

CITY OF BRENHAM, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2016



PREPARED BY THE FINANCE DIVISION

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

**TABLE OF CONTENTS
For The Fiscal Year Ended September 30, 2016**

INTRODUCTORY SECTION

Letter of Transmittal	1
Certificate of Achievement for Excellence in Financial Reporting	7
Organizational Chart	8
List of Principal Officials	9

FINANCIAL SECTION

Independent Auditor's Report	11
Management's Discussion and Analysis	15
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	29
Statement of Activities	31
Fund Financial Statements:	
Balance Sheet – Governmental Funds	32
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	33
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	34
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	35
Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - General Fund	36
Statement of Net Position – Proprietary Funds	37
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	39
Statement of Cash Flows – Proprietary Funds	40
Notes to the Financial Statements	43

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Other Postemployment Benefit Plan (OPEB)	83
Schedule of Changes in Net Pension Liability and Related Ratios – Texas Municipal Retirement System	85
Schedule of Contributions – Texas Municipal Retirement System	86
Schedule of the City's Proportionate Share of the Net Pension Liability – Texas Emergency Services Retirement System	87
Schedule of Contributions – Texas Emergency Services Retirement System	88

COMBINING FUND STATEMENTS AND SCHEDULES

Nonmajor Governmental Funds	
Special Revenue Funds	89
Capital Projects Funds	89
Internal Service Funds	91
Debt Service Fund	91
Combining Balance Sheet – Other Governmental Funds	92
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Other Governmental Funds	93
Combining Balance Sheet – Special Revenue Funds	94

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

**TABLE OF CONTENTS
For The Fiscal Year Ended September 30, 2016**

COMBINING FUND STATEMENTS AND SCHEDULES (Cont.)

Statement of Revenues, Expenditures, and Changes in Fund Balances – Special Revenue Funds	95
Combining Balance Sheet – Nonmajor Capital Projects Funds	96
Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Funds	97
Internal Service Funds	
Combining Statement of Net Position	98
Statement of Revenues, Expenditures, and Changes in Fund Net Position	99
Combining Statement of Cash Flows – Internal Service Funds	100
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Debt Service Fund	101
Hotel/Motel Tax Fund	102
Hotel/Motel Fund - Washington County	103
PD Criminal Law Enforcement Fund	104
Courts Technology/Security Fund	105
Airport Capital Improvement Fund	106
Capital Leases Fund	107
Parks Capital Improvements Fund	108
Streets and Drainage Improvements Fund	109
US 290 Pass Thru Finance Fund	110
2014 Capital Projects Fund	111
Brenham Community Development Corporation Fund	112
Donations Fund	113
Emergency Management Grants Fund	114
Equipment Fund	115
Fire Department Grant Fund	116
Police Department Grants Fund	117
Public Safety Training Fund	118
Police Department Equipment Fund	119
FEMA Disaster Relief Fund	120
Simon Conference Center Fund	121

REPORTS FOR MANAGEMENT SECTION

Government-wide Expenses by Function	124
Government-wide Revenues	125
General Governmental Expenditures by Function	126
Reconciliation of Property Tax Receivable	127
Revenues by Source – Governmental Funds	128
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to General Governmental Expenditures	129
Property Value and Construction	130
Revenues by Source – Business Type Activities	131
Electric Customers, Consumption and Sales	132
Gas Customers, Consumption and Sales	133
Electric Rates	134
Gas Rates	135
Ten Largest Electric Customers	136
Ten Largest Gas Customers	137
The Water System - Utility Billing Statistics	138

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

**TABLE OF CONTENTS
For The Fiscal Year Ended September 30, 2016**

The Wastewater System - Utility Billing Statistics	139
The Sanitation System - Utility Billing Statistics	140
Schedule of Expenditures of Federal and State Awards.....	141

STATISTICAL SECTION

Financial Trends

Net Position by Component.....	145
Changes in Net Position by Component	146
Fund Balances – Governmental Funds.....	148
Changes in Fund Balances – Governmental Funds	149

Revenue Capacity

Tax Revenues by Source – Governmental Funds	150
Assessed and Estimated Actual Value of Taxable Property	151
Sales Subject to Sales Tax by Industry.....	152
Direct and Overlapping Property and Sales Tax Rates	153
Ten Largest Property Taxpayers.....	154
Property Tax Levies and Collections	155
Principal Sales Taxpayers by Industry	156

Debt Capacity

Ratio of Outstanding Debt by Type	157
Ratio of Net General Obligation Bonded Debt	158
Direct and Overlapping Debt	159
Legal Debt Margin Information.....	160
Pledged-Revenue Coverage.....	161

Demographics/Economics

Demographic and Economic Information	162
Principal Employers.....	163

Operating

Full-time Equivalent Employees.....	164
Operating Indicators by Function/Program	165
Capital Assets by Function/Program	166

AUDIT SECTION

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	167
--	-----



INTRODUCTORY
SECTION



February 27, 2017

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

The Finance Division and the City Manager's Office are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Brenham, Texas for the fiscal year ended September 30, 2016. 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, 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, 2016 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 unmodified opinion that the City of Brenham's financial statements for the fiscal year ended September 30, 2016, 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 the 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 16,372. The City of Brenham is empowered to levy a 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 body, the City 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 body consisting of the Mayor and six Council members. The governing body is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the government's city manager and city attorney. The government's city manager is responsible for carrying out the policies and ordinances of the governing body, 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 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, the 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 city manager on or before the 15th of July each year. The city manager uses these requests as the starting point for developing a proposed budget. The city 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 34 as part of the basic financial statements.

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

During the middle of the 2015 fiscal year, Brenham experienced slow-down in several manufacturing facilities and the temporary shutdown of Blue Bell Creameries ice cream production (which resumed operations in November 2015). Although the turnaround has been slow, the City of Brenham is fortunate to have a diversified revenue base which has helped mitigate the economic downturn. Several indicators are noted below.

ECONOMIC CONDITION AND OUTLOOK (continued)

Local Economy (continued)

- **Stable Sales Tax Revenue** – Sales tax, which is the largest revenue source for funding General Fund operations and maintenance, was budgeted to increase in FY16 by 1% over the prior year budget. We experienced a 2.8% increase over the FY16 original budget, and FY17 revenues are stable.
- **Modest Growth in Property Valuations** – The City of Brenham's certified taxable property valuations have grown less than 1% from last year's certified values of \$1,188,742,237 to \$1,198,049,873 for the 2017 tax year. This included over \$11.13 million in new improvements.
- **Unemployment Rate for the County** – With the mid-year manufacturing slow-down, the unemployment rate for Washington County in September 2016 was 5.5% which was higher than the state's average unemployment rate of 4.9%.
- **Decline in City's Hotel Occupancy Tax Revenues** – With the downturn in the oil and gas industry and the cessation of tours at the Blue Bell Creameries visitor center, FY16 hotel occupancy tax revenues lagged behind FY15 levels, and ended 2% behind budget. FY17 is trending slightly ahead of FY16 levels.

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 significant employers include the regional home office of a state-wide insurance provider, a regional food distributor 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.

Brenham is economically feasible for business and residential sites due to the affordable 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.

The City continues to experience stable economic development through moderate growth in residential and commercial building permits and infrastructure improvements.

- **Residential building permits** – In FY16, 74 residential building permits were issued for the year totaling \$6.7 million which is a \$200,000 increase from the previous year when 57 permits totaling \$6.5 million were issued.
- **Commercial building permits** – The City issued 24 commercial building permits for FY16 totaling \$22 million as compared to 74 permits for \$15.4 million in FY15. The increase of \$6.6 million is attributable to the following projects: \$11 million for the Recreation Center at Blinn College; \$5.6 for a new Holiday Inn Express; and \$1.5 for a new Goodwill Select Store.
- **Residential infrastructure improvements** were complete in the Ralston Creek Subdivision, Phases 2 & 3 of Ralston Creed Estates, and the City accepted water system improvement totaling over \$162,000 and wastewater system improvements totaling over \$229,000.

A major upgrade to our water distribution system occurred in FY16. The City completed replacement of approximately 4,400 linear feet of AC water lines with PVC pipe in several residential areas. This project totaled over \$340,000.

ECONOMIC CONDITION AND OUTLOOK (continued)

Economic Development (continued)

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 City has ten companies currently being monitored for tax phase-in compliance verifying that value creation and employment and payroll criteria are being met. One notable project is highlighted below.

- Valmont Coatings, Inc. was awarded a tax-phase-in incentive from the City of Brenham and Washington County to locate a galvanizing plant in Brenham to serve the local Valmont Structures facility as well as secondary metal-based businesses in the region. The capital investment totals \$14.8 million with \$3.5 million for re-constructing the existing facility and \$11.3 million for machinery and equipment.

Recognizing that retail development is vital to a community's economic and social health through job creation and tax base enhancement, and acknowledging that retail developments provide residents, businesses and visitors more options and services, the City approved Retail Incentive Development Guidelines in FY16.

The Economic Development Foundation of Brenham (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. In August 2015, the EDF was awarded a grant from the US. Economic Development Administration (EDA) in the amount of \$1.35 million to build a Workforce and Technical Training Center in the Brenham Business Center adjacent to the Hodde Technical Education Center. Total construction costs are estimated at \$1.8 million with matching funds being provided by local entities: \$250,000 from the Brenham Community Development Corporation (BCDC); \$100,000 from Blinn College; and \$50,000 each from Washington County and the EDF. Construction is scheduled to begin in early 2017.

The BCDC derives funding from the collection of a three-eighth cent 4B sales tax allocated for economic development and recreation. This revenue source has allowed the City to create a business park and recreational facilities, providing for new development opportunities.

- Public parks are often the economic engine that drives tourism in many communities. The City of Brenham offers first class facilities that appeal to both residents and visitors. The recreational portion of this three-eight cent sales tax provided almost \$430,000 for improvements to our existing park facilities and aquatic center during the fiscal year.
- In October, 2015, the Council approved a memorandum of understanding related to a planned park development connecting Fireman's Park and the Nancy Carol Roberts Memorial Library. The expansion included fencing, landscaping, trail extension, and playground construction. A generous private donation of \$750,000 was received for this project which was substantially complete during the fiscal year.

In 2016, the City of Brenham Community Projects Fund, Inc. a non-profit organization was formed. The Corporation is a 501(c)(3) organization that supports the City of Brenham in implementing and conducting its charitable and educational projects designed to expand areas of service to citizens and visitors. For the current fiscal year, there was no financial activity for this Corporation.

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 and the Downtown Master 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.

Since the General Fund is the chief operating fund of the City of Brenham, a significant Council priority was the adoption of a Fund Balance Policy for Governmental Funds. It addresses the implications of *Governmental Accounting Standards Board (GASB) Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions*. The policy was created in consideration of unanticipated events that could adversely affect the financial condition of the City and jeopardize the continuation of necessary services. The policy ensures that the City maintains adequate fund balance reserves in order to provide sufficient cash flow for daily financial needs, secure and maintain investment grade bond ratings, offset significant economic downturns or revenue shortfalls, and provide fund for unforeseen expenditures related to emergencies.

The policy states that the City will maintain a minimum unrestricted fund balance in its General Fund at an amount equal to three months (90 days) of operating expenditures and also maintain an additional reserve amount equivalent to five (5) days for unanticipated renovations and repairs (R&R). At the end of FY16, the unassigned fund balance had grown to over \$4.44 million or 119 days coverage. For purposes of this calculation, we used total expenditures less other financing sources/(uses).

Major Initiatives

As identified in the five-year capital plans, the City realized the need to construct a new animal shelter estimated at \$2 million and renovate/expand the public library for \$3 million. Initially, these capital projects were being funded through 50/50 public-private partnerships. However, when the construction contracts were awarded, the shortfall for the two building projects combined was approximately \$1.2 million. Because of the recent downturn in our local economy, we deferred any additional debt financing for these projects. Instead we reallocated \$1.429 million in proceeds from the sale of surplus land in the Sanitation Fund from the original use of funding \$900,000 in street reconstruction projects. The animal shelter and library projects were substantially complete in FY16 and both have been well received by our community. Restoring funding for the street reconstruction project was a major priority in our FY17 budget. In October 2016, the City issued certificates of obligation for transportation needs as part of capital improvements financing that includes electric utility system upgrades.

Without knowing when the economic conditions in our community would rebound, a financial priority for the FY16 budget was to set aside funds to protect the City operations should a drop in sales tax occur. With sales tax being the largest revenue source for the General Fund, and projected revenues at \$4.5 million, a 5% drop would be \$226,000. We set aside a \$225,000 contingency line item in the General Fund for this purpose. Our sales tax revenues remained stable during FY16, and we were able to transfer this General Fund contingency amount to the Equipment Fund for FY17 capital equipment needs.

AWARDS AND ACKNOWLEDGEMENTS

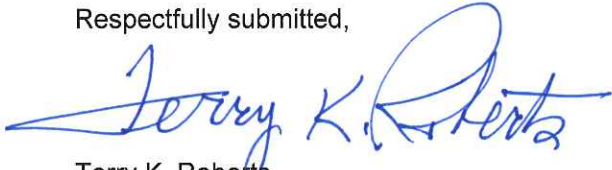
The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual report for the fiscal year ended September 30, 2015. This is the seventh consecutive year that the City has received this award. In 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 on a timely basis would not have been accomplished without the dedicated and efficient staff of the Finance Department and they are to be commended for their exemplary performance. Appreciation is expressed to City employees throughout the organization, especially those employees who were instrumental in the successful completion of this report.

We would like to thank the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Terry K. Roberts
City Manager



Carolyn D. Miller, CPA
Assistant City Manager-Chief Financial Officer



Stacy L. Hardy, CPA
Controller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

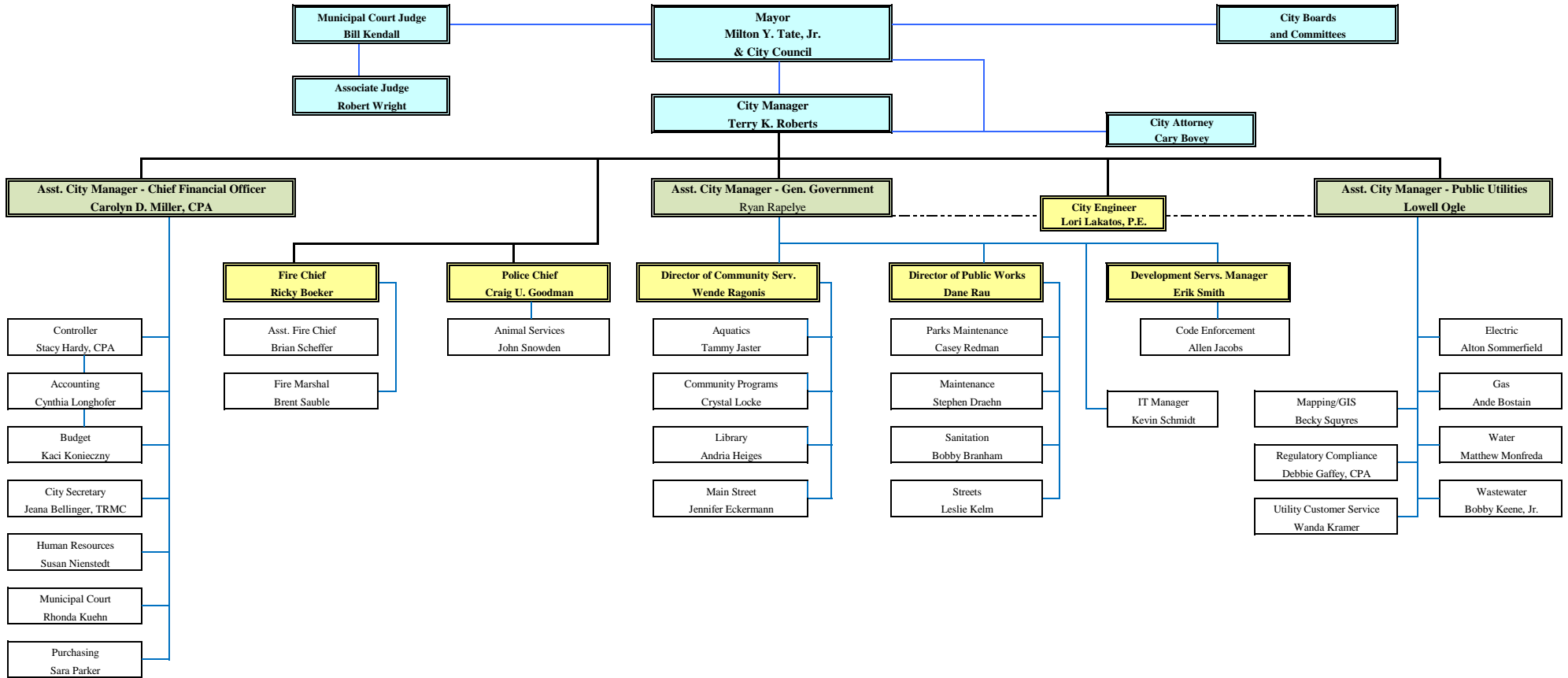
**City of Brenham
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

CITY OF BRENHAM - ORGANIZATIONAL CHART
As of October 1, 2016



**CITY OF BRENHAM
PRINCIPAL OFFICIALS
SEPTEMBER 30, 2016**

MAYOR

Milton Y. Tate, Jr.

MAYOR PRO-TEM

Gloria Nix

CITY COUNCIL

Mary E. Barnes-Tilley
Andrew Ebel
Danny Goss
Keith Herring
Weldon C. Williams, Jr.

CITY MANAGER

Terry K. Roberts

ASSISTANT CITY MANAGERS

Carolyn D. Miller, CPA, Chief Financial Officer
Lowell Ogle, Public Utilities
Ryan Rapelye, General Government

CONTROLLER

Stacy Hardy, CPA

This page intentionally left blank.



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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 27 and the schedule of funding progress-other postemployment benefit plan, schedule of changes in net pension liability and related ratios-Texas Municipal Retirement System, schedule of contributions-Texas Municipal Retirement System, schedule of the city's proportionate share of the net pension liability-Texas Emergency Services Retirement System, and schedule of contributions-Texas Emergency Services Retirement System on pages 83 through 88, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brenham, Texas' basic financial statements. The introductory section, the combining and individual nonmajor fund financial statements, and statistical section 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 fund financial statements and schedules within the reports for management are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules within the reports for management are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2017 on our consideration of the City of Brenham, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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* in considering City of Brenham, Texas' internal control over financial reporting and compliance.

Brenham, Texas
February 27, 2017

Seidel Schroeder

This page intentionally left blank.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2016

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, 2016. 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 1-6 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 \$95,943 (net position). Of this amount, \$10,171 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$3,318.
- As of the close of the current fiscal year, the City of Brenham's governmental funds reported combined ending fund balances of \$12,536 a decrease of \$3,661 in comparison with the prior year. Approximately \$4,437 is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, fund balance for the general fund was \$4,871 or 30% of total general fund expenditures.
- The City of Brenham's total bonded debt decreased by \$6,286 or 14.61% during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements. The GWFS, shown on pages 29-31, contain the Statement of Net Position and the Statement of Activities, which are described below, and are designed to provide readers with a broad overview of the City of Brenham's finances, in a manner similar to a private-sector business.

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

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

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

Component Unit and Blended Component Unit. The GWFS include not only the City of Brenham itself (known as the *primary government*), but also a legally separate community development corporation (Brenham Community Development Corporation - BCDC) for which the City of Brenham is financially accountable. Financial information for this *Component Unit* is reported separately from the financial information presented for the primary government itself. The *Blended Component Unit* (City of Brenham Community Projects Fund, Inc.) which was created in 2016, does not have a separate financial statement for FY16.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS – (Continued)

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Brenham, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Brenham can be divided into two categories: *governmental funds* and *proprietary funds*.

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

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

The City of Brenham maintains 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, US 290 Pass Thru Finance Fund, and 2014 Capital Projects 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 8 governmental funds are presented in the supplementary information section. The governmental FFS can be found on pages 32-36 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 internal service funds to account for its risk management services and central fleet. At the government-wide level, the financial statements of the worker's compensation internal service fund are included in the governmental activities in the government-wide financial statements, while the fleet management internal service fund is presented in the business-type column.

Proprietary funds provide the same type of information as the GWFS, only in more detail. The proprietary FFS provide separate information for the water, wastewater, sanitation, gas, and electric distribution operations, which are considered to be major funds of the City of Brenham. The internal service funds are reported in a separate column in the proprietary fund financial statements. The proprietary FFS can be found on pages 37-41 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 43-81 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required and additional supplementary information concerning the City of Brenham's operations. The combining statements referred to earlier in connection with nonmajor governmental funds are presented in these sections. Combining and individual fund statements can be found on pages 92-121 of this report. Information relating to federal and state grant awards begins on page 163 of this report. The statistical section can be found on pages 143-166 of this report.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position serves as a useful indicator of the City's financial position. Assets exceeded liabilities by \$96,943 (net position) at the close of the fiscal year, compared to assets exceeding liabilities by \$92,625 (net position) at the end of the prior fiscal year. The City's total net position increased by \$4,318 during the period.

City of Brenham, Texas						
Net Position						
(Amounts in Thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 16,858	\$ 23,439	\$ 18,582	\$ 18,629	\$ 35,440	\$ 42,068
Capital assets	61,576	55,996	53,296	53,149	114,872	109,145
Total assets	<u>78,434</u>	<u>79,435</u>	<u>71,878</u>	<u>71,778</u>	<u>150,312</u>	<u>151,213</u>
Deferred Outflows of Resources						
Deferred amount from refundings	232	284	537	654	769	938
Deferred outflows - TMRS Pension	2,070	630	805	242	2,875	872
Deferred outflows - TESRS Pension	100	53	-	-	100	53
Total Deferred Outflows of Resources	<u>2,402</u>	<u>967</u>	<u>1,342</u>	<u>896</u>	<u>3,744</u>	<u>1,863</u>
Liabilities						
Long-term debt outstanding	29,140	31,442	16,377	17,176	45,517	48,618
Other liabilities	6,755	6,149	5,071	5,011	11,826	11,160
Total liabilities	<u>35,895</u>	<u>37,591</u>	<u>21,448</u>	<u>22,187</u>	<u>57,343</u>	<u>59,778</u>
Deferred Inflows of Resources						
Deferred amount from refundings	100	135	85	98	185	233
Deferred inflows - TMRS Pension	392	279	152	107	544	
Deferred inflows - TESRS Pension	41	55	-	-	41	55
Total Deferred Inflows of Resources	<u>533</u>	<u>469</u>	<u>237</u>	<u>205</u>	<u>770</u>	<u>288</u>
Net Position						
Net invested in capital assets	45,918	40,207	39,542	37,750	85,460	77,957
Restricted	313	459	-	-	313	459
Unrestricted	(1,822)	1,677	11,993	12,532	10,171	14,209
Total net position	<u>\$ 44,409</u>	<u>\$ 42,343</u>	<u>\$ 51,535</u>	<u>\$ 50,282</u>	<u>\$ 95,944</u>	<u>\$ 92,625</u>

By far the largest portion of the City of Brenham's net position, \$85,460 or 89%, reflects its net investment in capital assets e.g., land, buildings, machinery, and equipment, less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Brenham's net position of \$313, less than 1%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$10,171 may be used to meet the government's ongoing obligations to citizens and creditors.

