technology	5.00	5.00	5.00	4.50	3.50	4.50	4.50	3.00	3.00
Electric	13.00	12.00	12.00	11.00	11.00	11.00	11.00	12.00	12.00
Gas	5.00	5.00	5.00	5.00	5.33	5.33	5.33	5.33	5.33
Water Treatment	6.50	6.50	5.50	7.00	6.00	6.00	6.00	7.00	7.00
Water Construction	5.00	5.50	5.50	5.50	5.34	5.34	5.34	5.34	5.34
Wastewater Treatment	4.50	4.50	5.50	7.00	7.00	7.00	7.00	8.00	8.00
Wastewater Construction	5.00	5.50	5.50	5.50	5.33	5.33	5.33	5.33	5.33
Transfer Station	2.75	2.75	3.08	3.08	3.08	3.08	5.14	3.99	4.56
Collection Station	2.83	2.83	1.39	1.08	1.08	1.08	-	-	-
Recycling Center	2.25	2.25	2.25	2.25	2.25	2.25	2.33	3.33	3.25
Collection	2.75	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	251.69	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 Nine Fiscal Years (1)

CITY OF BRENHAM

TABLE 20

	FISCAL YEAR								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Recreation/Parks									
Number of athletic tournaments (2)	41	36	33	31	32	38	35	31	NA
Aquatic Center									
Number of Visitors	68,997	67,000	67,526	73,506	66,793	70,363	67,914	58,627	49,089
Number of Annual Passes	87	97	145	143	137	140	140	159	239
Number of Monthly Passes	1,156	962	930	927	907	878	913	814	615
Number of Summer Passes	84	-	-	-	-	-	-	-	-
Streets									
Road maintenance in linear feet	16,430	33,958	11,186	9,376	11,738	16,393	12,967	7,750	7,955
Library									
Circulation	73,288	75,174	73,700	70,174	44,933	49,004	47,545	49,754	51,204
Central Communications									
Number of Incoming Calls	759,065	712,766	749,499	682,254	561,436	519,038	503,992	481,609	436,210
Number of 9-1-1 Calls	34,924	30,388	30,594	30,001	30,702	27,253	20,496	17,928	16,075
Police									
Traffic Citations	5,240	6,230	8,036	6,445	3,593	2,988	3,186	4,513	2,506
Traffic Warning Tickets Issued	9,740	7,493	4,274	3,426	3,536	4,188	5,297	8,516	4,237
Mileage on Police units	401,630	422,313	382,597	296,882	296,422	299,527	295,802	300,602	312,246
Fire (3)									
Fire Responses	133	70	73	81	118	80	86	71	68
Rescues	18	17	33	28	52	34	32	32	30
Animal Control/Shelter/Adoption									
Number of Incoming Animals	1,611	1,760	1,455	1,723	1,846	1,464	1,784	1,876	1,812
Animals Adopted	336	343	300	385	401	343	342	304	301
Municipal Court									
Traffic dispositions	4,270	5,703	5,582	4,444	5,614	5,132	4,232	4,429	3,388
Other dispositions	2,458	1,527	1,603	1,647	1,413	1,505	1,953	1,790	1,850
Public Works									
Building Inspection Visits	1,835	1,956	1,818	1,936	1,742	1,692	1,779	1,552	1,536
Electric									
kWh delivered	289,472,286	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	8,120	8,235	8,150	8,060	7,947	7,728	7,585	7,556	7,564
Gas									
mcf delivered	394,563	443,345	420,851	522,411	602,719	563,508	543,062	557,790	644,920
Customers served	4,244	4,212	4,151	4,106	4,050	3,982	3,965	3,944	3,956
Water									
Gallons delivered	996,362,800	752,748,100	926,510,200	883,015,900	799,546,600	956,383,100	811,893,100	736,565,100	782,517,000
Customers served	7,164	7,077	6,946	6,816	6,654	6,372	6,211	6,134	6,124
Wastewater									
Effluent plant gallons processed	657,568,000	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	351,747,400	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	6,434	6,373	6,284	6,198	6,073	5,839	5,766	5,722	5,719
Sanitation									
Customers served	5,728	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 Nine Fiscal Years (1)

CITY OF BRENHAM

TABLE 21

Function/program	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Recreation/Parks									
Park acreage	191	150	150	150	150	150	150	150	150
Parks	7	7	7	7	7	7	7	7	7
Amphitheater	1	-	-	-	-	-	-	-	-
Aquatic centers	1	1	1	1	1	1	1	1	1
Baseball fields	8	8	8	8	8	8	8	8	8
Softball fields	9	9	9	9	9	9	9	9	9
Tennis courts	6	6	6	6	6	6	6	6	6
Soccer fields	12	12	12	12	12	12	12	12	12
Skateboard parks	1	1	1	1	1	1	1	1	1
Library									
Libraries	1	1	1	1	1	1	1	1	1
Airports	1	1	1	1	1	1	1	1	1
Police									
Stations	1	1	1	1	1	1	1	1	1
Police vehicles	43	43	43	40	38	33	34	33	33
Fire									
Fire stations	1	1	1	1	1	1	1	1	1
Fire trucks	5	5	5	5	5	5	5	5	5
Animal control/shelter/adoption									
Shelters	1	1	1	1	1	1	1	1	1
Electric									
Miles of service lines	118	118	118	118	116	115	113	112	110
Gas									
Miles of service lines	118	116	115	115	111	111	110	109	107
Water									
Miles of water mains	153	149	148	145	143	138	137	136	136
Wastewater									
Miles of sanitary mains	138	137	137	136	135	129	128	127	127
Sanitation									
Collection stations	1	1	1	1	1	1	1	1	1
Transfer stations	1	1	1	1	1	1	1	1	1
Recycling stations	1	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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 5, 2012. 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.

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 March 5, 2012.

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.

March 5, 2012
Brenham, Texas

Sider, Smeeth & Company