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

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

City of Brenham, Texas						
Changes in Net Position						
(Amounts in Thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 1,592	\$ 1,409	\$ 33,880	\$ 37,267	\$ 35,472	\$ 38,676
Operating grants and contributions	596	553	-	-	596	553
Capital grants and contributions	2,374	3,327	391	293	2,765	3,620
General revenues:						
Property taxes	5,680	5,466			5,680	5,466
Sales taxes	4,654	4,753			4,654	4,753
Franchise taxes	2,623	2,875			2,623	2,875
Hotel Occupancy taxes	753	771			753	771
Alcoholic Beverage taxes	40	49			40	49
Other	1,817	1,148	305	792	2,122	1,940
Total revenues	<u>20,129</u>	<u>20,351</u>	<u>34,576</u>	<u>38,352</u>	<u>54,705</u>	<u>58,703</u>
Expenses:						
General government	6,137	5,909	-	-	6,137	5,909
Public safety	7,186	6,705	-	-	7,186	6,705
Highway/streets	2,568	2,812	-	-	2,568	2,812
Interest on Long Term Debt	503	838	-	-	503	838
Culture and recreation	4,109	4,120	-	-	4,109	4,120
Health and welfare	348	314	-	-	348	314
Water	-	-	3,732	3,268	3,732	3,268
Wastewater	-	-	2,792	2,786	2,792	2,786
Electric	-	-	19,465	22,485	19,465	22,485
Gas	-	-	1,664	2,217	1,664	2,217
Sanitation	-	-	2,884	2,754	2,884	2,754
Total Expenses	<u>20,851</u>	<u>20,698</u>	<u>30,537</u>	<u>33,510</u>	<u>51,388</u>	<u>54,208</u>
Increase (decrease) in net position before transfers	(722)	(347)	4,039	4,842	3,318	4,495
Transfers	2,787	4,381	(2,787)	(4,381)	-	-
Increase (decrease) in net position	2,065	4,034	1,253	461	3,318	4,495
Net position - beginning	42,343	44,785	50,282	52,208	92,625	96,993
Restatement of net position	-	(6,476)	-	(2,387)	-	(8,863)
Net position - beginning as restated	42,343	38,309	50,282	49,821	92,625	88,130
Net position - ending	<u>\$ 44,408</u>	<u>\$ 42,343</u>	<u>\$ 51,535</u>	<u>\$ 50,282</u>	<u>\$ 95,943</u>	<u>\$ 92,625</u>

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

Governmental activities. Governmental activities increased the City of Brenham's net assets by \$2,065 compared to an increase of \$4,034 in the prior fiscal year. Key elements of this increase are noted below.

Revenues decreased to \$20,129 from \$20,351 during the year. This decrease is attributable to several factors.

Program Revenues

- The increase in *Charges for Services* was due to airport revenues, municipal court fees and fines, building permits and beer and wine licenses which were higher than the previous year.
- The increase in *Operating Grants and Contributions* is attributable to police department grants.
- *Capital Grants and Contributions* decreased because private donations for the 50/50 public-private partnerships for the new animal shelter and renovated/expanded library were lower compared to FY15 and major improvements at the municipal airport were also completed in the prior fiscal year.

General Revenues

- A growth of 7.93% in taxable values attributed to the increase in *Property Taxes*.
- *Sales Taxes* decreased by 2% over the prior year due to a slower local economy.
- *Franchise Taxes* are received from the enterprise funds and are budgeted at 7% of revenue. The franchise taxes were lower than the prior year by over 9% which is directly attributable to decreased revenues in the Electric and Gas Funds.
- *Hotel Occupancy Taxes* which are derived from a 7% hotel occupancy tax declined during the year due to the economic downturn in our area.
- *Other Revenues* were higher due primarily from insurance proceeds, sale of surplus property and improvements to the Aquatic Center and Hohlt Park funded by the Component Unit.

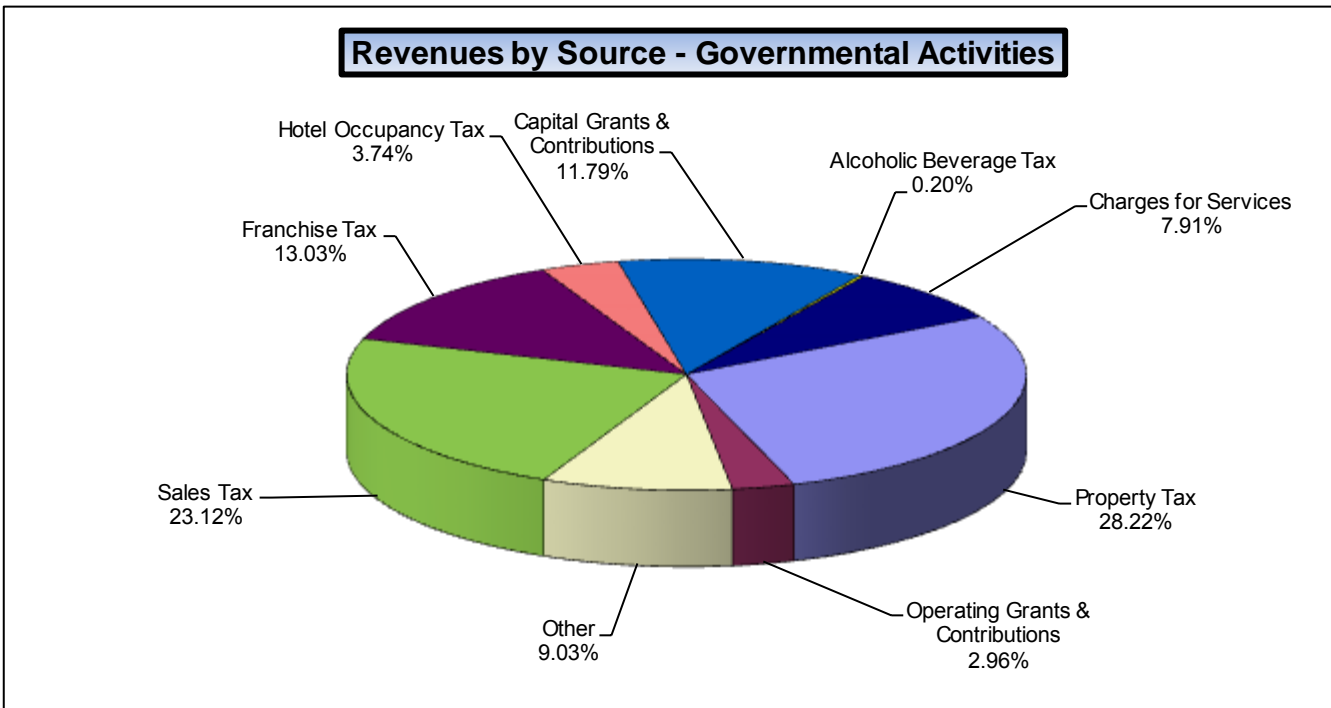
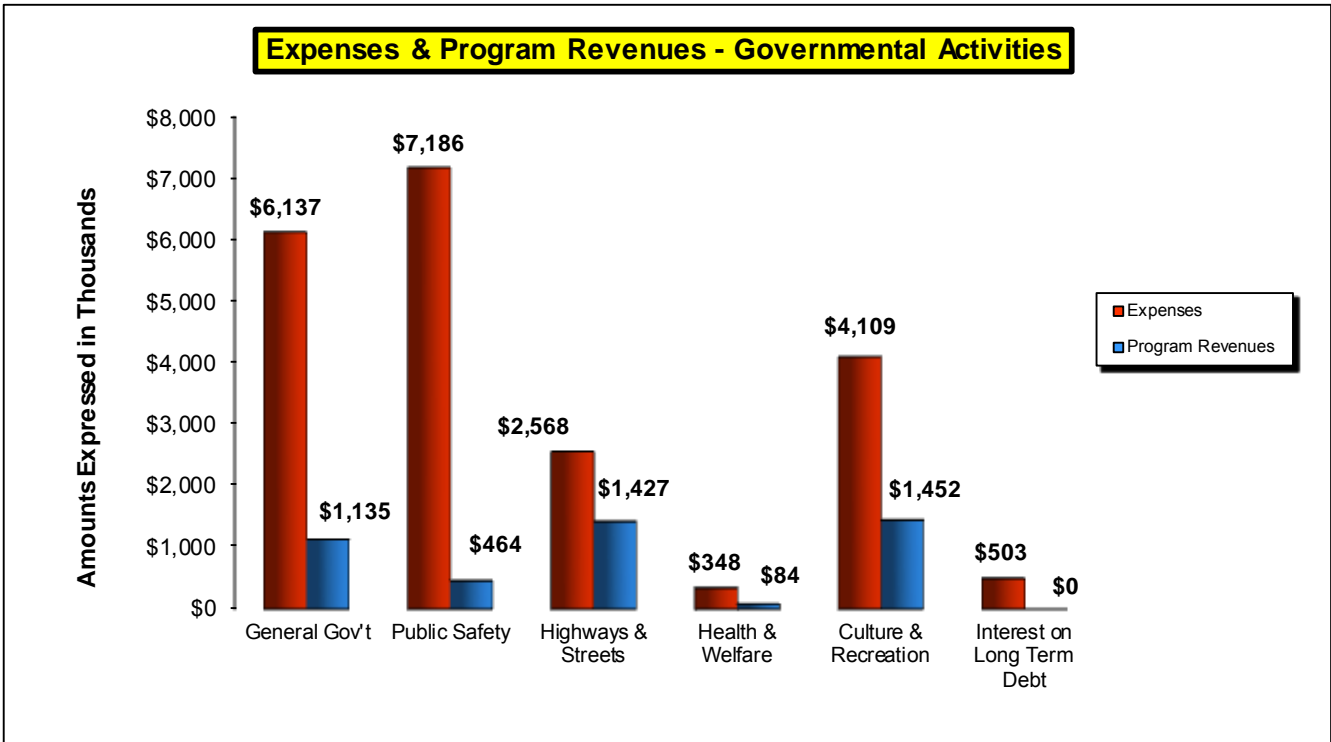
Expenses increased to \$20,851 from \$20,698 or \$153 during the year. This increase is attributable to several factors.

- *General Government* and *Public Safety* expenses increased by \$228 and \$483 respectively. Over half is related to additional pension expense of \$404 with the remaining increased attributable to salary expense related to a mid-year 2% COLA and continuation of the 2.5% step increase for eligible employees on their anniversary dates.
- *Highways/Streets* expenses were lower than FY15 by \$244 which reflected the installation of a new traffic signal on U.S. Hwy 290 Business at Chappell Hill Street.
- *Interest on Long Term Debt* decreased by \$335 due to combined lower interest rates from refunded bonds issued in prior years, decreased bond issuance costs, and increased amortization of bond premiums.

Transfers decreased during the year primarily due to the transfer in FY15 of \$1,429 in gross proceeds from the sale of the land held by the Sanitation Fund which was offset by lower actual expenses in the indirect departments (Administration, Community Services, Main Street, Maintenance, Finance, Purchasing/Central Warehouse, HR/Risk Management, and Information Technology) which are allocated to the business-type activities.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)



CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

Business-type activities. Business-type activities increased the City of Brenham's net position by \$1,253 compared to an increase of \$461 in the prior fiscal year. Key elements of this increase are noted below.

Revenues decreased to \$34,576 from \$38,352 during the year, a 9.8% decrease. This decrease is attributable to several factors.

- The charges for services in the Electric Fund decreased \$3,104 or 13% due to lower kWh consumption created by mild winter weather and lower consumption related to the temporary shutdown of Blue Bell Creameries ice cream production which resumed partial operation in FY16.
- Gas Fund revenues experienced a \$621 or 22% decrease due to lower natural gas commodity costs which are a direct pass-through to utility customers and lower mcf sales.
- The charges for services in the Water Fund increased \$131 or 3.5% during the year. Water consumption was up 22 million gallons or 3% over the prior fiscal year.
- Charges for services in the Wastewater Fund were higher by \$69 or 2% due to higher residential and commercial billing and higher processed plant gallons in other customer classes.
- The Sanitation Fund charges for services were higher by \$137 or 4.2% which is due mainly to higher revenues in the Collection Station from a rate increase.

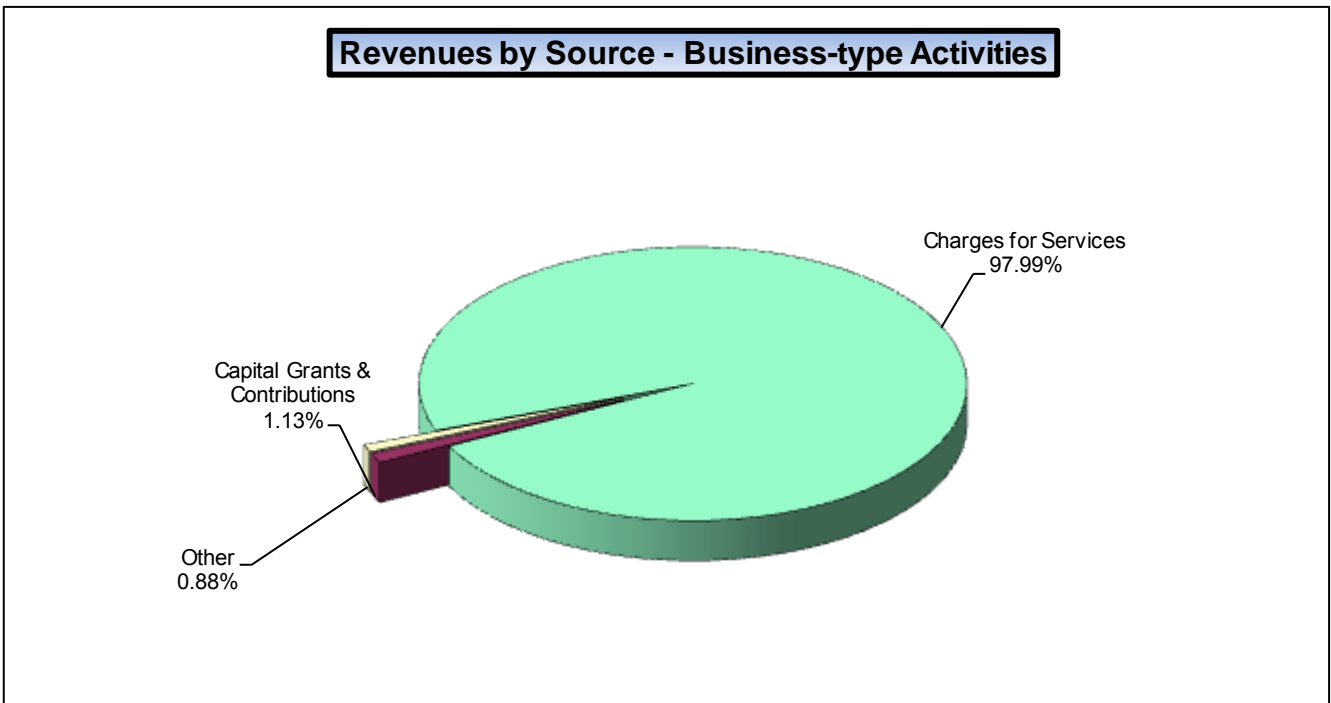
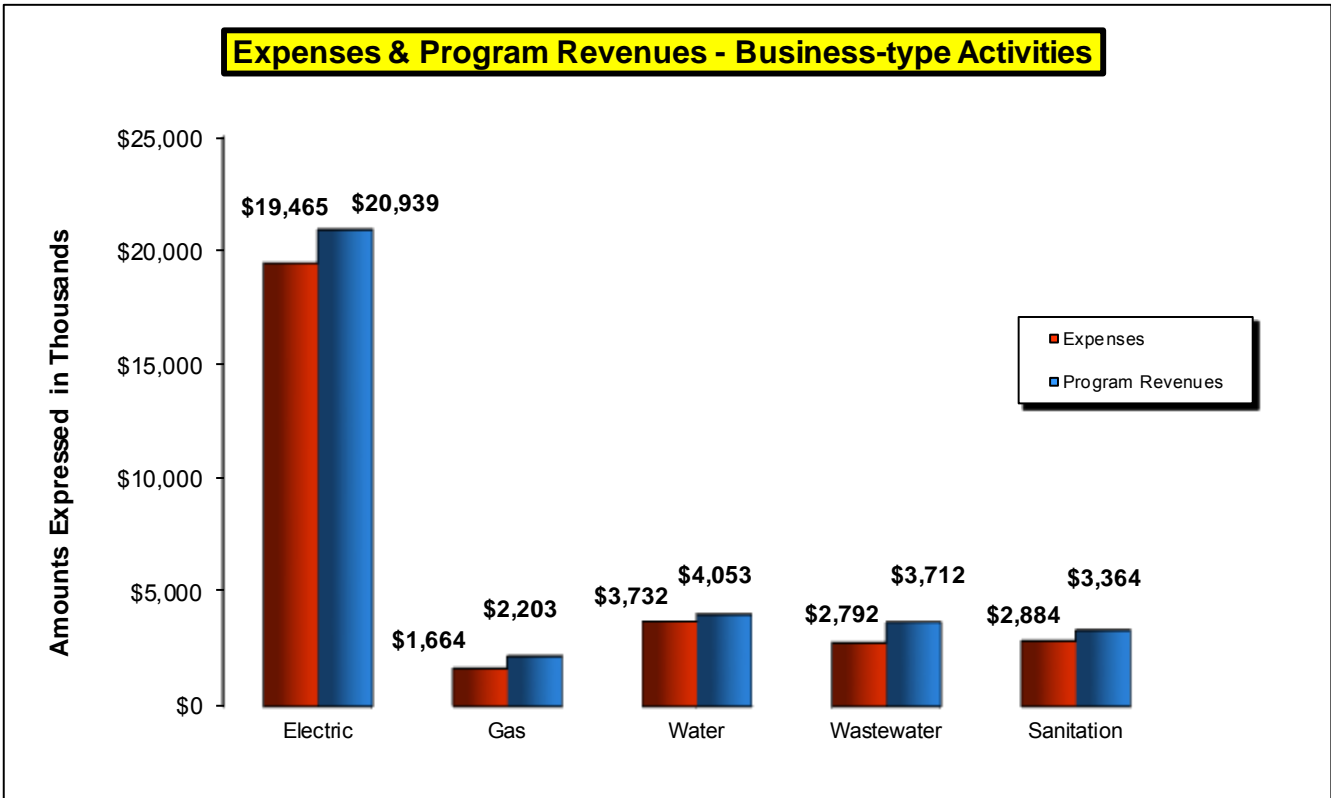
Expenses decreased to \$30,537 from \$33,510 or 8.9% during the year with specific changes presented below.

- Electric Fund expenses decreased 13.4% due mainly to lower purchase costs from LCRA and lower kWh consumption by customers, combined with lower franchise taxes.
- The decrease in Gas Fund expenses is directly attributable to the commodity side of the operation with lower gas purchase costs combined with lower franchise taxes.
- The Water Fund operating expenses increased by 14.2% compared to the prior fiscal year due to higher plant maintenance costs and water treatment chemicals from higher consumption.
- Wastewater Fund expenses increased by less than 1% and are comparable with the prior year.
- With four operational areas, the Sanitation Fund expenses increased by 4.7% overall due primarily to increased contractual services for disposal fees.

Net transfers out decreased during the year primarily due to the FY15 transfer of \$1,429 in gross proceeds from the sale of the land held by the Sanitation Fund which was offset by lower actual expenses in the indirect departments (Administration, Community Services, Main Street, Maintenance, Finance, Purchasing/Central Warehouse, HR/Risk Management, and Information Technology) which are allocated to the business-type activities.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)



CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2016

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 \$12,536 a decrease of \$3,661 in comparison with the prior year. The General Fund highlights are discussed in the following section. Changes in other governmental funds are noted below.

The U.S. Hwy 290 Pass-Thru Finance Fund has a total fund balance of \$5,495 which is an increase of \$869 in comparison to the prior fiscal year. Pass-Through Toll Revenue Bonds in the amount of \$15,000 were issued in FY11 to fund a major transportation project with the Texas Department of Transportation. In accordance with the agreement, the City of Brenham is receiving semi-annual payments from TxDOT with two payments totaling \$3,427 being received in FY16 offset by one principal payment of \$2,575.

The 2014 Capital Projects Fund is being used to record construction activity for the new animal shelter and the expanded/renovated library. The total fund balance of \$452 decreased by \$4,954 due to the utilization of reserves for both projects which were substantially complete at the end of FY16.

In Other Governmental Funds, the combined fund balance of \$1,492 increased by \$475, which is comprised of activity in these funds:

- 1) Special Revenue Funds decreased overall by \$135 with a decline in the Hotel Occupancy Tax Fund of \$198; higher restitution income of \$5 in PD Law Enforcement Fund; \$10 decrease in Court Technology/Security Fund; and higher funding for tourism programs by \$68 in the Washington County HOT Tax Fund.
- 2) Nonmajor Capital Projects Funds increased overall by \$609 which included the following: an increase of \$428 in Capital Leases Fund for lease proceeds for new library furniture; an increase of \$253 in Parks Capital Improvements Fund due to remaining donations for park improvements of \$195 and unspent BCDC funds for restroom upgrades of \$41; offset by a decrease in the Streets & Drainage Improvements Fund of \$71 due to capital outlays.

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

Unrestricted net position of the Electric Fund at the end of the year totaled to \$7,374; those of the Gas Fund were \$1,245; the Water Fund \$1,157; the Wastewater Fund \$1,329 and the Sanitation Fund \$564. 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*, nine other governmental funds were combined with the General Fund.

The original revenue budget was \$12,728 and the final amended budget was \$13,174, an increase of \$446. Court fees and fines were increased by \$151; city sales taxes were increased by \$126; property tax collections were increased by \$62; telephone access line taxes were increased by \$44; interest income was increased by \$41; and insurance proceeds were increased by \$22.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2016

GENERAL FUND BUDGETARY HIGHLIGHTS – (Continued)

The original expenditure budget was \$15,897 and the final amended budget was \$15,349, a decrease of \$548 in the following categories:

- 1) Culture and Recreation decreased by \$37 due to vacant positions, library moving costs which were deferred, and lower contract mowing expenditures.
- 2) General Government decreased by \$404 with a majority due to a \$225 contingency that was set aside to guard against a potential revenue shortfall from the recent economic downturn and vacant positions.
- 3) Highways and Streets decreased by \$18 due to lower motor fuel costs.
- 4) Public Safety decreased by \$82 due primarily to vacant positions.

The original budget for transfers-in was \$3,131 and the final amended budget was \$3,137, an increase of \$6. The increase is related to a transfer from the Hotel Occupancy Fund for the state softball tournament.

The original budget for transfers-out was zero and the final amended budget was \$918, an increase of \$918. This increase is primarily due to the transfer of \$609 to the Equipment Fund for capital equipment replacements included in the FY17 budget; a transfer of \$252 to the 2014 Capital Projects Fund to complete the new animal shelter and renovated/expanded library; and \$53 to the Streets and Drainage Fund for the Belle Towers drainage project.

For fiscal year 2016, the General Fund's revenue came in \$184 under budget. This decrease is primarily related to lower franchise tax revenue from the utility funds.

For fiscal year 2016, the General Fund's actual expenditures came in approximately \$403 lower than budget. This positive variance is attributable to the savings from the contingency and lower personnel costs.

PENSIONS AND RETIREE HEALTHCARE

Effective for FY15, the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" created specific reporting requirements for pensions that are different than that used for funding purposes. Both valuations are important as the reporting valuation provides a rigorous standard measure that can be used to compare the City's pension liabilities to other governments from around the nation. The funding valuation is important as the actuarial methods used including strategies for repaying any unfunded actuarial accrued liabilities combined with the City's history of making those contributions provides insight regarding the City's commitment to and the effectiveness of its funding strategy.

In the Required Supplementary Information (RSI) section, information is presented for Texas Municipal Retirement System (TMRS) and Texas Emergency Services Retirement System (TESRS). RSI contained in the financial statements themselves including the Schedules of Changes in Net Pension Liability and Related Ratios are based on the reporting valuation. The Schedules of Contributions are based on the funding valuation. On a reporting basis, the City's financial statements reflect a Net Pension Liability for TMRS as of September 30, 2016 of \$12,727 which is 120.15% of the City's annual covered payroll of \$10,592. The Net Pension Liability for TESRS as of September 30, 2016 is \$301.

The actuarially accrued liability for retiree healthcare has been calculated in accordance with GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", to be \$770 as of September 30, 2016, an increase of \$117 from the prior fiscal year valuation.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2016

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, 2016 amounts to \$114,872 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Brenham's investment in capital assets for the current fiscal year was \$5,727 or 5.2%. Changes in major capital asset expenditures during the current fiscal year included the following.

- Governmental Activities capital assets showed a net increase of \$5,580 mainly from the change in construction-in-progress for the new animal shelter and newly renovated/expanded library which were substantially complete at the end of FY16.
- Business-type capital assets showed an overall increase of \$147 mainly from the completion of the Water Treatment Plant rehab project, and drainage improvements at the Collection Station and Recycling Center. Vehicles increased due to replacement of several items per the five year capital plans such as a residential garbage truck, backhoes and electric utility back yard digger and trailer.

City of Brenham, Texas Capital Assets (Amounts in Thousands) (net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land and Improvements	\$ 4,382	\$ 4,400	\$ 562	\$ 562	\$ 4,944	\$ 4,962
Buildings	15,528	15,857	466	496	15,994	16,353
Improvements other than buildings	4,308	4,694	20,157	19,561	24,465	24,255
Furniture, fixtures, and equipment	240	363	269	347	509	710
Machinery	105	116	-	-	105	116
Vehicles	3,445	3,817	1,778	1,472	5,223	5,289
Intangibles	159	150	107	126	266	276
Infrastructure	25,478	24,808	29,650	29,931	55,128	54,739
Construction in progress	7,931	1,791	307	654	8,238	2,445
Total	\$ 61,576	\$ 55,996	\$ 53,296	\$ 53,149	\$ 114,872	\$ 109,145

Additional information on the City of Brenham's capital assets can be found in note III.E on pages 53-54 of this report.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2016

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 \$36,728. Of this amount, \$23,104 is tax-supported debt backed by the full faith and credit of the government, sales tax revenues of the BCDC (Component Unit) and toll revenue from the State of Texas. The remaining \$13,624 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			
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 8,628	\$ 9,755	\$ 8,647	\$ 9,980	\$ 17,275	\$ 19,735
Certificates of Obligation	10,985	11,590	5,350	5,565	16,335	17,155
Pass-Through Toll Revenue Bonds	2,680	5,255	-	-	2,680	5,255
Limited Tax Notes	480	760	-	-	480	760
Unamortized Credits/Charges	331	563	(373)	(454)	(42)	109
Total	\$ 23,104	\$ 27,923	\$ 13,624	\$ 15,091	\$ 36,728	\$ 43,014

The City of Brenham's total bonded debt decreased by \$6,286 or 14.61% during the current fiscal, with a decrease of \$4,819 in governmental activities and a decrease of \$1,467 in business-type activities. The City did not issue any new tax-supported or self-supported debt in FY16.

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 \$.4731 for the year ended September 30, 2016 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 58-63 of this report.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2016

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for Washington County as of September 2016 was 5.5%, which is higher than the rate of 5% one year ago, and is unfavorable compared to the state's average unemployment rate of 4.9%. The unemployment rate was higher due to layoffs in several manufacturing facilities and layoffs at Blue Bell Creameries.
- Sales tax collections for FY16 were 2.8% ahead of budget but slightly behind the prior year. Realizing the slow recovery in our local economy, for the FY17 budget, we included a modest 2% growth over the FY16 budget. This allowed us to maintain our conservative approach while being optimistic in our forecast.
- Utility franchise taxes paid to the General Fund is based on 7% of actual utility fund revenue. With reduced operation at several manufacturing facilities and the temporary shutdown of Blue Bell Creameries ice cream production, which resumed partial operation in FY16, we projected the overall utility franchise tax paid to the General Fund to remain at FY16 levels.

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 2017 fiscal year.

During FY16, unassigned fund balance in the General Fund, which excludes the other internal funds, increased from \$3,838 to \$3,926. The City of Brenham's adopted budget for FY17 is at a break-even level, so that General Fund expenditures do not utilize any fund balance.

For FY17, the City's overall tax rate was increased by \$0.0339 per \$100 of property valuation as noted below.

- Overall tax rate changed from \$0.4731 to \$0.5070
- M&O tax rate changed from \$0.2950 to \$0.3150
- I&S tax rate changed from \$0.1781 to \$0.1920

Two primary budget priorities for FY17 were to add three (3) additional firefighters and restore \$900,000 for street reconstruction work. These priorities were accomplished with a \$0.02 tax increase on the O&M side and a \$0.0139 increase on the I&S side.

Other FY17 budget priorities addressed service levels, staffing and maintaining competitive salaries. Three full-time positions (which were frozen in the FY16 budget) were reinstated and additional part-time hours were added for several departments. Also a Transfer Station driver position was added due to increased activity in this business unit. The City Council also approved a mid-year 2% pay scale adjustment for all employees. We did not increase any utility rates in the FY17 budget.

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 Assistant City Manager-Chief Financial Officer, P.O. Box 1059, Brenham, Texas, 77834.

This page intentionally left blank.



**BASIC FINANCIAL
STATEMENTS**

**City of Brenham
Statement of Net Position
September 30, 2016**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Equivalents	\$ 1,320,527	\$ 7,508,116	\$ 8,828,643	\$ 1,675,728
Investments	3,000,000	2,500,000	5,500,000	500,000
Receivables - Property Tax (net)	231,891	-	231,891	-
Receivables - Sales Tax	801,962	-	801,962	267,321
Receivables - Occupancy Taxes	78,228	-	78,228	-
Receivables - Account (net)	519,285	3,966,238	4,485,523	559
Receivables - Interest	24,761	357,806	382,567	558
Internal Balances	(104,291)	104,291	-	-
Due from Component Unit	497,726	-	497,726	-
Due from Other Governments	2,224,746	27,209	2,251,955	-
Inventory at Cost	186,361	1,270,471	1,456,832	-
Notes Receivable, Current	-	148,477	148,477	-
Prepaid Water Agreement	-	277,200	277,200	-
Other Current Assets	1,100	69,900	71,000	-
Restricted Cash	7,620,468	362,129	7,982,597	-
Restricted Investments	450,000	1,000,000	1,450,000	-
Notes Receivable, Long Term	-	986,812	986,812	-
Unamortized Bond Insurance Premiums, Net	6,146	3,132	9,278	-
Capital Assets, Not Being Depreciated	12,323,511	903,360	13,226,871	2,221,148
Other Capital Assets, Net	49,252,051	52,392,961	101,645,012	15,609
Total assets	<u>78,434,472</u>	<u>71,878,102</u>	<u>150,312,574</u>	<u>4,680,923</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amount from Refundings	232,465	537,277	769,742	-
Deferred Outflows - TMRS Pension	2,069,580	805,157	2,874,737	-
Deferred Outflows - TESRS Pension	100,188	-	100,188	-
Total deferred outflows	<u>2,402,233</u>	<u>1,342,434</u>	<u>3,744,667</u>	<u>-</u>
LIABILITIES				
Accounts Payable and Other Current Liabilities	1,651,925	2,014,003	3,665,928	17,688
Due to Primary Government	-	-	-	497,726
Other Liabilities	167	4,303	4,470	36,968
Accrued Interest	93,078	60,863	153,941	334,935
Compensated Absences, Current	155,719	92,048	247,767	-
Bonds Payable, Current	4,712,445	-	4,712,445	-
Lease Payable, Current	77,621	71,533	149,154	-
Revenue Bonds Payable, Current	-	1,597,555	1,597,555	-
Notes Payable, Current	64,286	-	64,286	148,477
Consumer Deposits	-	1,230,975	1,230,975	-
Compensated Absences, Long Term	151,414	59,580	210,994	-
Post Employment Benefits	531,556	238,925	770,481	-
Net Pension Liability - TMRS	9,188,655	3,538,007	12,726,662	-
Net Pension Liability - TESRS	301,359	-	301,359	-
Long Term Debt, Net	18,966,625	12,540,510	31,507,135	986,812
Total liabilities	<u>35,894,850</u>	<u>21,448,302</u>	<u>57,343,152</u>	<u>2,022,606</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Amount from Refundings	99,890	85,487	185,377	-
Deferred Inflows - TMRS Pension	392,535	151,708	544,243	-
Deferred Inflows - TESRS Pension	41,180	-	41,180	-
Total deferred inflows	<u>533,605</u>	<u>237,195</u>	<u>770,800</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	45,917,775	39,541,645	85,459,420	1,101,468
Restricted for Debt Service	313,000	-	313,000	-
Restricted for Economic Development	-	-	-	453,500
Restricted for Recreation	-	-	-	1,103,349
Unrestricted (deficit)	(1,822,525)	11,993,394	10,170,869	-
Total net position	<u>\$ 44,408,250</u>	<u>\$ 51,535,039</u>	<u>\$ 95,943,289</u>	<u>\$ 2,658,317</u>

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

This page intentionally left blank.

City of Brenham
Statement of Activities
For the Year Ended September 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General Government	\$ 6,137,527	\$ 1,083,616	\$ 50,895	\$ -	\$ (5,003,016)	\$ -	\$ (5,003,016)	\$ -
Public Safety	7,185,482	8,712	455,914	-	(6,720,856)	-	(6,720,856)	-
Highways and Streets	2,567,833	81,727	28,297	1,317,231	(1,140,578)	-	(1,140,578)	-
Health and Welfare	347,948	38,218	6,354	39,824	(263,552)	-	(263,552)	-
Culture and Recreation	4,108,823	379,925	54,884	1,017,158	(2,656,856)	-	(2,656,856)	-
Interest on Long Term Debt	503,446	-	-	-	(503,446)	-	(503,446)	-
Total governmental activities	<u>20,851,059</u>	<u>1,592,198</u>	<u>596,344</u>	<u>2,374,213</u>	<u>(16,288,304)</u>	<u>-</u>	<u>(16,288,304)</u>	<u>-</u>
Business-type activities:								
Electric	19,464,587	20,938,896	-	-	-	1,474,309	1,474,309	-
Gas	1,664,249	2,203,446	-	-	-	539,197	539,197	-
Sanitation	2,884,041	3,363,751	-	-	-	479,710	479,710	-
Wastewater	2,791,804	3,483,098	-	229,041	-	920,335	920,335	-
Water	<u>3,731,863</u>	<u>3,890,641</u>	<u>-</u>	<u>162,455</u>	<u>-</u>	<u>321,233</u>	<u>321,233</u>	<u>-</u>
Total business-type activities	<u>30,536,544</u>	<u>33,879,832</u>	<u>-</u>	<u>391,496</u>	<u>-</u>	<u>3,734,784</u>	<u>3,734,784</u>	<u>-</u>
Total primary government	<u>\$ 51,387,603</u>	<u>\$ 35,472,030</u>	<u>\$ 596,344</u>	<u>\$ 2,765,709</u>	<u>\$ (16,288,304)</u>	<u>\$ 3,734,784</u>	<u>\$ (12,553,520)</u>	<u>\$ -</u>
Component unit:								
Brenham Community Devel Corp	\$ 353,281	-	-	-	-	-	-	(353,281)
Total component unit	<u>\$ 353,281</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(353,281)</u>
General Revenues:								
Property Taxes					5,680,168	-	5,680,168	-
Sales Taxes					4,653,951	-	4,653,951	1,551,317
Franchise Taxes					2,622,742	-	2,622,742	-
Hotel Occupancy Taxes					753,205	-	753,205	-
Alcoholic Beverage Taxes					40,346	-	40,346	-
Investment Income not Restricted					88,759	143,036	231,795	10,267
Miscellaneous					367,506	102,257	469,763	-
Gain on Sale of Capital Assets					296,006	59,949	355,955	-
Payments to/from Component Unit					1,063,682	-	1,063,682	(1,063,682)
Transfers					2,787,126	(2,787,126)	-	-
Total general revenues, payments to/from component unit and transfers					<u>18,353,491</u>	<u>(2,481,884)</u>	<u>15,871,607</u>	<u>497,902</u>
Change in net position					<u>2,065,187</u>	<u>1,252,900</u>	<u>3,318,087</u>	<u>144,621</u>
Net position - beginning					<u>42,343,063</u>	<u>50,282,139</u>	<u>92,625,202</u>	<u>2,513,696</u>
Net position - ending					<u>\$ 44,408,250</u>	<u>\$ 51,535,039</u>	<u>\$ 95,943,289</u>	<u>\$ 2,658,317</u>

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

City of Brenham
Balance Sheet
Governmental Funds
September 30, 2016

	General Fund	Debt Service Fund	US 290 Pass Thru Finance Fund	2014 Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and Equivalents	\$ 1,041,689	\$ -	\$ -	\$ -	\$ 278,838	\$ 1,320,527
Investments	3,000,000	-	-	-	-	3,000,000
Interest Receivable	24,761	-	-	-	-	24,761
Receivables (Net)						
Property Taxes	146,241	85,650	-	-	-	231,891
Sales Tax	801,962	-	-	-	-	801,962
Occupancy Tax	-	-	-	-	78,228	78,228
Accounts	513,074	-	-	-	6,210	519,284
Interfund Receivables	-	-	-	-	105,355	105,355
Due from Component Unit	62,530	-	-	-	435,196	497,726
Due from Other Governments	133,575	2,676	-	17,776	33,250	187,277
Inventory at Cost	186,362	-	-	-	-	186,362
Other Current Assets	1,000	-	-	-	-	1,000
Restricted Cash	-	224,674	5,494,580	1,016,334	666,294	7,401,882
Restricted Investments	450,000	-	-	-	-	450,000
Total Assets	\$ 6,361,194	\$ 313,000	\$ 5,494,580	\$ 1,034,110	\$ 1,603,371	\$ 14,806,255
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts Payable & Other Current Liabilities	\$ 1,062,924	\$ -	\$ -	\$ 477,212	\$ 111,758	\$ 1,651,894
Interfund Payables	-	-	-	105,355	-	105,355
Other Liabilities	167	-	-	-	-	167
Total Liabilities	1,063,091	-	-	582,567	111,758	1,757,416
Deferred Inflows of Resources:						
Unavailable Revenues	426,988	85,650	-	-	-	512,638
Total Deferred Inflows of Resources	426,988	85,650	-	-	-	512,638
Total Liabilities and Deferred Inflows of Resources	1,490,079	85,650	-	582,567	111,758	2,270,054
Fund Balances:						
Nonspendable	187,362	-	-	-	-	187,362
Restricted	239,510	227,350	5,494,580	318,973	1,413,144	7,693,557
Committed	6,952	-	-	-	48,016	54,968
Assigned	-	-	-	132,570	30,453	163,023
Unassigned	4,437,291	-	-	-	-	4,437,291
Total Fund Balances	4,871,115	227,350	5,494,580	451,543	1,491,613	12,536,201
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,361,194	\$ 313,000	\$ 5,494,580	\$ 1,034,110	\$ 1,603,371	

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

City of Brenham
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
September 30, 2016

Total fund balances - total governmental funds		\$ 12,536,201
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		61,575,562
Gross capital assets	109,011,997	
Accumulated depreciation	<u>(47,436,435)</u>	
	61,575,562	
Certain long-term assets are not available to pay current period expenditures and therefore are not reported in the governmental funds balance sheet.		2,037,469
Certain deferred inflows and outflows of resources are not reported in the governmental funds:		1,868,628
Deferred charges on debt refundings	(132,575)	
Deferred outflows - TMRS Pension	(2,069,580)	
Deferred outflows - TESRS Pension	(100,188)	
Deferred inflows - TMRS Pension	392,535	
Deferred inflows - TESRS Pension	41,180	
	<u>(1,868,628)</u>	
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		(34,236,613)
Bonds payable	22,772,643	
Less: Unamortized bond insurance premiums	(6,146)	
Add: Issuance premium	463,936	
Accrued interest payable	93,078	
Capital lease payable	134,399	
Note payable	450,000	
Compensated absences	307,133	
Post retirement benefits	531,556	
Net pension liability - TMRS	9,188,655	
Net pension liability - TESRS	301,359	
	<u>34,236,613</u>	
Internal service funds are used by management to charge the costs of risk management services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		114,365
Other long term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds.		<u>512,638</u>
Net position of governmental activities		<u>\$ 44,408,250</u>

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, 2016

	General Fund	Debt Service Fund	US 290 Pass Thru Finance Fund	2014 Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 10,859,411	\$ 2,136,304	\$ -	\$ -	\$ 753,205	\$ 13,748,920
Licenses and Permits	146,329	-	-	-	-	146,329
Intergovernmental	432,153	-	3,427,043	17,776	33,250	3,910,222
Charges for Services	540,152	-	-	-	72,541	612,693
Fines and Forfeitures	833,046	-	-	-	-	833,046
Investment Income	46,928	5,940	16,821	9,437	8,726	87,852
Payment from Component Unit	138,545	566,886	-	-	358,251	1,063,682
Contributions and Donations	321,227	-	-	40,000	780,596	1,141,823
Miscellaneous	369,384	-	-	-	38,333	407,717
Total revenues	<u>13,687,175</u>	<u>2,709,130</u>	<u>3,443,864</u>	<u>67,213</u>	<u>2,044,902</u>	<u>21,952,284</u>
Expenditures						
Current:						
Culture and Recreation	2,613,644	-	-	-	731,321	3,344,965
General Government	5,351,418	-	-	-	57,486	5,408,904
Health and Welfare	314,999	-	-	-	-	314,999
Highways and Streets	1,129,239	-	-	-	300	1,129,539
Public Safety	5,984,855	-	-	-	7,089	5,991,944
Debt service:						
Interest & Fiscal Charges	-	747,578	-	-	-	747,578
Principal Retirement	-	4,715,090	-	-	-	4,715,090
Capital Outlay	1,064,482	-	-	5,472,452	940,732	7,477,666
Total expenditures	<u>16,458,637</u>	<u>5,462,668</u>	<u>-</u>	<u>5,472,452</u>	<u>1,736,928</u>	<u>29,130,685</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,771,462)</u>	<u>(2,753,538)</u>	<u>3,443,864</u>	<u>(5,405,239)</u>	<u>307,974</u>	<u>(7,178,401)</u>
Other Financing Sources (Uses)						
Transfers In	3,122,935	2,575,000	-	451,490	57,412	6,206,837
Transfers Out	(504,159)	-	(2,575,000)	-	(340,552)	(3,419,711)
Note Proceeds	-	-	-	-	450,000	450,000
Insurance Proceeds	280,157	-	-	-	-	280,157
Total other financing sources and (uses)	<u>2,898,933</u>	<u>2,575,000</u>	<u>(2,575,000)</u>	<u>451,490</u>	<u>166,860</u>	<u>3,517,283</u>
Net change in Fund Balances	<u>127,471</u>	<u>(178,538)</u>	<u>868,864</u>	<u>(4,953,749)</u>	<u>474,834</u>	<u>(3,661,118)</u>
Fund balances - beginning	<u>4,743,644</u>	<u>405,888</u>	<u>4,625,716</u>	<u>5,405,292</u>	<u>1,016,779</u>	<u>16,197,319</u>
Fund balances - ending	<u>\$ 4,871,115</u>	<u>\$ 227,350</u>	<u>\$ 5,494,580</u>	<u>\$ 451,543</u>	<u>\$ 1,491,613</u>	<u>\$ 12,536,201</u>

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

City of Brenham
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2016

Net change in fund balances - total governmental funds \$ (3,661,118)

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. 5,579,364

Capital outlay	7,477,665
Depreciation expense	(3,095,953)
Donation of capital assets	1,317,231
Proceeds from sale	(267,769)
Insurance proceeds	(42,250)
Loss on disposal	(105,566)
Gain on disposal	296,006
	5,579,364

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. 19,596

Repayments from the State of Texas for the Pass-Thru Financing Program are shown as revenues in the governmental funds. However, since the state is repaying these amounts, they are reflected as a reduction of the intergovernmental receivable in the statement of net position. (3,427,043)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net position. Bond principal payments are expenditures in the governmental funds, but they reduce long term liabilities in the statement of net position. 4,497,128

Debt issued:	
Note Payable	(450,000)
Repayments:	
To bond, certificate, and note holders	4,715,090
Amortization of bond premiums, discounts, & charges	232,038
	4,497,128

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. (977,667)

Compensated absences	(6,471)
Accrued interest payable	15,232
Post retirement benefits	(76,585)
Pension Costs - TMRS, Net	(858,612)
Pension Costs - TESRS, Net	(51,231)
	(977,667)

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. 38,065

For government wide reporting, bond insurance costs are deferred and amortized. (3,138)

Change in net position of governmental activities \$ 2,065,187

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

City of Brenham
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Adjustments to Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Revenues						
Taxes	\$ 10,904,502	\$ 11,136,518	\$ 10,859,411	\$ -	\$ 10,859,411	\$ (277,107)
Licenses and Permits	94,000	94,000	146,329	-	146,329	52,329
Intergovernmental	42,000	42,000	432,153	(383,055)	49,098	7,098
Charges for Services	530,476	525,176	540,152	-	540,152	14,976
Fines and Forfeitures	685,876	836,715	833,046	-	833,046	(3,669)
Investment Income	1,300	42,819	46,928	(231)	46,697	3,878
Payment from Component Unit	139,000	139,000	138,545	-	138,545	(455)
Contributions and Donations	-	-	321,227	(321,227)	-	-
Miscellaneous	330,994	330,994	369,384	(20,077)	349,307	18,313
Total revenues	12,728,148	13,147,222	13,687,175	(724,590)	12,962,585	(184,637)
Expenditures						
Current:						
Culture and Recreation	2,625,757	2,588,401	2,613,644	(97,984)	2,515,660	72,741
General Government	5,736,133	5,331,442	5,351,418	(151,458)	5,199,960	131,482
Health and Welfare	347,600	341,785	314,999	-	314,999	26,786
Highways and Streets	1,222,498	1,204,833	1,129,239	(101,556)	1,027,683	177,150
Public Safety	5,680,299	5,597,990	5,984,855	(435,646)	5,549,209	48,781
	<u>15,612,287</u>	<u>15,064,451</u>	<u>15,394,155</u>	<u>(786,644)</u>	<u>14,607,511</u>	<u>456,940</u>
Capital Outlay	285,000	285,000	1,064,482	(726,250)	338,232	(53,232)
Total Expenditures	15,897,287	15,349,451	16,458,637	(1,512,894)	14,945,743	403,708
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,169,139)	(2,202,229)	(2,771,462)	788,304	(1,983,158)	219,071
Other Financing Sources (Uses)						
Transfers In	3,130,626	3,137,126	3,122,935	(231,000)	2,891,935	(245,191)
Transfers Out	-	(917,869)	(504,159)	(413,710)	(917,869)	-
Insurance Proceeds	38,513	66,648	280,157	(175,401)	104,756	38,108
Total other financing sources and (uses)	3,169,139	2,285,905	2,898,933	(820,111)	2,078,822	(207,083)
Net change in fund balance	-	83,676	127,471	(31,807)	95,664	11,988
Fund balance - beginning	4,018,236	4,018,236	4,743,644	(725,408)	4,018,236	-
Fund balance - ending	\$ 4,018,236	\$ 4,101,912	\$ 4,871,115	\$ (757,215)	\$ 4,113,900	\$ 11,988

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

City of Brenham, Texas
Statement of Net Position
Proprietary Funds
September 30, 2016

Business-type Activities - Enterprise Funds

	Electric Fund	Gas Fund	Water Fund	Wastewater Fund	Sanitation Fund	Total Proprietary	Internal Service Funds
Assets							
Current assets:							
Cash and Equivalents	\$ 3,438,560	\$ 1,329,436	\$ 303,525	\$ 1,297,511	\$ 920,049	\$ 7,289,081	\$ 219,035
Investments	2,000,000	-	500,000	-	-	2,500,000	-
Interest Receivable	357,215	-	591	-	-	357,806	-
Receivables - Accounts, Net	2,598,569	197,082	478,820	448,013	243,754	3,966,238	-
Due from Other Governments	13,335	-	-	-	13,874	27,209	-
Inventory at Cost	700,423	133,654	376,628	58,543	-	1,269,248	1,223
Prepaid Water Agreement	-	-	277,200	-	-	277,200	-
Other Current Assets	9,196	-	34,804	6,238	19,662	69,900	100
Notes Receivable, Net	148,477	-	-	-	-	148,477	-
Restricted Cash	362,129	-	-	-	-	362,129	218,586
Restricted Investments	1,000,000	-	-	-	-	1,000,000	-
Total current assets	10,627,904	1,660,172	1,971,568	1,810,305	1,197,339	17,267,288	438,944
Noncurrent assets:							
Capital Assets, Net	12,433,328	1,837,041	19,806,420	18,302,024	801,577	53,180,390	115,931
Prepays	-	-	940	2,192	-	3,132	-
Notes Receivable, Long Term	986,812	-	-	-	-	986,812	-
Total noncurrent assets	13,420,140	1,837,041	19,807,360	18,304,216	801,577	54,170,334	115,931
Total assets	24,048,044	3,497,213	21,778,928	20,114,521	1,998,916	71,437,622	554,875
Deferred Outflows of Resources							
Deferred Amount from Refundings	-	-	72,715	464,562	-	537,277	-
Deferred Outflows - TMRS Pension	384,658	72,515	132,326	101,662	113,996	805,157	-
Total deferred outflows	384,658	72,515	205,041	566,224	113,996	1,342,434	-
Liabilities							
Current liabilities:							
Accounts Payable & Other Current Liabilities	\$ 1,448,633	\$ 120,094	\$ 236,583	\$ 38,357	\$ 170,023	\$ 2,013,690	\$ 343
Other Liabilities	-	900	2,353	1,050	-	4,303	-
Accrued Interest	11	2	38,656	22,190	4	60,863	-
Compensated Absences, Current	49,072	10,012	16,804	3,283	12,877	92,048	-
Lease Payable, Current	4,574	973	1,574	62,714	1,698	71,533	-
Revenue Bonds Payable, Current	-	-	519,736	1,077,819	-	1,597,555	-
Consumer Deposits	1,230,975	-	-	-	-	1,230,975	-
Total current liabilities	2,733,265	131,981	815,706	1,205,413	184,602	5,070,967	343
Noncurrent liabilities:							
Compensated Absences	28,650	5,217	8,178	6,027	11,508	59,580	-
Post Employment Benefits	117,261	22,625	35,706	25,248	38,085	238,925	-
Net Pension Liability - TMRS	1,678,220	315,584	583,218	467,099	493,886	3,538,007	-
Long Term Debt, Net	-	-	6,545,554	5,994,956	-	12,540,510	-
Total noncurrent liabilities	1,824,131	343,426	7,172,656	6,493,330	543,479	16,377,022	-
Total liabilities	4,557,396	475,407	7,988,362	7,698,743	728,081	21,447,989	343
Deferred Inflows of Resources							
Deferred Inflows - TMRS Pension	72,148	13,580	24,981	19,712	21,287	151,708	-
Deferred Amount from Refundings	-	-	85,487	-	-	85,487	-
Total deferred inflows	72,148	13,580	110,468	19,712	21,287	237,195	-
Net Position							
Net Investment in Capital Assets	12,428,754	1,836,068	12,727,723	11,633,290	799,879	39,425,714	115,931
Unrestricted	7,374,404	1,244,673	1,157,416	1,329,000	563,665	11,669,158	438,601
Total net position	\$ 19,803,158	\$ 3,080,741	\$ 13,885,139	\$ 12,962,290	\$ 1,363,544	\$ 51,094,872	\$ 554,532

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

Net Position of business-type activities

440,167
\$ 51,535,039

This page intentionally left blank.

City of Brenham, Texas
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year ended September 30, 2016

Business-type Activities - Enterprise Funds

	Electric Fund	Gas Fund	Water Fund	Wastewater Fund	Sanitation Fund	Total Proprietary	Internal Service Funds
Operating revenues:							
Charges for Services	\$ 20,938,896	\$ 2,203,446	\$ 3,890,641	\$ 3,483,098	\$ 3,363,751	\$ 33,879,832	\$ 286,554
Total Operating Revenues	<u>20,938,896</u>	<u>2,203,446</u>	<u>3,890,641</u>	<u>3,483,098</u>	<u>3,363,751</u>	<u>33,879,832</u>	<u>286,554</u>
Operating expenses:							
Cost of Sales and Services	14,727,935	840,873	296,625	-	-	15,865,433	-
Salaries	2,052,231	377,561	699,881	440,415	696,580	4,266,668	-
Supplies	188,103	32,010	409,516	138,563	237,959	1,006,151	7,112
Maintenance	28,703	5,475	374,066	169,083	162,994	740,321	37,401
Contractual Services	311,516	42,324	334,835	581,612	1,573,286	2,843,573	160,013
Depreciation	620,803	163,513	907,828	889,892	142,296	2,724,332	20,709
Gross Revenue Tax	1,429,919	153,562	264,054	236,282	59,823	2,143,640	-
Miscellaneous	96,757	22,711	34,694	23,350	17,934	195,446	5,748
Total operating expenses	<u>19,455,967</u>	<u>1,638,029</u>	<u>3,321,499</u>	<u>2,479,197</u>	<u>2,890,872</u>	<u>29,785,564</u>	<u>230,983</u>
Operating Income (loss)	<u>1,482,929</u>	<u>565,417</u>	<u>569,142</u>	<u>1,003,901</u>	<u>472,879</u>	<u>4,094,268</u>	<u>55,571</u>
Nonoperating revenues (expenses):							
Investment Income	116,554	5,083	7,524	8,372	4,017	141,550	2,397
Interest Expense & Fiscal Charges	(1,886)	(64)	(317,711)	(305,589)	(112)	(625,362)	-
Gain on Sale of Capital Assets	13,281	1,557	1,531	11,711	31,869	59,949	-
Miscellaneous, Net	27,646	(25,390)	(60,330)	3,731	7,839	(46,504)	4,726
Total non operating revenue (expenses)	<u>155,595</u>	<u>(18,814)</u>	<u>(368,986)</u>	<u>(281,775)</u>	<u>43,613</u>	<u>(470,367)</u>	<u>7,123</u>
Income (loss) before contributions and transfers	1,638,524	546,603	200,156	722,126	516,492	3,623,901	62,694
Capital Contributions	-	-	162,455	229,041	-	391,496	-
Transfers In	565,846	-	-	-	-	565,846	-
Transfers Out	(1,619,806)	(500,654)	(543,607)	(324,778)	(364,127)	(3,352,972)	-
Total Transfers In/(Out)	<u>(1,053,960)</u>	<u>(500,654)</u>	<u>(543,607)</u>	<u>(324,778)</u>	<u>(364,127)</u>	<u>(2,787,126)</u>	<u>-</u>
Change in net position	584,564	45,949	(180,996)	626,389	152,365	1,228,271	62,694
Total net position - beginning	19,218,594	3,034,792	14,066,135	12,335,901	1,211,179		491,838
Total net position - ending	<u>\$ 19,803,158</u>	<u>\$ 3,080,741</u>	<u>\$ 13,885,139</u>	<u>\$ 12,962,290</u>	<u>\$ 1,363,544</u>		<u>\$ 554,532</u>

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

Change in net position of business-type activities	<u>24,629</u>
	<u>\$ 1,252,900</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, 2016

	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	\$ 21,184,220	\$ 2,185,981	\$ 3,968,103	\$ 3,389,479	\$ 3,385,924	\$ 34,113,707	\$ -
Receipts from interfund services provided	-	-	-	-	-	-	286,554
Gross revenue tax paid to General Fund	(1,429,919)	(153,562)	(264,054)	(236,282)	(59,823)	(2,143,640)	-
Payments to suppliers	(14,969,916)	(1,025,935)	(1,688,711)	(1,243,503)	(2,113,991)	(21,042,056)	(213,053)
Payments to employees	(1,857,865)	(346,510)	(631,511)	(406,045)	(632,812)	(3,874,743)	-
Net cash provided (used) by operating activities	<u>2,926,520</u>	<u>659,974</u>	<u>1,383,827</u>	<u>1,503,649</u>	<u>579,298</u>	<u>7,053,268</u>	<u>73,501</u>
Cash Flows from Non Capital Financing Activities							
Transfers in	565,846	-	-	-	-	565,846	-
Transfers out	(1,619,806)	(500,654)	(543,607)	(324,778)	(364,127)	(3,352,972)	-
Interest paid on consumer deposits	(1,585)	-	-	-	-	(1,585)	-
Net cash provided (used) by noncapital financing activities	<u>(1,055,545)</u>	<u>(500,654)</u>	<u>(543,607)</u>	<u>(324,778)</u>	<u>(364,127)</u>	<u>(2,788,711)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities							
Acquisition and construction of capital assets	(981,490)	(240,684)	(1,020,446)	(60,077)	(307,946)	(2,610,643)	(39,040)
Principal paid on bonds and capital leases	(9,242)	(1,965)	(502,118)	(1,112,566)	(3,430)	(1,629,321)	-
Insurance proceeds	8,860	-	34,804	9,004	7,456	60,124	4,726
Proceeds from sales of capital assets	13,281	1,556	1,531	11,711	31,869	59,948	-
Interest and fees paid on bonds and capital leases	(322)	(69)	(316,767)	(231,729)	(120)	(549,007)	-
Net cash provided (used) by capital and related financing activities	<u>(968,913)</u>	<u>(241,162)</u>	<u>(1,802,996)</u>	<u>(1,383,657)</u>	<u>(272,171)</u>	<u>(4,668,899)</u>	<u>(34,314)</u>
Cash Flows from Investing Activities							
Purchase of investments	(3,000,000)	-	(500,000)	-	-	(3,500,000)	-
Principal received on notes receivable	62,747	-	-	-	-	62,747	-
Investment income received	<u>33,053</u>	<u>5,085</u>	<u>6,932</u>	<u>8,373</u>	<u>4,018</u>	<u>57,461</u>	<u>2,397</u>
Net cash provided (used) by investing activities	<u>(2,904,200)</u>	<u>5,085</u>	<u>(493,068)</u>	<u>8,373</u>	<u>4,018</u>	<u>(3,379,792)</u>	<u>2,397</u>
Net increase (decrease) in cash and cash equivalents	(2,002,138)	(76,757)	(1,455,844)	(196,413)	(52,982)	(3,784,134)	41,584
Cash and cash equivalents, beginning of year	<u>5,802,827</u>	<u>1,406,193</u>	<u>1,759,369</u>	<u>1,493,924</u>	<u>973,031</u>	<u>11,435,344</u>	<u>396,037</u>
Cash and cash equivalents, end of year	<u>\$ 3,800,689</u>	<u>\$ 1,329,436</u>	<u>\$ 303,525</u>	<u>\$ 1,297,511</u>	<u>\$ 920,049</u>	<u>\$ 7,651,210</u>	<u>\$ 437,621</u>
Reconciliation of cash and cash equivalents to statement of net assets							
Cash and equivalents	\$ 3,438,560	\$ 1,329,436	\$ 303,525	\$ 1,297,511	\$ 920,049	\$ 7,289,081	\$ 219,035
Restricted cash and equivalents	362,129	-	-	-	-	362,129	218,586
Cash and cash equivalents, end of year	<u>\$ 3,800,689</u>	<u>\$ 1,329,436</u>	<u>\$ 303,525</u>	<u>\$ 1,297,511</u>	<u>\$ 920,049</u>	<u>\$ 7,651,210</u>	<u>\$ 437,621</u>

Reconciliation of operating income to net cash provided

(used) by operating activities							
Operating income (loss)	\$ 1,482,929	\$ 565,417	\$ 569,142	\$ 1,003,901	\$ 472,879	\$ 4,094,268	\$ 55,571
Adjustments to reconcile net cash provided (used) by operating activities							
Depreciation	620,803	163,513	907,828	889,892	142,296	2,724,332	20,709
Provision for uncollectible accounts	21,853	3,250	5,674	17,018	2,520	50,315	-
Other income (expense)	31,434	3,297	2,957	4,055	382	42,125	-
Changes in assets and liabilities affecting cash provided by operations:							
(Increase) decrease in accounts receivable	89,398	(24,011)	68,831	(114,692)	19,271	38,797	-
(Increase) decrease in inventory	(7,279)	1,540	21,138	(5,793)	-	9,606	(302)
(Increase) decrease in interfund receivables	509,819	-	-	-	-	509,819	-
(Increase) decrease in intergovernmental receivables	309	-	-	186	(492)	3	-
Increase (decrease) in interfund payables	-	(123,095)	(243,819)	(268,207)	(142,904)	(778,025)	-
(Increase) decrease in other assets	(9,196)	-	(40,579)	(6,238)	12,386	(43,627)	-
Increase (decrease) in accounts payable and other current liabilities	(110,555)	39,012	24,285	(50,843)	9,192	(88,909)	(2,477)
Increase (decrease) in salaries & benefits payable	12,418	447	2,703	(4,186)	3,883	15,265	-
Increase (decrease) in compensated absences	3,293	(1,270)	2,954	(2,549)	1,115	3,543	-
Increase (decrease) in postemployment benefits	20,384	2,072	8,005	(1,770)	12,020	40,711	-
Increase (decrease) in pension benefits	158,271	29,802	54,708	42,875	46,750	332,406	-
Increase (decrease) in consumer deposits	102,639	-	-	-	-	102,639	-
Net cash provided (used) by operating activities	<u>\$ 2,926,520</u>	<u>\$ 659,974</u>	<u>\$ 1,383,827</u>	<u>\$ 1,503,649</u>	<u>\$ 579,298</u>	<u>\$ 7,053,268</u>	<u>\$ 73,501</u>

Noncash investing, capital and financing activities

Contribution of capital assets	-	-	162,455	229,041	-	391,496	-
--------------------------------	---	---	---------	---------	---	---------	---

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

This page intentionally left blank.



City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

A. Reporting Entity

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

1. Discretely presented component unit

The City has included the Brenham Community Development Corporation (BCDC) in its financial statements as a discretely presented component unit since the City is financially accountable for the entity and a financial benefit or burden relationship exists between the City and the BCDC. The BCDC is a legally separate entity from the City and is governed by a board appointed by City Council. The BCDC was formed to oversee revenues and expenditures of a special three-eighth cent sales tax for economic development and community recreational development. The City's council approves the BCDC budget and the City Manager serves as its Chief Executive Officer. For financial reporting purposes, the BCDC is reported as a governmental fund. The component unit has a single general fund which is discretely presented in the financial statements. The Corporation does not issue separate financial statements.

2. Blended component unit

In 2016, the City of Brenham Community Projects Fund, Inc. a non-profit organization was formed. The Corporation is a 501(c)(3) organization that supports the City of Brenham in implementing and conducting its charitable and educational projects designed to expand areas of service to citizens and visitors. For financial reporting purposes, the City of Brenham Community Projects Fund will be reported as a blended component unit in the governmental funds. For the current fiscal year there were no financial transactions to report.

B. Government-Wide and Fund Financial Statements

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

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

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

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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

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

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

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

The government reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt obligations of governmental funds.
- The *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 *2014 Capital Projects Fund* accounts for the resources used for the acquisition of land for the construction of a fire substation; the acquisition of two fire trucks; the construction and equipping of a new City animal shelter; and the expansion, renovation and equipping of the City library. The resources for these improvements are derived from the proceeds of certificates of obligation.

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.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Additionally, the government reports the following fund types:

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, wastewater, electric, gas, 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.

D. Assets, Liabilities, and Net Position

1. Deposits and investments

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

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

Investments for the government, as well as the component unit, are reported at fair value. Funds are invested in certificates of deposit, 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."

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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

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

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

3. Inventories and prepaid items

All inventories are valued at 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, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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

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

6. Compensated absences

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

7. Long-term obligations

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

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

8. Fund equity

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

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

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

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 \$68,707 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 whose sum of age and years of service was equal to or greater than 75 at the time of retirement may purchase group health until they and their covered spouses reach Medicare eligibility. As of September 30, 2016, 5 retirees/covered spouses meet those eligibility requirements and have elected to receive this benefit. The retiree/covered spouse pay the entire premium for group health coverage and claims are paid through the City's third party provider.

Employees who terminate employment because of a disability may qualify for life insurance and long term disability benefits until reaching age 65 or the end of the disability eligibility, whichever comes first. Premiums for those qualifying are waived and there is no further cost to the City or the former employee. Currently, one person qualifies for the long term disability benefit.

11. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and the Texas Emergency Services Retirement System (TESRS) and additions to/deductions from TMRS's and TESRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS and TESRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

The departmental budget is the basic unit of measurement for the City's budget. Three Assistant City Managers report to the City Manager. These include Assistant City Manager-Chief Financial Officer, Assistant City Manager-General Government and Assistant City Manager-Public Utilities. In addition to the Assistant City Managers, four director positions oversee the individual departmental budgets within their area of responsibility. These positions include the Director of Public Works, Director of Community Services, Chief of Police and Fire Chief.

1. Basis of accounting

With the exception of General Fund, all budgets are prepared and adopted on a basis consistent with generally accepted accounting principles which is the same basis of accounting used for financial reporting in these financial statements. The General Fund budget, as shown in the financial statements, is prepared and adopted on a different basis. 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*, nine 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.

2. Budgeted funds

Annual appropriated budgets are adopted for all governmental fund types.

For the year ended September 30, 2016, 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, US 290 Pass-Thru Finance Fund, and the 2014 Capital Projects 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, Airport Capital Improvements Fund, Capital Leases Fund, Streets and Drainage Improvements Fund and Parks Capital Improvements Fund. Internal Service funds with budgets adopted include the Workers' Compensation Fund and the Central Fleet Fund. All annual budget appropriations lapse at the end of the fiscal year.

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

3. Legal level of control

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

4. Budget amendments

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

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

5. Encumbrances

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

B. Compliance with Finance Related Legal and Contractual Provisions

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

C. Deficit Fund Balances or Net Asset Balances

No fund had a deficit fund balance at year end.

D. Excess of Expenditures Over Appropriations

For fiscal year end September 30, 2016, all expenditures of the General Fund were within appropriations.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2016, the City had an investment in a State Money Pool (TexPool) which had a balance of \$3,196,928 which was included in cash and cash equivalents at September 30, 2016. "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 \$1.00031 per share. The weighted average maturities of the pools cannot exceed 60 days, with the maximum maturity of any investment is limited to 13 months. TexPool was rated AAAM by Standard & Poor's. Authorized investments for TexPool funds include government securities, repurchase and reverse repurchase agreements and no-load money market mutual funds.

The City also had an investment in TexSTAR, another public funds investment pool, which had a balance of \$9,336,935 and was included in cash and cash equivalents and restricted cash at September 30, 2016. "TexSTAR" is a local government investment pool created and jointly managed by First Southwest, a division of Hilltop Securities, Inc. and JP Morgan Investment Management, Inc. with the purpose of investing funds on behalf of Texas political subdivisions. Its fair value approximates carrying value, and the City's net asset value in the pool at fiscal year-end was \$1.00003 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. The fund maintains a weighted average maturity of 60 days or less and was rated AAAM by Standard and Poor's. Authorized investments for TexSTAR funds include government securities, repurchase and reverse repurchase agreements and no-load money market mutual funds.

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

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

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

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

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

At year end, the government's carrying amount of deposits (including certificates of deposit) for the primary government and BCDC component unit was \$13,396,753 and the bank balances totaled \$14,041,766. Of the bank and certificates of deposit balances, \$250,000 was covered by federal depository insurance and \$13,791,766 was collateralized with securities held by the pledging financial institution's trust department or agent in the government's name.

B. Receivables - Account

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

Governmental Funds

	General Fund	Other Governmental Funds
Accounts	\$ 419,421	\$ 6,210
Assessments	99,653	-
	<u>519,074</u>	<u>6,210</u>
Less Allowance for Uncollectibles	(6,000)	-
Accounts Receivable, Net	<u>\$ 513,074</u>	<u>\$ 6,210</u>

Proprietary Funds

	Electric Fund	Gas Fund	Water Fund	Wastewater Fund	Sanitation Fund	Total
Accounts	\$ 2,643,569	\$ 200,082	\$ 486,320	\$ 468,013	\$ 246,754	\$4,044,738
Less Allowance for Uncollectibles	(45,000)	(3,000)	(7,500)	(20,000)	(3,000)	(78,500)
Accounts Receivable, Net	<u>\$ 2,598,569</u>	<u>\$ 197,082</u>	<u>\$ 478,820</u>	<u>\$ 448,013</u>	<u>\$ 243,754</u>	<u>\$3,966,238</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

<u>Components</u>	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Delinquent property taxes receivable (General Fund)	\$ 146,241	\$ -	\$ 146,241
Delinquent property taxes receivable (Debt Service Fund)	85,650	-	85,650
Franchise fees receivable	182,388	-	182,388
Lien assessments and pending seizures	98,359	-	98,359
Total deferred/unearned revenue for governmental funds	<u>\$ 512,638</u>	<u>\$ -</u>	<u>\$ 512,638</u>
Balances not expected to be collected within one year	\$ 98,359	\$ -	\$ 98,359

C. Receivables – Property Taxes

The following information relates to property taxes receivable for the year ended September 30, 2016:

Original Certified Tax Roll	\$ 1,188,403,299
Approved Rate (Per \$100 Valuation)	0.4731
Original Levy	5,622,336
Supplements	(4,794)
Adjusted Levy	<u>\$ 5,617,542</u>
Collections on Current Tax Roll	5,544,254
Total Collections	5,614,517
Property Taxes Receivable	\$ 231,891

D. Notes Receivable

Notes receivable at September 30, 2016 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	\$ 135,289
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>
	\$ 1,135,289
Less Current Portion	<u>(148,477)</u>
	<u>\$ 986,812</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets

Capital asset activity for the year ended September 30, 2016 was as follows:

<u>Governmental Activities</u>	Beginning Balance	Increases	Reclass/CIP to Complete	Donations	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:						
Land	\$ 4,308,398	\$ -	\$ -	\$ (9,194)	\$ (8,919)	\$ 4,290,285
Land Improvements	91,559	-	-	-	-	91,559
Intangibles-Easements	10,593	-	-	-	-	10,593
Construction in Progress	1,791,265	6,291,488	(81,653)	-	(70,026)	7,931,074
Total Not Being Depreciated	<u>\$ 6,201,815</u>	<u>6,291,488</u>	<u>(81,653)</u>	<u>(9,194)</u>	<u>(78,945)</u>	<u>12,323,511</u>
Capital Assets, Being Depreciated:						
Buildings	23,213,505	343,506	37,872	-	-	23,594,883
Improvements Other Than Buildings	11,818,644	206,692	-	-	(104,623)	11,920,713
Furniture, Fixtures and Equipment	1,443,382	-	-	-	-	1,443,382
Machinery	375,697	15,356.00	-	-	-	391,053
Vehicles	7,827,442	150,295	-	-	(164,532)	7,813,205
Radios	645,621	-	-	-	-	645,621
Intangibles-Software	198,473	24,895	-	-	-	223,368
Infrastructure	48,849,816	445,433	43,781	1,317,231	-	50,656,261
Total Being Depreciated	<u>94,372,580</u>	<u>1,186,177</u>	<u>81,653</u>	<u>1,317,231</u>	<u>(269,155)</u>	<u>96,688,486</u>
Less Impairment	-	-	-	-	-	-
Less Accumulated Depreciation for:						
Buildings	(7,355,515)	(711,815)	-	-	-	(8,067,330)
Improvements Other Than Bldgs.	(7,124,704)	(566,708)	-	-	78,278	(7,613,134)
Furniture, Fixtures and Equipment	(1,399,925)	(58,111)	-	-	-	(1,458,036)
Machinery	(257,913)	(27,759)	-	-	-	(285,672)
Vehicles	(4,012,350)	(514,999)	-	-	159,438	(4,367,911)
Radios	(326,314)	(64,614)	-	-	-	(390,928)
Intangibles-Software	(59,487)	(15,516)	-	-	-	(75,003)
Infrastructure	(24,041,990)	(1,136,431)	-	-	-	(25,178,421)
Total Accumulated Depreciation	<u>(44,578,198)</u>	<u>(3,095,953)</u>	<u>-</u>	<u>-</u>	<u>237,716</u>	<u>(47,436,435)</u>
Total Being Depreciated, Net	<u>49,794,382</u>	<u>(1,909,776)</u>	<u>81,653</u>	<u>1,317,231</u>	<u>(31,439)</u>	<u>49,252,051</u>
Capital Assets, Net	<u>\$55,996,197</u>	<u>\$ 4,381,712</u>	<u>\$ -</u>	<u>\$1,308,037</u>	<u>\$ (110,384)</u>	<u>\$ 61,575,562</u>
<u>Business-type Activities</u>	Beginning Balance	Additions	Reclass/CIP to Complete	Contributed Capital	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:						
Land	\$ 562,003	\$ -	\$ -	\$ -	\$ -	562,003
Intangibles-Easements	33,811	-	-	-	-	33,811
Construction in Progress	653,834	272,074	(567,512)	-	(50,850)	307,546
Total Not Being Depreciated	<u>1,249,648</u>	<u>272,074</u>	<u>(567,512)</u>	<u>-</u>	<u>(50,850)</u>	<u>903,360</u>
Capital Assets, Being Depreciated:						
Buildings	864,476	-	-	-	-	864,476
Improvements Other Than Buildings	32,647,777	577,681	29,219	-	-	33,254,677
Furniture, Fixtures and Equipment	1,665,673	16,090	-	-	-	1,681,763
Vehicles	4,464,834	646,173	-	-	(377,231)	4,733,776
Intangibles-Software	152,583	-	-	-	-	152,583
Infrastructure	58,332,712	1,137,665	538,293	391,496	(105,661)	60,294,505
Total Being Depreciated	<u>98,128,055</u>	<u>2,377,609</u>	<u>567,512</u>	<u>391,496</u>	<u>(482,892)</u>	<u>100,981,780</u>
Less Accumulated Depreciation for:						
Buildings	(367,938)	(30,138)	-	-	-	(398,076)
Improvements Other Than Bldgs.	(13,087,137)	(11,165)	-	-	-	(13,098,302)
Furniture, Fixtures and Equipment	(1,318,913)	(93,830)	-	-	-	(1,412,743)
Vehicles	(2,992,843)	(340,083)	-	-	377,231	(2,955,695)
Intangibles-Software	(60,276)	(18,501)	-	-	-	(78,777)
Infrastructure	(28,401,653)	(2,251,324)	-	-	7,751	(30,645,226)
Total Accumulated Depreciation	<u>(46,228,760)</u>	<u>(2,745,041)</u>	<u>-</u>	<u>-</u>	<u>384,982</u>	<u>(48,588,819)</u>
Total Being Depreciated, Net	<u>51,899,295</u>	<u>(367,432)</u>	<u>567,512</u>	<u>391,496</u>	<u>(97,910.00)</u>	<u>52,392,961</u>
Capital Assets, Net	<u>\$53,148,943</u>	<u>\$ (95,358)</u>	<u>\$ -</u>	<u>\$ 391,496</u>	<u>\$ (148,760)</u>	<u>\$ 53,296,321</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

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	\$ 642,143
General Government	407,153
Health and Welfare	14,481
Highways and Streets	1,308,648
Public Safety	723,528
Total Governmental Activities	<u>\$ 3,095,953</u>
<u>Business-type Activities</u>	
Electric	\$ 620,803
Gas	163,513
Water	907,828
Sewer	889,892
Sanitation	142,296
Total Business-type Activities	<u>\$ 2,724,332</u>
<u>Internal Service Funds</u>	
Central Fleet	\$ 20,709
Total Internal Service Funds	<u>\$ 20,709</u>

As of September 30, 2016, capital assets of the component unit consists of land (not being depreciated) with a balance of \$2,035,626, land improvements (not being depreciated) with a balance of \$143,721 and other improvements (being depreciated) with a balance of \$15,609. The Construction in Progress has a balance of \$41,801 for 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 current contract evergreens each year for a rolling 20 year period and will expire in 2033. 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, 2016, \$840,873 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 expensed under this contract for the year ending September 30, 2016 was \$296,625.

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, 2016 was \$14,727,935.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

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 was 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, 2012, the \$15 million had been advanced to TxDOT. In years 2013 through 2016, the City has received repayments from TXDOT totaling \$12,976,305. Future repayments will continue to be received during the years 2017 to 2020.

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 issued debt 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. 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. In March 2015, this debt was partially refunded with the issuance of \$3.9 Million 2015 General Obligation Refunding Bonds.

In March 2016, the City entered into an agreement with a contractor for small commercial waste collection services beginning in May 2016 and expiring in May 2021 with up to five one-year renewal terms. For the year ending September 30, 2016 the City paid \$310,134 under this contract.

The City has the following active construction projects as of September 30, 2016:

	Contract Amount	Spent-to-Date	Remaining Commitment
Fire Substation - Architect	\$ 191,500	\$ 141,245	\$ 50,255
Library Renovation & Expansion			
Architect	296,087	293,781	2,306
Contractor	3,228,916	3,211,881	17,035
Animal Shelter			
Engineer	21,875	20,600	1,275
Contractor	2,717,743	2,716,902	841
Owsley Serenity Garden & Park Improvements			
Engineer	57,858	55,158	2,700
Contractor	448,083	352,941	95,142
Storm Damage Evaluation			
Engineer	32,500	30,421	2,079
Burleson St. Culvert Replacement			
Engineer	73,232	9,800	63,432
Hohlt Park Jogging Trail Reconstruction			
Engineer	26,500	23,949	2,551
Contractor	149,187	128,892	20,295
Abraham Drainage Project			
Engineer	8,000	5,280	2,720
2016 Water Treatment Plant Protective Coatings Rehab			
Engineer	47,000	25,753	21,247
Fireman's Park Restroom Renovations			
Architect	41,130	-	41,130
Wayfinding Signage Project			
Consultant	48,000	46,363	1,637
	<u>\$ 7,387,611</u>	<u>\$ 7,062,966</u>	<u>\$ 324,645</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

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, 2016 the balances were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental	2014 Capital Projects Fund	105,355
		<u>\$ 105,355</u>

In addition to the interfund receivables and payables shown above, the General Fund is reporting a receivable of \$62,530 from the component unit and the Capital Leases Fund is reporting a \$435,196 receivable from the component unit.

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, 2016:

Transfers From:	Transfers To:					Net Transfers From
	Governmental Activities				Business Type Activities	
	General	Debt Service	2014 Capital Projects	Other Gov'l	Electric	
Governmental Activities						
Major Funds						
General Fund	\$ -	\$ -	\$ 451,490	\$ 52,669	\$ -	\$ 504,159
Hwy 290 Pass Through	-	2,575,000	-	-	-	2,575,000
Other Govtl Funds	335,809	-	-	4,743	-	340,552
Business-type Activities						
Major Funds						
Electric	1,619,806	-	-	-	-	1,619,806
Gas	333,054	-	-	-	167,600	500,654
Water	335,057	-	-	-	208,550	543,607
Wastewater	211,894	-	-	-	112,884	324,778
Sanitation	287,315	-	-	-	76,812	364,127
Total Transfers To	<u>\$ 3,122,935</u>	<u>\$ 2,575,000</u>	<u>\$ 451,490</u>	<u>\$ 57,412</u>	<u>\$ 565,846</u>	<u>\$ 6,772,683</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

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). Also payment was made on the 2010 Tax Notes that were issued to fund improvements in the Southwest Industrial Business Park. Funding for the construction of these facilities is provided by a 3/8 cent sales tax collected and administered by the BCDC. During the year, BCDC provided \$358,251 to the Parks Capital Improvement Fund for capital improvements to five different city parks and to the Aquatic Center. BCDC also provided \$138,545 to the General Fund for Aquatic Center operations and for various other aquatic and recreation projects. The following schedule shows payments to and from the component unit for the year ended September 30, 2016:

Payments From:	Payments To:			
	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total Pymts From</u>
Component Unit				
Brenham Community Development Corp	\$ 138,545	\$ 566,886	\$ 358,251	\$ 1,063,682

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

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, 2016:

	Balance 9/30/2015	Additions	FY 16 Retirements	Balance 9/30/2016	Due Within One Year	Long Term
Governmental Activities						
2006 COB - Gen	\$ 6,125,000	\$ -	\$ (365,000)	\$ 5,760,000	\$ 385,000	\$ 5,375,000
2009 GOB Ref - Gen	2,518,707	-	(935,542)	1,583,165	973,165	610,000
2010 PTT-Hwy 290 - Gen	5,255,000	-	(2,575,000)	2,680,000	2,680,000	-
2010 Ltd Tax Notes - Gen	225,000	-	(110,000)	115,000	115,000	-
2010 GOB Ref - Gen	335,378	-	-	335,378	-	335,378
2011 GOB Ref - Gen	1,521,117	-	(173,488)	1,347,629	175,037	1,172,592
2011 Ltd Tax Notes - Gen	535,000	-	(170,000)	365,000	180,000	185,000
2012 COB -Gen	1,645,000	-	(75,000)	1,570,000	80,000	1,490,000
2014 COB-Gen	3,820,000	-	(165,000)	3,655,000	105,000	3,550,000
2014 GOB Ref-Gen	1,469,340	-	(17,869)	1,451,471	19,243	1,432,228
2015 GOB Ref-Hwy 290-General	3,910,000	-	-	3,910,000	-	3,910,000
	<u>27,359,542</u>	-	<u>(4,586,899)</u>	<u>22,772,643</u>	<u>4,712,445</u>	<u>18,060,198</u>
Unamort Bond Premium	712,874	-	(248,938)	463,936	NA	463,936
Ref Deferred Charges - '09 Ref GOB	(54,977)	-	18,590	(36,387)	NA	(36,387)
Ref Deferred Charges - '10 Ref GOB	(20,328)	-	4,134	(16,194)	NA	(16,194)
Ref Deferred Charges - '11 Ref GOB	(151,595)	-	19,251	(132,344)	NA	(132,344)
Ref Deferred Charges - '14 Ref GOB	(57,210)	-	9,670	(47,540)	NA	(47,540)
Ref Deferred Charges - '15 Ref GOB	134,634	-	(34,744)	99,890	NA	99,890
	<u>27,922,940</u>	-	<u>(4,818,936)</u>	<u>23,104,004</u>	<u>4,712,445</u>	<u>18,391,559</u>
Chase BVWACS Radio Lease	151,415	-	(101,283)	50,132	50,132	-
Chase Asphalt Zipper Lease	111,175	-	(26,908)	84,267	27,490	56,777
Bank of Brenham Library Furniture Note Payable	-	450,000	-	450,000	64,286	385,714
	<u>262,590</u>	<u>450,000</u>	<u>(128,191)</u>	<u>584,399</u>	<u>141,908</u>	<u>442,491</u>
Compensated Absences ⁽¹⁾	300,660	311,440	(304,967)	307,133	155,719	151,414
Total Governmental	<u>\$ 28,486,190</u>	<u>\$ 761,440</u>	<u>\$ (5,252,094)</u>	<u>\$ 23,995,536</u>	<u>\$ 5,010,072</u>	<u>\$ 18,985,464</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, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

	Balance 9/30/2015	Additions	FY 16 Retirements	Balance 9/30/2016	Due Within One Year	Long Term
Business Type Activities						
2008 COB - Water	5,565,000	-	(215,000)	5,350,000	225,000	5,125,000
2009 GOB Ref - Water	549,312	-	(269,800)	279,512	279,512	-
2009 GOB Ref - Wastewater	1,281,982	-	(629,658)	652,324	652,324	-
2010 GOB Ref - Water	265,349	-	-	265,349	-	265,349
2010 GOB Ref - Wastewater	619,272	-	-	619,272	-	619,272
2011 GOB Ref - Wastewater	3,388,880	-	(386,512)	3,002,368	389,962	2,612,406
2014 GOB Ref-Water	1,162,537	-	(14,138)	1,148,399	15,225	1,133,174
2014 GOB Ref-Wastewater	2,713,122	-	(32,994)	2,680,128	35,532	2,644,596
	<u>15,545,454</u>	<u>-</u>	<u>(1,548,102)</u>	<u>13,997,352</u>	<u>1,597,555</u>	<u>12,399,797</u>
Unamort Bond Premium-Water	28,835	-	(6,806)	22,029	NA	22,029
Unamort Bond Premium-Wastewater	73,227	-	(16,630)	56,597	NA	56,597
09 Ref Deferred Chrg-Water	(33,663)	-	11,378	(22,285)	NA	(22,285)
09 Ref Deferred Chrg-Wastewater	(78,565)	-	26,554	(52,011)	NA	(52,011)
10 Ref Deferred Chrg-Water	(16,082)	-	3,271	(12,811)	NA	(12,811)
10 Ref Deferred Chrg-Wastewater	(37,534)	-	7,634	(29,900)	NA	(29,900)
11 Ref Deferred Chrg-Water	97,919	-	(12,431)	85,488	NA	85,488
11 Ref Deferred Chrg-Wastewater	(337,751)	-	42,885	(294,866)	NA	(294,866)
14 Ref Deferred Chrg-Water	(45,266)	-	7,651	(37,615)	NA	(37,615)
14 Ref Deferred Chrg-Wastewater	(105,642)	-	17,855	(87,787)	NA	(87,787)
Sub Total Bonds Payable	15,090,932	-	(1,466,741)	13,624,191		12,026,636
Compensated Absences	148,086	184,095	(180,553)	151,628	92,048	59,580
Chase BVWACS Radio Lease-Electric	13,817	-	(9,242)	4,575	4,575	-
Chase BVWACS Radio Lease-Gas	2,937	-	(1,965)	972	972	-
Chase BVWACS Radio Lease-Water	4,754	-	(3,180)	1,574	1,574	-
Chase BVWACS Radio Lease-Wastewater	5,500	-	(3,680)	1,820	1,820	-
Chase BVWACS Radio Lease-Sanitation	5,130	-	(3,430)	1,700	1,700	-
Chase Sewer Vacuum Truck Lease	182,701	-	(59,722)	122,979	60,892	62,087
Total Proprietary	\$ 15,453,857	\$ 184,095	\$ (1,728,513)	\$ 13,909,439	\$ 1,761,136	\$ 12,148,303
Component Unit Governmental Activities						
Note Payable-BCDC to City Elec Fund	\$ 198,036	\$ -	\$ (62,747)	\$ 135,289	\$ 65,956	\$ 69,333
Note Payable-BCDC to City Elec Fund-FY10	1,000,000	-	-	1,000,000	82,521	917,479
Total Governmental - BCDC	\$ 1,198,036	\$ -	\$ (62,747)	\$ 1,135,289	\$ 148,477	\$ 986,812

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

The annual debt service requirement to maturity for all bonded outstanding debt as of September 30, 2016 follows:

FISCAL YEAR ENDING 9/30	PRIMARY GOVERNMENT									
	GENERAL OBLIGATION		TAX NOTES		PTT REVENUE & TAX BONDS		CERTIFICATES OF OBLIGATION			
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2017	\$ 2,540,001	\$ 491,228	\$ 295,000	\$ 9,261	\$ 2,680,000	\$ 107,200	\$ 795,000	\$ 610,908	\$ 6,310,001	\$ 1,218,597
2018	4,810,000	402,264	185,000	3,164	-	-	830,000	582,289	5,825,000	987,717
2019	3,975,000	291,084	-	-	-	-	930,000	552,290	4,905,000	843,374
2020	2,245,000	172,121	-	-	-	-	1,035,000	519,381	3,280,000	691,502
2021	2,365,000	96,257	-	-	-	-	1,070,000	483,343	3,435,000	579,600
2022-2026	1,339,994	62,300	-	-	-	-	7,635,000	1,669,174	8,974,994	1,731,474
2027-2031	-	-	-	-	-	-	3,095,000	415,813	3,095,000	415,813
2032-2036	-	-	-	-	-	-	945,000	61,450	945,000	61,450
	<u>\$ 17,274,995</u>	<u>\$ 1,515,254</u>	<u>\$ 480,000</u>	<u>\$ 12,425</u>	<u>\$ 2,680,000</u>	<u>\$ 107,200</u>	<u>\$ 16,335,000</u>	<u>\$ 4,894,648</u>	<u>\$ 36,769,995</u>	<u>\$ 6,529,527</u>

The annual debt service requirement to maturity for all notes payable outstanding debt as of September 30, 2016 follows:

FISCAL YEAR ENDING 9/30	NOTES PAYABLE	
	PRINCIPAL	INTEREST
	2017	\$ 64,286
2018	64,286	8,601
2019	321,428	7,168
2020	-	-
2021	-	-
2022-2026	-	-
2027-2031	-	-
2032-2036	-	-
	<u>\$ 450,000</u>	<u>\$ 25,777</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

Debt outstanding at September 30, 2016 for the primary government is comprised of the following:

\$9,000,000, 2006 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$155,000 to \$740,000 through August 15, 2026; interest rate 3.940%	\$ 5,760,000
\$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%	5,350,000
\$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%	2,515,000
\$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%	115,000
\$14,180,000; 2010 Pass-Through Toll Revenue and Limited Tax Bonds Post-Refunding Debt due in installments of \$2,480,000 to \$2,680,000 through August 15, 2017; interest rate 4.00%	2,680,000
\$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%	1,220,000
\$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%	4,350,000
\$1,200,000; 2011 Limited Tax Notes due in annual installments of \$165,000 to \$185,000 through August 15, 2018; interest rate 1.71%	365,000
\$1,850,000; 2012 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$65,000 to \$120,000 through August 15, 2032; interest rate 1.0-2.5%	1,570,000
\$4,075,000; 2014 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$90,000 to \$285,000 through August 15, 2034; interest rate 2.0-3.5%	3,655,000
\$5,490,000; 2014 General Obligation Refunding Bonds due in annual installments of \$65,000 to \$1,730,000 through August 15, 2021; interest rate 2.09%	5,280,000
\$3,910,000; 2015 General Obligation Refunding Bonds due in two installments, \$2,160,000 on August 15, 2018 and \$1,750,000 on August 15, 2019; interest rate 2.0-4.0%	3,910,000
\$782,650 lease payable dated February 16, 2010 due in monthly payments of \$10,589 including interest, through March, 2017 (BVWACS Radios)	60,773
\$298,723 lease payable dated May 10, 2013 due in annual payments of \$63,303 including interest, through May, 2018 (Sewer Vacuum Truck Lease)	122,979
\$138,000 lease payable dated November 5, 2014 due in annual payments of \$29,314 including interest, through September, 2019 (Asphalt Zipper)	84,267
\$450,000 note payable dated September 21, 2016 due in annual installments of \$72,887 to \$74,293, final installment September, 2019 of \$328,596. It is the City's intent to renew this note at maturity for an additional four years. (Library Furniture)	450,000
Compensated Absences for accrued vacation	458,761
	<u>\$37,946,780</u>
Unamortized Bond Premium	542,562
Unamortized Bond Discount	-
Deferred Charges on Bonds	<u>(584,367)</u>
	<u>\$37,904,975</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

Debt outstanding for Brenham Community Development Corporation Component Unit at September 30, 2016 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	\$ 135,289
\$1,000,000 note payable to primary government dated August 6, 2010, interest payable at 4.75%, unsecured, annual payments 2017 through 2029	<u>1,000,000</u>
	<u><u>\$ 1,135,289</u></u>

FISCAL YEAR ENDING 9/30	COMPONENT UNIT NOTES PAYABLE	
	PRINCIPAL	INTEREST
	2017	\$ 148,478
2018	148,069	38,154
2019	99,274	52,691
2020	94,721	57,244
2021	90,377	61,588
2022-2026	393,389	366,438
2027-2031	160,981	210,818
	<u>\$ 1,135,289</u>	<u>\$ 824,678</u>

I. Capital Leases

In FY10, the city entered into a lease agreement to finance the acquisition of radios for proprietary and government funds. In FY13, the city entered into a lease agreement to finance the acquisition of a vacuum truck for the wastewater proprietary fund. In FY15, the city entered into a lease agreement to finance the acquisition of an asphalt zipper road mixer for the street department. 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 their inception dates.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

The assets acquired through the capital lease are as follows:

<u>Asset Class</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Vehicles/Large Equipment	\$ 135,000	\$ 298,723
Radios	644,714	137,029
Less: Accumulated Depreciation	<u>(417,930)</u>	<u>(164,322)</u>
Total Net Asset	<u><u>\$ 361,784</u></u>	<u><u>\$ 271,430</u></u>

The total future minimum lease payments and the net present value of these minimum payments as of September 30, 2016 were as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2017	\$ 79,946	\$ 74,049
2018	29,314	63,303
2019	<u>29,314</u>	<u>-</u>
Total Minimum Lease Payments	\$ 138,574	\$ 137,352
Less: Amount Representing Interest	<u>(4,175)</u>	<u>(3,732)</u>
Present Value of Minimum Payments	<u><u>\$ 134,399</u></u>	<u><u>\$ 133,620</u></u>

J. Rebtable Arbitrage

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

At September 30, 2016 the primary government had no liability for rebtable arbitrage.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

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:

	Governmental Activities	Business-type Activities
General	\$ 450,000	\$ -
Capital Projects	1,016,334	-
Customer Deposits	-	1,362,129
Debt Service	224,674	-
Hotel/Motel Tax	261,176	-
PD Criminal Law Enforcement	16,880	-
Streets/Drainage Improvements	388,238	-
Worker's compensation	218,586	-
Pass Thru Toll Agreement	5,494,580	-
	<u>\$ 8,070,468</u>	<u>\$ 1,362,129</u>

L. Classification of Net Position

The government-wide and business-type activities financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted. Net position 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 the City's "Fund Balance Policy for Governmental Funds" adopted by action of the City Council on October 1, 2015.

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

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

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

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

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 City Council, committees, or officials to whom the City Council has delegated authority.

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

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

The following schedule presents details of fund balance components at September 30, 2016:

	General Fund	Debt Service Fund	US 290 Pass Thru Finance Fund	2014 Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:						
Nonspendable:						
Inventory	\$ 186,361	\$ -	\$ -	\$ -	\$ -	\$ 186,361
Prepaid Assets	1,000	-	-	-	-	1,000
Restricted for:						
Debt Service	-	227,350	5,494,580	-	-	5,721,930
Grantor and Contributor Purposes	12,439	-	-	168,973	-	181,412
Public Safety	-	-	-	150,000	20,595	170,595
Culture & Recreation	-	-	-	-	623,007	623,007
Transportation and Aviation Projects	-	-	-	-	359,535	359,535
Court Technology and Security	-	-	-	-	101,035	101,035
Tourism Promotion	227,071	-	-	-	308,971	536,042
Committed to:						
Culture & Recreation	6,952	-	-	-	-	6,952
Park Capital Improvements	-	-	-	-	41,130	41,130
Transportation and Aviation Projects	-	-	-	-	6,886	6,886
Assigned to:						
Culture and Recreation	-	-	-	102,572	30,453	133,025
Public Safety	-	-	-	29,998	-	29,998
						-
Unassigned:	4,437,292	-	-	-	-	4,437,292
Total Fund Balances:	<u>\$ 4,871,115</u>	<u>\$ 227,350</u>	<u>\$ 5,494,580</u>	<u>\$ 451,543</u>	<u>\$ 1,491,613</u>	<u>\$ 12,536,201</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

N. Due from Other Governments

The government-wide statement of Net Position shows an amount of \$2,224,746 in governmental activities as Due from Other Governments. \$2,023,694 of this amount is related to the Pass-Through Toll Agreement with TxDOT. Pursuant to the Agreement, the City received two reimbursement payments from TxDOT in FY13 totaling \$3,057,482, two payments in FY14 totaling \$3,209,811, two payments in FY15 totaling \$3,281,968, and two payments in FY16 totaling \$3,427,043. Future payments are anticipated to occur through fiscal year 2020.

IV. OTHER INFORMATION

A. Risk Management

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

The City maintains an established risk management program for workers' compensation. Interfund premiums are based upon the insured funds' payroll and workers' compensation code rates and recorded as quasi-external interfund transactions in the Proprietary Fund statements. Net position of the workers' compensation risk management internal service fund as of September 30, 2016 was \$218,656.

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, 2016 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.

C. Expenses and Recoveries Related to Storm Damages

In May 2016, the City experienced a historic flooding event and as a result damages were sustained to City property and infrastructure. As of September 30, 2016, the City had incurred expenditures for repairs and reconstruction of City property of approximately \$430,000 in the governmental funds and \$98,000 in the proprietary funds. For FY16, storm damage related insurance proceeds of approximately \$175,000 and \$62,000 were received by the governmental and proprietary funds respectively. Additional repairs and reconstruction work will continue in FY17. Also, some insurance claims are pending and further proceeds may be received in FY17. Because of the excessive amount of rainfall and the extensive damage to property and infrastructure in the entire county, the City was approved for federal assistance through the Federal Emergency Management Agency (FEMA). Claims are currently being submitted to FEMA for review and reimbursements may be received but the amounts cannot be determined at this time.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

IV. OTHER INFORMATION (Continued)

D. Deferred Compensation Plans

The City offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all City employees, permit them to defer a portion of their salary until future years. Participation in either plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The City's involvement in administering the plan is limited to remitting the amounts collected from employees to the plan administrator. The government is not considered to be holding the assets of the plan and the assets are not available to support the City's own programs, therefore the deferred compensation plans are not presented in this report.

E. Retirement

1. Texas Municipal Retirement System

Plan Description

The City of Brenham participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.org.

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefits in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments which cannot exceed 75% of the member's deposits and interest.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

IV. OTHER INFORMATION (Continued)

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

	<i>Plan Year 2015</i>	<i>Plan Year 2016</i>
<i>Employee Deposit Rate</i>	5%	5%
<i>Matching Ratio (City to Employee)</i>	2 to 1	2 to 1
<i>Years Required for Vesting</i>	5	5
<i>Service Retirement Eligibility (Expressed as Age/Years of Service)</i>	60/5, 0/20	60/5, 0/20
<i>Updated Service Credit</i>	100%, Transfers	100%, Transfers
<i>Annuity Increase (To Retirees)</i>	70% of CPI	70% of CPI

Employees covered by benefit terms.

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

	<u>2015</u>
<u>Membership</u>	
Inactive employees or beneficiaries currently receiving benefits	112
Inactive employees entitled to but not yet receiving benefits	136
Active employees	<u>194</u>
Total	442

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of the City of Brenham were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Brenham were 6.35% and 6.07% in 2015 and 2016, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2016 were \$630,713 and were equal to the required contribution.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

IV. OTHER INFORMATION (Continued)

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables, with male rates multiplied by 109% and female rate multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regards to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

IV. OTHER INFORMATION (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment plan expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.65%
Real Return	10.00%	4.03%
Real Estate	10.00%	5.00%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	8.00%
Total	100.00%	

Changes in the Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2014	\$ 47,735,387	\$ 38,044,613	\$ 9,690,774
Changes for the year:			
Service Cost	1,217,054	-	1,217,054
Interest	3,311,366	-	3,311,366
Change of benefit terms	-	-	-
Difference between expected and actual experience	(335,369)	-	(335,369)
Changes of assumptions	65,360	-	65,360
Contributions - employer	-	672,655	(672,655)
Contributions - employee	-	529,614	(529,614)
Net investment income	-	56,134	(56,134)
Benefit payments, including refunds of employee contributions	(2,077,364)	(2,077,364)	-
Administrative expense	-	(34,193)	34,193
Other changes	-	(1,688)	1,688
Net changes	2,181,047	(854,842)	3,035,889
Balance at 12/31/2015	\$ 49,916,434	\$ 37,189,771	\$ 12,726,663

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

IV. OTHER INFORMATION (Continued)

Discount Rate

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

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$19,886,753	\$12,726,663	\$6,863,836

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2015, the City of Brenham recognized pension expense of \$1,830,894, and the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 544,243
Differences in assumption changes	50,738	-
Differences between projected and actual investment earnings	2,364,447	-
Contributions subsequent to the measurement date	459,552	-
Total	\$ 2,874,737	\$ 544,243

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling \$459,552 will be recognized as a reduction of the net pension liability for the year ending September 30, 2017.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

IV. OTHER INFORMATION (Continued)

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

Measurement Year	Pension Expense
2016	\$ 451,830
2017	451,830
2018	474,274
2019	493,008
2020	-
Thereafter	-
Total	\$ 1,870,942

2. Texas Emergency Services Retirement System

Plan Description

The City participates in a cost-sharing multiple employer pension plan that has a special funding situation. The plan is administered by the Texas Emergency Services Retirement System (TESRS) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2015, there were 197 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

On August 31, 2015, the pension system membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	2,991
Terminated Members Entitled to Benefits but Not Yet Receiving Them	2,211
Active Participants (Vested and Non-vested)	4,016

Pension Plan Fiduciary Net Position

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

Benefits Provided

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

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

IV. OTHER INFORMATION (Continued)

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

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

Funding Policy

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

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

The Board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the State are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2014, the Part Two contribution rate was 0%, since the first actuarial valuation report after adoption of the rules showed the System to have an adequate contribution arrangement without any Part Two contributions.

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

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

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

IV. OTHER INFORMATION (Continued)

Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2015, total contributions (dues, prior service, and interest on prior service financing) of \$53,340 were paid by the City. The State appropriated \$1,637,308 for the fiscal year ending August 31, 2015 to the plan as a whole.

Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	8/31/2014
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar, Open
Amortization Period	30 years
Asset Valuation Method	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value

Actuarial Assumptions:	
Investment Rate of Return*	7.75%
Projected Salary Increase	N/A
*Includes Inflation At	3.50%
Cost of Living Adjustments	None

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2018 by scale AA. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.50%). In addition, the final 7.75% assumption reflected a reduction of 0.20% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

IV. OTHER INFORMATION (Continued)

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities		
Large Cap Domestic	32.00%	5.20%
Small Cap Domestic	10.00%	5.80%
Developed International	21.00%	5.50%
Emerging Markets	6.00%	5.40%
Master Limited Partnership	5.00%	7.10%
Fixed Income		
Domestic	21.00%	1.40%
International	5.00%	1.60%
Cash	0.00%	0.00%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2014 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. That UAAL was based on an actuarial value of assets that was \$7.9 million less than the plan fiduciary net position as of August 31, 2014. Because of the 30-year amortization period with the conservative amortization method and with a lower value of assets, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	1% Decrease in Discount Rate (6.75%)	Discount Rate (7.75%)	1% Increase in Discount Rate (8.75%)
City's proportionate share of the net pension liability	\$527,288	\$301,359	\$171,167

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

IV. OTHER INFORMATION (Continued)

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

At August 31, 2015, the City reported a liability of \$301,359 for its proportionate share of the plan's net pension liability. This liability reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the collective net pension liability	\$ 301,359
State's proportionate share that is associated with the City*	104,460
Total	\$ 405,819

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

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. GASB Statement No. 68 requires the net pension liability to be measured as of a date no earlier than the end of the employer's prior fiscal year. TESRS did not roll forward the net pension liability nor did they provide the necessary information for the participants to roll forward themselves. While the City acknowledges that the measurement date does not fall within this 12 month period, the City elected to honor the conservatism principle and report a net pension liability measured as of August 31, 2015. The City used the assumption that any differences in the net pension liability measured as of August 31, 2015 versus September 30, 2015 would be immaterial. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 through August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was 1.129%.

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

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

For the year ended August 31, 2015, the City recognized pension expense of \$120,398. The City recognized on-behalf revenues of \$28,325 calculated by taking the State's total contributions to TESRS multiplied by the City's proportionate share.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

IV. OTHER INFORMATION (Continued)

At August 31, 2015, the City reported its proportionate share of the TESRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ 44,748	\$ 41,180
Contributions paid to TESRS subsequent to the measurement data	\$ 55,440	\$ -
Total	\$ 100,188	\$ 41,180

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling \$55,440 will be recognized as a reduction of the net liability for the year ending August 31, 2016.

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

Measurement Year	Pension Expense
2016	\$ (3,119)
2017	(3,119)
2018	9,806
Total	\$ 3,568

F. Other Post-Employment Benefits

Plan Description. The City of Brenham provides post-employment medical benefits (OPEB) to eligible City employees and their eligible dependents and retirees and their eligible dependents through a fully-funded plan per the terms of an interlocal agreement with the Texas Municipal League Intergovernmental Employee Benefits Pool (TML IEBP). Plan benefits include medical and prescription coverage.

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.

As of October 1, 2015, the effective date of the most recent OPEB valuation, 5 retirees met the plan eligibility requirements and have elected to receive this benefit. The retiree pays the established monthly premium for group health care coverage less the City supplement of \$100 for retiree only and \$200 for retiree and spouse.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

IV. OTHER INFORMATION (Continued)

<u>Coverage</u>	<u>Premium (less supplement)</u>
Retiree Only	\$6,477.06
Retiree & Spouse	\$16,365.72

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 187 active members as of October 1, 2015, the effective date of this OPEB valuation. For FY16, the City paid 95.3% of monthly premiums (\$601.92) for active members, 80.6% of premiums (\$1,220.50) for member and spouse, 84.3% of premiums (\$943.20) for member and child, and 78.6% for family coverage (\$1,465.78).

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. One person qualified for long term disability as of October 1, 2015.

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 09/30/2016	FY Ending 09/30/2015	FY Ending 09/30/2014
<i>Determination of Annual Required Contribution</i>			
Normal Cost at fiscal year end	\$ 86,849	\$ 86,849	\$ 83,411
Amortization of UAAL	82,745	77,492	77,380
Annual Required Contribution (ARC)	\$ 169,594	\$ 164,341	\$ 160,791
<i>Determination of Net OPEB Obligation</i>			
Annual Required Contribution	\$ 169,594	\$ 164,341	\$ 160,791
Interest on prior year Net OPEB Obligation	26,127	22,349	18,515
Adjustment to ARC	(36,321)	(31,068)	(25,739)
Annual OPEB Cost	\$ 159,400	\$ 155,622	\$ 153,567
Contributions made	(42,106)	(61,151)	(57,730)
Estimated increase in Net OPEB Obligation	\$ 117,294	\$ 94,471	\$ 95,837
<i>Estimated Net OPEB Obligation - begin of year</i>	\$ 653,187	\$ 558,716	\$ 462,879
<i>Estimated Net OPEB Obligation - end of year</i>	\$ 770,481	\$ 653,187	\$ 558,716

Funded Status and Funding Progress. As of October 1, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$1,339,996, and the actuarial value of the assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,339,996. The covered payroll (annual payroll of active employees covered by the plan) was \$10,876,376 and the ratio of the UAAL to the covered payroll was 12.3%.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

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 FY2016 and the three preceding years:

Fiscal Year Ended	Discount Rate	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
9/30/2013	4.0%	\$ 149,597	33.66%	\$ 462,879
9/30/2014	4.0%	\$ 153,567	37.59%	\$ 558,716
9/30/2015	4.0%	\$ 155,622	39.29%	\$ 653,187
9/30/2016	4.0%	\$ 159,400	26.42%	\$ 770,481

Actuarial Methods and Assumptions. The following assumptions were used in the October 1, 2014 actuarial valuation:

<u>Actuarial Valuation Information</u>	
<u>10/01/14</u>	
Asset valuation method	market value
Actuarial cost method	projected unit credit
Inflation rate	2.5%
Investment rate of return	4%
Projected salary increases	N/A
Healthcare cost trend rate	Initial rate of 7.20% declining to an ultimate rate of 4.5% after 60 years
Amortization method	level dollar
Amortization period in years	30 - open

The actuarial assumptions also included 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>
50	-2%	-4%
55	12%	4%
60	23%	15%
64	25%	16%

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

IV. OTHER INFORMATION (Continued)

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.

G. Subsequent Events

On September 15, 2016 the City Council authorized the issuance and sale of \$4,695,000 General Obligation Refunding Bonds, Series 2016 which refunded certain previously issued 2008 Certificates of Obligation Bonds. The closing date for this issuance was October 11, 2016.

On September 15, 2016 the City Council authorized the issuance and sale of \$3,035,000 Combination Tax and Revenue Certificates of Obligation, Series 2016 to be used for the construction and equipping of a new City animal shelter, the expansion, renovation and equipping of the City library and the construction and improvements of the City's electric utility system. The closing date for this issuance was October 11, 2016.

On October 13, 2016 the City Council approved a resolution for the acquisition of 44.9 acres of industrial park land by the Brenham Community Development Corporation and approved a \$500,000 Promissory Note to the City for a portion of the land cost.

On October 20, 2016 the City Council approved a resolution expressing official intent to reimburse certain costs related to the Water Treatment Plant Rehabilitation and Protective Coatings Project. The debt issuance is expected to be completed in calendar year 2017.

On October 20, 2016 the City Council awarded a bid for the 2016 Water Treatment Plant Protective Coatings project to Hydro Concrete Tank Solutions in the amount of \$357,000.

On November 17, 2016 the City Council approved the purchase of three patrol vehicles and three administrative vehicles for the Police Department through the BuyBoard Local Government Purchasing Cooperative in the amount of \$217,328. This purchase was approved in the fiscal year 2017 budget.

On February 16, 2017 the City Council approved a lease purchase agreement for \$1,918,082 with JPMorgan Chase Bank for the lease purchase of 11 pieces of major equipment for the City's Street, Sanitation, Fleet and Wastewater Departments. The lease term is for 7 years and has a 2.20% interest rate.

On February 16, 2017 the City Council approved the following professional service agreements related to storm disaster repair work to be performed for the City's general government, water and wastewater department:

- \$360,100 agreement with O'Malley Strand Associates, Inc. for storm damage repairs to the wastewater and water treatment plants; and
- \$285,888 agreement with Gunda Corporation for storm damage repairs to the raw water intake structure at Lake Somerville

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2016

IV. OTHER INFORMATION (Continued)

H. New Pronouncements

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

- Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The requirements of this statement are effective for FY18.
- Statement No. 77, "Tax Abatement Disclosures." The requirements of this statement are effective for FY17.
- Statement No. 80, "Blending Requirements for Certain Component Units: An Amendment of GASB Statement No. 14." The requirements of this statement are effective for FY17.
- Statement No. 82, "Pension Issues: An Amendment of GASB Statements No. 67, No. 68, and No. 73." The requirements of this statement are effective for FY17.

This page intentionally left blank.



REQUIRED SUPPLEMENTARY
INFORMATION

**City of Brenham, Texas
Required Supplementary Information
September 30, 2016**

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⁾	UAAL as a % of Covered Payroll
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%
October 1, 2011	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2012	-	\$ 1,242,624	\$ 1,242,624	0%	\$ 9,056,146	14%
October 1, 2013	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2014	-	\$ 1,339,996	\$ 1,339,996	0%	\$10,876,376	12%
October 1, 2015	N/A	N/A	N/A	N/A	N/A	N/A

(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

This page intentionally left blank.

City of Brenham, Texas
Required Supplementary Information
September 30, 2016

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

	<u>12/31/2014</u>	<u>12/31/2015</u>
Total Pension Liability		
Service Cost	\$ 1,137,682	\$ 1,217,054
Interest (on the Total Pension Liability)	3,168,390	3,311,366
Changes of benefit terms	-	-
Difference between expected and actual experience	(488,131)	(335,369)
Change of assumptions	-	65,360
Benefit payments, including refunds of employee contributions	(1,552,848)	(2,077,364)
Net Change in Total Pension Liability	2,265,093	2,181,047
Total Pension Liability - Beginning	45,470,294	47,735,387
Total Pension Liability - Ending (a)	\$ 47,735,387	\$ 49,916,434
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 725,558	\$ 672,655
Contributions - Employee	519,774	529,614
Net Investment Income	2,076,198	56,134
Benefit payments, including refunds of employee contributions	(1,552,848)	(2,077,364)
Administrative Expense	(21,680)	(34,193)
Other	(1,782)	(1,688)
Net Change in Plan Fiduciary Net Position	1,745,220	(854,842)
Plan Fiduciary Net Position - Beginning	36,299,393	38,044,613
Plan Fiduciary Net Position - Ending (b)	\$ 38,044,613	\$ 37,189,771
 Net Pension Liability - Ending (a) - (b)	\$ 9,690,774	\$ 12,726,663
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	79.70%	74.50%
Covered Employee Payroll	\$ 10,395,487	\$ 10,592,288
Net Position Liability as a Percentage of Covered Employee Payroll	93.22%	120.15%

Notes to Schedule:

N/A

**City of Brenham, Texas
Required Supplementary Information
September 30, 2016**

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

	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>12/31/2011</u>	<u>12/31/2010</u>	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2007</u>	<u>12/31/2006</u>
Actuarially Determined Contribution	\$ 672,655	\$ 725,558	\$ 726,981	\$ 694,276	\$ 698,787	\$ 904,116	\$ 833,706	\$ 851,388	\$ 844,732	\$ 704,369
Contributions in relation to the actuarially determined contribution	\$ 672,655	\$ 725,558	\$ 726,981	\$ 694,276	\$ 698,787	\$ 904,116	\$ 833,706	\$ 851,388	\$ 844,732	\$ 704,369
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$10,592,288	\$10,395,487	\$ 10,158,757	\$9,933,343	\$9,856,804	\$9,567,491	\$9,171,150	\$9,116,479	\$8,228,123	\$7,489,073
Contributions as a percentage of covered employee payroll	6.35%	6.98%	7.16%	6.99%	7.09%	9.45%	9.09%	9.34%	10.27%	9.41%

Notes to Schedule of Contributions

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Entry Age Normal
 Amortization Method Level Percentage of Payroll, Closed
 Remaining Amortization Period 25 Years
 Asset Valuation Method 10 Year smoothed market; 15% soft corridor
 Inflation 2.50%
 Salary Increases 3.50 to 10.50%, including inflation
 Investment Rate of Return 6.75%
 Retirement Age Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
 Mortality RP2000 Combined Mortality Table with Blue Collar Adjustment with male rate multiplied by 109% and female rate multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes 1.) Granted 100% ad hoc USC with transfer.
 2.) Granted 70% ad hoc COLA.

City of Brenham, Texas
Required Supplementary Information
September 30, 2015

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

		8/31/2014
City's proportion of the net pension liability		1.1990%
City's proportionate share of the net pension liability	\$	217,878
State's proportionate share of the net pension liability		73,625
Total	\$	291,503
Number of Active Members*		32
City's Net Pension Liability per Active Member	\$	6,809
Plan fiduciary net position as a percentage of the total pension liability		83.50%

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

Notes to Schedule:

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

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

City of Brenham, Texas
Required Supplementary Information
September 30, 2016

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

	<u>8/31/2014</u>	<u>8/31/2015</u>	<u>8/31/2016</u>
Contractually required contribution	\$ 54,320	\$ 53,340	\$ 55,440
Contributions in relation to the contractually required contribution	<u>54,320</u>	<u>53,340</u>	<u>55,440</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Number of Active Members *	32	32	32
Contributions per Active Member	\$ 1,698	\$ 1,667	\$ 1,733

Notes to Schedule of Contributions:

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



COMBINING FUND STATEMENTS
AND SCHEDULES

CITY OF BRENHAM, TEXAS

Special Revenue Funds

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

Hotel/Motel Tax Fund

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

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.

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.

Streets and Drainage Improvements Fund

This fund is used to account for tax note proceeds and capital expenditures for street reconstruction and overlay projects.

This page intentionally left blank.

CITY OF BRENHAM, TEXAS

Internal Service Funds

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

Workers' Compensation Fund

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

Central Fleet Fund

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

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, 2016**

	Special Revenue Funds	Nonmajor Capital Projects Funds	Total Other Governmental Funds
Assets			
Cash and Equivalents	\$ 77,449	\$ 201,389	\$ 278,838
Receivables (Net)			
Occupancy Tax	78,228	-	78,228
Accounts	6,210	-	6,210
Interfund Receivables	-	105,355	105,355
Due from Component Unit	-	435,196	435,196
Due from Other Governments	-	33,250	33,250
Restricted Cash	278,056	388,238	666,294
Total Assets	\$ 439,943	\$ 1,163,428	\$ 1,603,371
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable & Other Current	\$ 9,342	\$ 102,416	\$ 111,758
Total Liabilities	9,342	102,416	111,758
Fund Balances:			
Restricted	430,601	982,543	1,413,144
Committed	-	48,016	48,016
Assigned	-	30,453	30,453
Total Fund Balances	430,601	1,061,012	1,491,613
Total Liabilities and Fund Balances	\$ 439,943	\$ 1,163,428	\$ 1,603,371

City of Brenham
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds
For the Year Ended September 30, 2016

	Special Revenue Funds	Nonmajor Capital Projects Funds	Total Other Governmental Funds
Revenues			
Taxes	\$ 753,205	\$ -	\$ 753,205
Intergovernmental	-	33,250	33,250
Charges for Services	72,541	-	72,541
Investment Income	2,369	6,357	8,726
Payment from Component Unit	-	358,251	358,251
Contributions and Donations	-	780,596	780,596
Program Revenue/Restitution	12,333	-	12,333
Miscellaneous	-	26,000	26,000
Total revenues	840,448	1,204,454	2,044,902
Expenditures			
Current:			
Culture and Recreation	569,974	161,347	731,321
General Government	57,486	-	57,486
Highways and Streets	-	300	300
Public Safety	7,089	-	7,089
Capital Outlay	-	940,732	940,732
Total expenditures	634,549	1,102,379	1,736,928
Excess (Deficiency) of Revenues Over (Under) Expenditures	205,899	102,075	307,974
Other Financing Sources (Uses)			
Transfers In	-	57,412	57,412
Transfers Out	(340,552)	-	(340,552)
Note Proceeds	-	450,000	450,000
Total other financing sources and (uses)	(340,552)	507,412	166,860
Net change in Fund Balances	(134,653)	609,487	474,834
Fund balances - beginning	565,254	451,525	1,016,779
Fund balances - ending	\$ 430,601	\$ 1,061,012	\$ 1,491,613

City of Brenham
Combining Balance Sheet
Other Governmental Funds - Special Revenue Funds
September 30, 2016

	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	\$ -	\$ 77,449	\$ -	\$ -	\$ 77,449
Receivables (Net)					
Occupancy Tax	78,228	-	-	-	78,228
Accounts	6,210	-	-	-	6,210
Interfund Receivables	-	-	3,715	105,544	109,259
Restricted Cash	261,176	-	16,880	-	278,056
Total Assets	\$ 345,614	\$ 77,449	\$ 20,595	\$ 105,544	\$ 549,202
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable & Other Current	\$ 4,833	\$ -	\$ -	\$ 4,509	\$ 9,342
Interfund Payables	109,259	-	-	-	109,259
Total Liabilities	114,092	-	-	4,509	118,601
Fund Balances:					
Restricted	231,522	77,449	20,595	101,035	430,601
Total Fund Balances	231,522	77,449	20,595	101,035	430,601
Total Liabilities and Fund Balances	\$ 345,614	\$ 77,449	\$ 20,595	\$ 105,544	\$ 549,202

City of Brenham
Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds - Special Revenue Funds
For the Year Ended September 30, 2016

	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	\$ 589,650	\$ 163,555	\$ -	\$ -	\$ 753,205
Charges for Services	-	-	-	72,541	72,541
Investment Income	1,000	208	111	1,050	2,369
Program Revenue/Restitution	-	-	12,333	-	12,333
Total revenues	590,650	163,763	12,444	73,591	840,448
Expenditures					
Current:					
Culture and Recreation	474,624	95,350	-	-	569,974
General Government	-	-	-	57,486	57,486
Public Safety	-	-	7,089	-	7,089
Total expenditures	474,624	95,350	7,089	57,486	634,549
Excess (Deficiency) of Revenues Over (Under) Expenditures	116,026	68,413	5,355	16,105	205,899
Other Financing Sources (Uses)					
Transfers Out	(314,364)	-	-	(26,188)	(340,552)
Total other financing sources and (uses)	(314,364)	-	-	(26,188)	(340,552)
Net change in Fund Balances	(198,338)	68,413	5,355	(10,083)	(134,653)
Fund balances - beginning	429,860	9,036	15,240	111,118	565,254
Fund balances - ending	\$ 231,522	\$ 77,449	\$ 20,595	\$ 101,035	\$ 430,601

City of Brenham
Combining Balance Sheet
Other Governmental Funds - Nonmajor Capital Projects Funds
September 30, 2016

	Airport Capital Impr. Fund	Capital Leases Fund	Parks Capital Improvements Fund	Streets & Drainage Improvements Fund	Total Nonmajor Capital Projects Funds
Assets					
Cash and Cash Equivalents	\$ 6,886	\$ -	\$ 194,503	\$ -	\$ 201,389
Interfund Receivable	-	-	134,058	-	134,058
Due from Other Governments	-	-	33,250	-	33,250
Due from Component Unit	-	435,196	-	-	435,196
Restricted Cash	-	-	-	388,238	388,238
Total Assets	\$ 6,886	\$ 435,196	\$ 361,811	\$ 388,238	\$ 1,192,131
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable & Other Current Liabilities	\$ -	\$ 7,352	\$ 95,064	\$ -	\$ 102,416
Interfund Payables	-	-	-	28,703	28,703
Total Liabilities	-	7,352	95,064	28,703	131,119
Fund Balances:					
Restricted	-	427,844	195,164	359,535	982,543
Committed	6,886	-	41,130	-	48,016
Assigned	-	-	30,453	-	30,453
Total Fund Balances	6,886	427,844	266,747	359,535	1,061,012
Total Liabilities and Fund Balances	\$ 6,886	\$ 435,196	\$ 361,811	\$ 388,238	\$ 1,192,131

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, 2016

	Airport Capital Impr. Fund	Capital Leases Fund	Parks Capital Improvements Fund	Streets & Drainage Improvements Fund	Total Nonmajor Capital Projects Funds
Revenues					
Intergovernmental	\$ -	\$ -	\$ 33,250	\$ -	\$ 33,250
Investment Income	49	295	4,787	1,226	6,357
Payment from Component Unit	-	-	358,251	-	358,251
Contributions and Donations	-	-	780,596	-	780,596
Miscellaneous	-	-	26,000	-	26,000
Total revenues	49	295	1,202,884	1,226	1,204,454
Expenditures					
Current:					
Culture and Recreation	-	-	161,347	-	161,347
Highways and Streets	300	-	-	-	300
Capital Outlay	-	22,451	793,521	124,760	940,732
Total expenditures	300	22,451	954,868	124,760	1,102,379
Excess (Deficiency) of Revenues Over (Under) Expenditures	(251)	(22,156)	248,016	(123,534)	102,075
Other Financing Sources (Uses)					
Transfers In	-	-	4,743	52,669	57,412
Note Proceeds	-	450,000	-	-	450,000
Total other financing sources and (uses)	-	450,000	4,743	52,669	507,412
Net change in Fund Balances	(251)	427,844	252,759	(70,865)	609,487
Fund balances - beginning	7,137	-	13,988	430,400	451,525
Fund balances - ending	\$ 6,886	\$ 427,844	\$ 266,747	\$ 359,535	\$ 1,061,012

City of Brenham
Internal Service Funds
Combining Statement of Net Position
September 30, 2016

	Workers' Compensation Fund	Central Fleet Fund	Total
Assets			
Current assets:			
Cash and Cash Equivalents	\$ -	\$ 219,035	\$ 219,035
Inventory at Cost	-	1,223	1,223
Other Current Assets	100	-	100
Restricted Cash	218,586	-	218,586
Total current assets	<u>218,686</u>	<u>220,258</u>	<u>438,944</u>
Noncurrent assets:			
Capital Assets, Net	-	115,931	115,931
Total noncurrent assets	<u>-</u>	<u>115,931</u>	<u>115,931</u>
Total Assets	<u>\$ 218,686</u>	<u>\$ 336,189</u>	<u>\$ 554,875</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable & Other Current Liabilities	\$ 30	\$ 313	\$ 343
Total Liabilities	<u>30</u>	<u>313</u>	<u>343</u>
Net Position			
Net Investment in Capital Assets	-	115,931	115,931
Unrestricted	218,656	219,945	438,601
Total Net Position	<u>\$ 218,656</u>	<u>\$ 335,876</u>	<u>\$ 554,532</u>

City of Brenham, Texas
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year ended September 30, 2016

	Workers' Compensation Fund	Central Fleet Fund	Total
Operating revenues:			
Charges for Services	\$ 214,886	\$ 71,668	\$ 286,554
Total operating revenues	<u>214,886</u>	<u>71,668</u>	<u>286,554</u>
Operating expenses:			
Supplies	-	7,112	7,112
Maintenance	-	37,401	37,401
Contractual Services	159,928	85	160,013
Depreciation	-	20,709	20,709
Miscellaneous	-	5,748	5,748
Total operating expenses	<u>159,928</u>	<u>71,055</u>	<u>230,983</u>
Operating Income (loss)	<u>54,958</u>	<u>613</u>	<u>55,571</u>
Nonoperating revenues (expenses):			
Investment Income	647	1,750	2,397
Miscellaneous, Net	-	4,726	4,726
Total non-operating revenue (expenses):	<u>647</u>	<u>6,476</u>	<u>7,123</u>
Change in net position	55,605	7,089	62,694
Total net position - beginning	163,051	328,787	491,838
Total net position - ending	<u>\$ 218,656</u>	<u>\$ 335,876</u>	<u>\$ 554,532</u>

City of Brenham, Texas
Internal Service Funds
Combining Statement of Cash Flows
For the Year ended September 30, 2016

	Workers' Compensation Fund	Central Fleet Fund	Total
Cash Flows from Operating Activities			
Receipts from/(payments for) interfund services provided	\$ 214,886	\$ 71,668	\$ 286,554
Payments to suppliers	(159,898)	(53,155)	(213,053)
Net cash provided (used) by operating activities	<u>54,988</u>	<u>18,513</u>	<u>73,501</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and Construction of Capital Assets	-	(39,040)	(39,040)
Insurance proceeds	-	4,726	4,726
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(34,314)</u>	<u>(34,314)</u>
Cash Flows from Investing Activities			
Investment income received	647	1,750	2,397
Net cash provided (used) by investing activities	<u>647</u>	<u>1,750</u>	<u>2,397</u>
Net increase (decrease) in cash and cash equivalents	55,635	(14,051)	41,584
Cash and cash equivalents, beginning of the year	<u>162,951</u>	<u>233,086</u>	<u>396,037</u>
Cash and cash equivalents, end of the year	<u>\$ 218,586</u>	<u>\$ 219,035</u>	<u>\$ 437,621</u>
Reconciliation of cash and cash equivalents to statement of net position			
Cash and equivalents	\$ -	\$ 219,035	\$ 219,035
Restricted cash and equivalents	218,586	-	218,586
Cash and cash equivalents, end of year	<u>\$ 218,586</u>	<u>\$ 219,035</u>	<u>\$ 437,621</u>
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income (loss)	\$ 54,958	\$ 613	\$ 55,571
Adjustments to reconcile net cash provided (used) by operating activities			
Depreciation	-	20,709	20,709
Changes in assets and liabilities affecting cash provided by operations:			
(Increase) decrease in inventory	-	(302)	(302)
Increase (decrease) in accounts payable and other current liabilities	30	(2,507)	(2,477)
Net cash provided (used) by operating activities	<u>\$ 54,988</u>	<u>\$ 18,513</u>	<u>\$ 73,501</u>

City of Brenham
Debt Service
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,133,150	\$ 2,133,150	\$ 2,136,304	\$ 3,154
Investment Income	600	600	5,940	5,340
Payments from Other Governments	161,700	161,700	-	(161,700)
Payment from Component Unit	566,886	566,886	566,886	-
Total revenues	<u>2,862,336</u>	<u>2,862,336</u>	<u>2,709,130</u>	<u>(153,206)</u>
Expenditures				
Debt Service:				
Interest and Fiscal Charges	907,925	907,925	747,578	160,347
Principal Retirement	4,715,090	4,715,090	4,715,090	-
Total Expenditures	<u>5,623,015</u>	<u>5,623,015</u>	<u>5,462,668</u>	<u>160,347</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,760,679)</u>	<u>(2,760,679)</u>	<u>(2,753,538)</u>	<u>7,141</u>
Other Financing Sources (Uses)				
Transfer In	2,575,000	2,575,000	2,575,000	-
Total other financing sources and (uses)	<u>2,575,000</u>	<u>2,575,000</u>	<u>2,575,000</u>	<u>-</u>
Net change in fund balance	(185,679)	(185,679)	(178,538)	7,141
Fund balance - beginning	405,888	405,888	405,888	-
Fund balance - ending	<u>\$ 220,209</u>	<u>\$ 220,209</u>	<u>\$ 227,350</u>	<u>\$ 7,141</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, 2016

	<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	\$ 597,000	\$ 597,000	\$ 589,650	\$ (7,350)
Investment Income	100	100	1,000	900
Total revenues	<u>597,100</u>	<u>597,100</u>	<u>590,650</u>	<u>(6,450)</u>
Expenditures				
Current:				
Culture and Recreation	<u>517,750</u>	<u>511,250</u>	<u>474,624</u>	<u>36,626</u>
Total Expenditures	<u>517,750</u>	<u>511,250</u>	<u>474,624</u>	<u>36,626</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>79,350</u>	<u>85,850</u>	<u>116,026</u>	<u>30,176</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(229,350)</u>	<u>(316,850)</u>	<u>(314,364)</u>	<u>2,486</u>
Total other financing sources and (uses)	<u>(229,350)</u>	<u>(316,850)</u>	<u>(314,364)</u>	<u>2,486</u>
Net change in fund balance	<u>(150,000)</u>	<u>(231,000)</u>	<u>(198,338)</u>	<u>32,662</u>
Fund balance - beginning	<u>429,860</u>	<u>429,860</u>	<u>429,860</u>	<u>-</u>
Fund balance - ending	<u>\$ 279,860</u>	<u>\$ 198,860</u>	<u>\$ 231,522</u>	<u>\$ 32,662</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, 2016

	<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	\$ 95,000	\$ 163,555	\$ 163,555	\$ -
Investment Income	-	-	208	208
Total revenues	<u>95,000</u>	<u>163,555</u>	<u>163,763</u>	<u>208</u>
Expenditures				
Current:				
Culture and Recreation	<u>95,000</u>	<u>95,000</u>	<u>95,350</u>	<u>(350)</u>
Total Expenditures	<u>95,000</u>	<u>95,000</u>	<u>95,350</u>	<u>(350)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>68,555</u>	<u>68,413</u>	<u>(142)</u>
Net change in fund balance	-	68,555	68,413	(142)
Fund balance - beginning	9,036	9,036	9,036	-
Fund balance - ending	<u>\$ 9,036</u>	<u>\$ 77,591</u>	<u>\$ 77,449</u>	<u>\$ (142)</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ 5	\$ 5	\$ 111	\$ 106
Program Income/Restitution	3,000	3,000	12,333	9,333
Total revenues	<u>3,005</u>	<u>3,005</u>	<u>12,444</u>	<u>9,439</u>
Expenditures				
Current:				
Public Safety	-	-	7,089	(7,089)
Total Expenditures	<u>-</u>	<u>-</u>	<u>7,089</u>	<u>(7,089)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,005</u>	<u>3,005</u>	<u>5,355</u>	<u>2,350</u>
Net change in fund balance	3,005	3,005	5,355	2,350
Fund balance - beginning	15,240	15,240	15,240	-
Fund balance - ending	<u>\$ 18,245</u>	<u>\$ 18,245</u>	<u>\$ 20,595</u>	<u>\$ 2,350</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$ 48,300	\$ 48,300	\$ 72,541	\$ 24,241
Investment Income	-	-	1,050	1,050
Total revenues	<u>48,300</u>	<u>48,300</u>	<u>73,591</u>	<u>25,291</u>
Expenditures				
Current:				
General Government	<u>55,900</u>	<u>55,900</u>	<u>57,486</u>	<u>(1,586)</u>
Total Expenditures	<u>55,900</u>	<u>55,900</u>	<u>57,486</u>	<u>(1,586)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,600)</u>	<u>(7,600)</u>	<u>16,105</u>	<u>23,705</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(18,000)</u>	<u>(18,000)</u>	<u>(26,188)</u>	<u>(8,188)</u>
Total other financing sources and (uses)	<u>(18,000)</u>	<u>(18,000)</u>	<u>(26,188)</u>	<u>(8,188)</u>
Net change in fund balance	<u>(25,600)</u>	<u>(25,600)</u>	<u>(10,083)</u>	<u>15,517</u>
Fund balance - beginning	<u>111,118</u>	<u>111,118</u>	<u>111,118</u>	<u>-</u>
Fund balance - ending	<u>\$ 85,518</u>	<u>\$ 85,518</u>	<u>\$ 101,035</u>	<u>\$ 15,517</u>

City of Brenham
Airport Capital Improvement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ -	\$ -	\$ 49	\$ 49
Total revenues	<u>-</u>	<u>-</u>	<u>49</u>	<u>49</u>
Expenditures				
Current:				
Highways and Streets	-	-	300	(300)
Total Expenditures	<u>-</u>	<u>-</u>	<u>300</u>	<u>(300)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(251)</u>	<u>(251)</u>
Net change in fund balance	-	-	(251)	(251)
Fund balance - beginning	7,137	7,137	7,137	-
Fund balance - ending	<u>\$ 7,137</u>	<u>\$ 7,137</u>	<u>\$ 6,886</u>	<u>\$ (251)</u>

City of Brenham
Capital Leases Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ -	\$ -	\$ 295	\$ 295
Total revenues	<u>-</u>	<u>-</u>	<u>295</u>	<u>295</u>
Expenditures				
Current:				
Capital Outlay	-	22,450	22,451	(1)
Total Expenditures	<u>-</u>	<u>22,450</u>	<u>22,451</u>	<u>(1)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(22,450)</u>	<u>(22,156)</u>	<u>294</u>
Other Financing Sources (Uses)				
Note Proceeds	-	450,000	450,000	-
Total other financing sources and (uses)	<u>-</u>	<u>450,000</u>	<u>450,000</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>427,550</u>	<u>427,844</u>	<u>294</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 427,550</u>	<u>\$ 427,844</u>	<u>\$ 294</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ 33,250	\$ 33,250	\$ -
Investment Income	-	-	4,787	4,787
Contributions and Donations	6,100	783,305	780,596	(2,709)
Payment from Component Unit	330,625	371,755	358,251	(13,504)
Miscellaneous	-	22,000	26,000	4,000
Total revenues	<u>336,725</u>	<u>1,210,310</u>	<u>1,202,884</u>	<u>(7,426)</u>
Expenditures				
Current:				
Culture and Recreation	160,625	160,625	161,347	(722)
Capital Outlay	<u>182,500</u>	<u>992,955</u>	<u>793,521</u>	<u>199,434</u>
Total Expenditures	<u>343,125</u>	<u>1,153,580</u>	<u>954,868</u>	<u>198,712</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,400)</u>	<u>56,730</u>	<u>248,016</u>	<u>191,286</u>
Other Financing Sources (Uses)				
Transfers In	6,400	6,400	4,743	(1,657)
Total other financing sources and (uses)	<u>6,400</u>	<u>6,400</u>	<u>4,743</u>	<u>(1,657)</u>
Net change in fund balance	-	63,130	252,759	189,629
Fund balance - beginning	13,988	13,988	13,988	-
Fund balance - ending	<u>\$ 13,988</u>	<u>\$ 77,118</u>	<u>\$ 266,747</u>	<u>\$ 189,629</u>

City of Brenham
Streets and Drainage Improvements Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ 400	\$ 400	\$ 1,226	\$ 826
Total revenues	<u>400</u>	<u>400</u>	<u>1,226</u>	<u>826</u>
Expenditures				
Capital Outlay	328,613	381,282	124,760	256,522
Total Expenditures	<u>328,613</u>	<u>381,282</u>	<u>124,760</u>	<u>256,522</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(328,213)</u>	<u>(380,882)</u>	<u>(123,534)</u>	<u>257,348</u>
Other Financing Sources (Uses)				
Transfers In	-	52,669	52,669	-
Total other financing sources and (uses)	<u>-</u>	<u>52,669</u>	<u>52,669</u>	<u>-</u>
Net change in fund balance	(328,213)	(328,213)	(70,865)	257,348
Fund balance - beginning	430,400	430,400	430,400	-
Fund balance - ending	<u>\$ 102,187</u>	<u>\$ 102,187</u>	<u>\$ 359,535</u>	<u>\$ 257,348</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ 2,400	\$ 2,400	\$ 16,821	\$ 14,421
Intergovernmental	3,000,000	3,000,000	3,427,043	427,043
Total revenues	<u>3,002,400</u>	<u>3,002,400</u>	<u>3,443,864</u>	<u>441,464</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,002,400</u>	<u>3,002,400</u>	<u>3,443,864</u>	<u>441,464</u>
Other Financing Sources (Uses)				
Transfers Out	(2,575,000)	(2,575,000)	(2,575,000)	-
Total other financing sources and (uses)	<u>(2,575,000)</u>	<u>(2,575,000)</u>	<u>(2,575,000)</u>	<u>-</u>
Net change in fund balance	427,400	427,400	868,864	441,464
Fund balance - beginning	4,625,716	4,625,716	4,625,716	-
Fund balance - ending	<u>\$ 5,053,116</u>	<u>\$ 5,053,116</u>	<u>\$ 5,494,580</u>	<u>\$ 441,464</u>

City of Brenham
2014 Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ 1,000	\$ 1,000	\$ 9,437	\$ 8,437
Intergovernmental	-	17,776	17,776	-
Contributions and Donations	-	40,000	40,000	-
Total revenues	<u>1,000</u>	<u>58,776</u>	<u>67,213</u>	<u>8,437</u>
Expenditures				
Capital Outlay	<u>3,180,845</u>	<u>3,620,111</u>	<u>5,472,452</u>	<u>(1,852,341)</u>
Total Expenditures	<u>3,180,845</u>	<u>3,620,111</u>	<u>5,472,452</u>	<u>(1,852,341)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,179,845)</u>	<u>(3,561,335)</u>	<u>(5,405,239)</u>	<u>(1,843,904)</u>
Other Financing Sources (Uses)				
Transfers In	<u>70,000</u>	<u>451,490</u>	<u>451,490</u>	<u>-</u>
Total other financing sources and (uses)	<u>70,000</u>	<u>451,490</u>	<u>451,490</u>	<u>-</u>
Net change in fund balance	<u>(3,109,845)</u>	<u>(3,109,845)</u>	<u>(4,953,749)</u>	<u>(1,843,904)</u>
Fund balance - beginning	<u>5,405,292</u>	<u>5,405,292</u>	<u>5,405,292</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,295,447</u>	<u>\$ 2,295,447</u>	<u>\$ 451,543</u>	<u>\$ (1,843,904)</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,509,422	\$ 1,509,422	\$ 1,551,317	\$ 41,895
Investment Income	500	500	10,267	9,767
Miscellaneous	3,232	3,232	-	(3,232)
Total revenues	<u>1,513,154</u>	<u>1,513,154</u>	<u>1,561,584</u>	<u>48,430</u>
Expenditures				
Current:				
Economic Development	405,420	505,420	282,709	222,711
Debt Service:				
Interest and Fiscal Charges	8,476	8,476	8,477	(1)
Principal Retirement	62,747	62,747	62,747	-
Capital Outlay	<u>297,000</u>	<u>297,000</u>	<u>15,866</u>	<u>281,134</u>
Total Expenditures	<u>773,643</u>	<u>873,643</u>	<u>369,799</u>	<u>503,844</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>739,511</u>	<u>639,511</u>	<u>1,191,785</u>	<u>552,274</u>
Other Financing Sources (Uses)				
Payment to Primary Government	<u>(1,036,511)</u>	<u>(1,077,641)</u>	<u>(1,063,682)</u>	<u>13,959</u>
Total other financing sources and (uses)	<u>(1,036,511)</u>	<u>(1,077,641)</u>	<u>(1,063,682)</u>	<u>13,959</u>
Net change in fund balance	(297,000)	(438,130)	128,103	566,233
Fund balance - beginning	1,763,682	1,763,682	1,763,682	-
Fund balance - ending	<u>\$ 1,466,682</u>	<u>\$ 1,325,552</u>	<u>\$ 1,891,785</u>	<u>\$ 566,233</u>

Net change in fund balance - component unit \$ 128,103

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

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

Capital Outlay	15,866
Depreciation Expense	(875)

Bond principal payments are expenditures in the component unit, but they reduce
long term liabilities in the statement of net position. 62,747

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>(61,220)</u>
--------------------------	-----------------

Change in net position of component unit \$ 144,621

City of Brenham
Donations Fund *(included as part of the General Fund)*
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions and Donations	\$ 111,500	\$ 212,966	\$ 320,227	\$ 107,261
Miscellaneous	-	-	8,626	8,626
Total revenues	<u>111,500</u>	<u>212,966</u>	<u>328,853</u>	<u>115,887</u>
Expenditures				
Current:				
Culture and Recreation	1,000	1,000	20,524	(19,524)
General Government	25,000	25,000	8,371	16,629
Health and Welfare	1,000	1,000	-	1,000
Public Safety	5,350	5,350	94,135	(88,785)
Total Expenditures	<u>32,350</u>	<u>32,350</u>	<u>123,030</u>	<u>(90,680)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>79,150</u>	<u>180,616</u>	<u>205,823</u>	<u>25,207</u>
Other Financing Sources (Uses)				
Transfers Out	(70,000)	(199,490)	(199,490)	-
Total other financing sources and (uses)	<u>(70,000)</u>	<u>(199,490)</u>	<u>(199,490)</u>	<u>-</u>
Net change in fund balance	9,150	(18,874)	6,333	25,207
Fund balance - beginning	73,982	73,982	73,982	-
Fund balance - ending	<u>\$ 83,132</u>	<u>\$ 55,108</u>	<u>\$ 80,315</u>	<u>\$ 25,207</u>

City of Brenham
Emergency Management Grants Fund *(included as part of the General Fund)*
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions and Donations	\$ 1,000	\$ 1,000	\$ 1,000	\$ -
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Expenditures				
Current:				
Public Safety	5,700	5,700	-	5,700
Total Expenditures	<u>5,700</u>	<u>5,700</u>	<u>-</u>	<u>5,700</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,700)</u>	<u>(4,700)</u>	<u>1,000</u>	<u>5,700</u>
Net change in fund balance	(4,700)	(4,700)	1,000	5,700
Fund balance - beginning	9,944	9,944	9,944	-
Fund balance - ending	<u>\$ 5,244</u>	<u>\$ 5,244</u>	<u>\$ 10,944</u>	<u>\$ 5,700</u>

City of Brenham
Equipment Fund *(included as part of the General Fund)*
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current:				
General Government	\$ 159,000	\$ 9,000	\$ 8,955	\$ 45
Capital Outlay	514,500	685,300	548,910	136,390
Total Expenditures	<u>673,500</u>	<u>694,300</u>	<u>557,865</u>	<u>136,435</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(673,500)</u>	<u>(694,300)</u>	<u>(557,865)</u>	<u>136,435</u>
Other Financing Sources (Uses)				
Transfers In	150,000	758,881	758,881	-
Total other financing sources and (uses)	<u>150,000</u>	<u>758,881</u>	<u>758,881</u>	<u>-</u>
Net change in fund balance	(523,500)	64,581	201,016	136,435
Fund balance - beginning	640,713	640,713	640,713	-
Fund balance - ending	<u>\$ 117,213</u>	<u>\$ 705,294</u>	<u>\$ 841,729</u>	<u>\$ 136,435</u>

City of Brenham
Fire Department Grant Fund *(included as part of the General Fund)*
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Grant Revenues	\$ 1,000	\$ 1,000	\$ 2,510	\$ 1,510
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>2,510</u>	<u>1,510</u>
Expenditures				
Current:				
Public Safety	1,000	1,000	2,510	(1,510)
Total Expenditures	<u>1,000</u>	<u>1,000</u>	<u>2,510</u>	<u>(1,510)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Brenham
Police Department Grants Fund *(included as part of the General Fund)*
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Grant Revenues	\$ 15,000	\$ 27,957	\$ 32,938	\$ 4,981
Total revenues	<u>15,000</u>	<u>27,957</u>	<u>32,938</u>	<u>4,981</u>
Expenditures				
Current:				
Public Safety	15,000	32,276	37,257	(4,981)
Total Expenditures	<u>15,000</u>	<u>32,276</u>	<u>37,257</u>	<u>(4,981)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(4,319)</u>	<u>(4,319)</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers In	-	4,319	4,319	-
Total other financing sources and (uses)	<u>-</u>	<u>4,319</u>	<u>4,319</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Brenham
Public Safety Training Fund *(included as part of the General Fund)*
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Grant Revenues	\$ 3,800	\$ 3,800	\$ 3,474	\$ (326)
Total revenues	<u>3,800</u>	<u>3,800</u>	<u>3,474</u>	<u>(326)</u>
Expenditures				
Current:				
Public Safety	3,300	3,300	2,748	552
Total Expenditures	<u>3,300</u>	<u>3,300</u>	<u>2,748</u>	<u>552</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>500</u>	<u>500</u>	<u>726</u>	<u>226</u>
Net change in fund balance	500	500	726	226
Fund balance - beginning	769	769	769	-
Fund balance - ending	<u>\$ 1,269</u>	<u>\$ 1,269</u>	<u>\$ 1,495</u>	<u>\$ 226</u>

City of Brenham
Police Department Equipment Fund *(included as part of the General Fund)*
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Grant Revenues	\$ 3,985	\$ 3,985	\$ 1,120	\$ (2,865)
Total revenues	<u>3,985</u>	<u>3,985</u>	<u>1,120</u>	<u>(2,865)</u>
Expenditures				
Current:				
Public Safety	3,985	3,985	1,120	2,865
Total Expenditures	<u>3,985</u>	<u>3,985</u>	<u>1,120</u>	<u>2,865</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Brenham
FEMA Disaster Relief Fund *(included as part of the General Fund)*
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current:				
Culture and Recreation	\$ -	\$ 21,655	\$ 21,655	\$ -
General Government	-	83,237	83,237	-
Highways and Streets	-	101,556	101,556	-
Public Safety	-	45,953	45,953	-
Capital Outlay	-	177,340	177,340	-
Total Expenditures	<u>-</u>	<u>429,741</u>	<u>429,741</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(429,741)</u>	<u>(429,741)</u>	<u>-</u>
Other Financing Sources (Uses)				
Insurance Proceeds	-	167,121	175,401	8,280
Total other financing sources and (uses)	<u>-</u>	<u>167,121</u>	<u>175,401</u>	<u>8,280</u>
Net change in fund balance	<u>-</u>	<u>(262,620)</u>	<u>(254,340)</u>	<u>8,280</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>(\$ 262,620)</u>	<u>(\$ 254,340)</u>	<u>\$ 8,280</u>

City of Brenham
Simon Conference Center Fund *(included as part of the General Fund)*
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ -	\$ -	\$ 231	\$ 231
Total revenues	<u>-</u>	<u>-</u>	<u>231</u>	<u>231</u>
Expenditures				
Current:				
Culture and Recreation	-	20,000	4,160	15,840
Total Expenditures	<u>-</u>	<u>20,000</u>	<u>4,160</u>	<u>15,840</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(20,000)</u>	<u>(3,929)</u>	<u>16,071</u>
Other Financing Sources (Uses)				
Transfers In	-	81,000	81,000	-
Total other financing sources and (uses)	<u>-</u>	<u>81,000</u>	<u>81,000</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>61,000</u>	<u>77,071</u>	<u>16,071</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 61,000</u>	<u>\$ 77,071</u>	<u>\$ 16,071</u>

This page intentionally left blank.



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 Ten Fiscal Years

CITY OF BRENHAM

Fiscal Year	General Government	Public Safety	Highways and Streets	Health and Welfare	Culture and Recreation	Interest on Long-term Debt	Electric	Gas	Water	Wastewater	Sanitation
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
2012	5,230,134	6,567,832	2,599,723	285,870	3,406,693	887,431	22,895,981	1,908,278	3,281,611	2,692,136	2,603,144
2013	5,453,313	6,899,558	2,611,294	318,672	3,635,589	916,548	23,009,788	2,401,303	3,342,073	2,846,895	2,737,307
2014	5,458,639	7,104,713	2,572,715	316,672	3,751,931	880,199	25,911,242	3,087,321	3,753,663	2,841,457	2,768,399
2015	5,909,039	6,705,267	2,811,875	314,352	4,120,261	837,928	22,485,206	2,217,022	3,268,023	2,785,435	2,754,244
2016	6,137,527	7,185,482	2,567,833	347,948	4,108,823	503,446	19,464,587	1,664,249	3,731,863	2,791,804	2,884,041

GOVERNMENT-WIDE REVENUES
Last Ten Fiscal Years

CITY OF BRENHAM

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Investment Earnings	Miscellaneous	Gain/(Loss) on Sale of Capital Assets	Payments from Component Unit	Total
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
2012	39,465,830	635,562	1,613,347	13,043,092	94,334	221,185	53,693	803,174	55,930,217
2013	40,281,661	574,798	350,672	13,709,048	91,138	194,593	67,395	1,099,836	56,369,141
2014	42,776,901	824,209	4,302,762	14,429,859	78,882	184,324	75,275	828,247	63,500,459
2015	38,676,166	553,618	3,619,389	13,913,702	87,400	188,576	754,387	910,301	58,703,539
2016	35,472,030	596,344	2,765,709	13,750,412	231,795	469,763	355,955	1,063,682	54,705,690

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
Last Ten Fiscal Years

CITY OF BRENHAM

Fiscal Year	General Government	Public Safety	Highways and Streets	Health and Welfare	Culture & Recreation	Debt Service	Capital Outlay	Totals
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 (2)	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
2012	4,849,317	5,870,921	6,061,296	280,468	2,778,854	2,647,851	1,303,258	23,791,965
2013	5,038,077	6,091,109	1,444,078	302,547	2,965,441	2,765,982	2,476,074	21,083,308
2014	5,067,284	6,382,845	1,379,361	305,008	3,081,793	4,111,871	1,520,404	21,848,566
2015	5,275,753	5,794,265	1,435,659	292,948	3,195,581	5,537,827	6,109,584	27,641,617
2016	5,408,904	5,991,944	1,129,539	314,999	3,344,965	5,462,668	7,477,666	29,130,685

NOTE:

1. This table includes expenditures of all governmental fund types of the primary government, which consist of the general, special revenue, debt service, and capital projects funds.
2. Five departments, which were historically budgeted in a separate Internal Service Fund, were budgeted and accounted for as General Fund departments in FY09.

RECONCILIATION OF PROPERTY TAX RECEIVABLE
Last Ten Fiscal Years

CITY OF BRENHAM

Fiscal Year	Beginning Balance	Additions Net of Adjustments	Total Collections	Ending Balance
2007	\$ 142,546	\$ 4,105,907	\$ (4,086,359)	\$ 162,094
2008	162,094	4,488,860	(4,510,087)	140,867
2009	140,867	4,737,395	(4,717,579)	160,684
2010	160,684	4,956,620	(4,936,188)	181,116
2011	181,116	4,924,126	(4,914,024)	191,219
2012	191,219	5,391,084	(5,387,057)	195,245
2013	195,245	5,589,907	(5,584,038)	201,115
2014	201,115	6,089,364	(6,068,876)	221,603
2015	221,603	5,420,886	(5,412,091)	230,399
2016	230,399	5,616,009	(5,614,517)	231,891

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
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
2012	13,039,066	72,425	545,942	509,278	782,276	1,128,916	16,077,903
2013	13,703,177	59,826	3,595,065	512,012	549,460	1,336,467	19,756,007
2014	14,409,371	76,379	4,260,002	517,114	573,355	3,222,540	23,058,761
2015	13,904,906	121,076	5,046,207	563,123	723,181	1,629,170	21,987,663
2016	13,748,920	146,329	3,910,222	612,693	833,046	2,701,074	21,952,284

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

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

CITY OF BRENHAM

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST AND FISCAL CHARGES</u>	<u>TOTAL DEBT SERVICE</u>	<u>TOTAL GENERAL GOVERNMENTAL EXPENDITURES</u>	<u>RATIO OF DEBT SERVICE TO GENERAL GOVERNMENTAL EXPENDITURES</u>
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
2012	1,664,835	967,466	2,632,301	23,791,965	11.06
2013	1,749,643	964,850	2,714,493	21,083,308	12.88
2014	3,090,133	926,007	4,016,140	21,848,566	18.38
2015	4,563,551	974,276	5,537,827	27,641,617	20.03
2016	4,715,090	747,578	5,462,668	29,130,685	18.75

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
Last Ten Fiscal Years

CITY OF BRENHAM

FISCAL YEAR	NET TAXABLE PROPERTY VALUE	RESIDENTIAL		COMMERCIAL		DEMOLITION		RELOCATION		TOTAL	
		NUMBER OF PERMITS	VALUE	NUMBER OF PERMITS	VALUE	NUMBER OF PERMITS	VALUE	NUMBER OF PERMITS	VALUE	NUMBER OF PERMITS	VALUE
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
2012	997,362,133	164	5,141,225	114	30,891,830	10	759,666	3	165,000	291	36,957,721
2013	1,029,480,016	156	5,146,739	108	26,579,908	15	260,216	0	0	279	31,986,863
2014	1,080,568,292	205	9,983,223	152	13,902,008	8	174,666	1	100	366	24,059,997
2015	1,102,575,469	167	8,048,088	148	24,216,328	7	40,375	3	91,800	325	32,396,591
2016	1,188,742,237	209	9,599,245	135	36,627,837	18	437,153	5	88,850	367	46,753,085

REVENUES BY SOURCE - BUSINESS TYPE ACTIVITIES
Last Ten Fiscal Years

CITY OF BRENHAM

FISCAL YEAR	ELECTRIC	GAS	WATER	WASTEWATER	SANITATION	TOTAL REVENUES
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	26,814,022	3,178,809	5,122,167	3,717,881	3,119,513	41,952,392
2012	24,538,196	2,437,313	4,413,080	3,647,921	3,065,317	38,101,827
2013	25,240,840	2,965,796	4,326,320	3,584,026	3,043,375	39,160,357
2014	27,021,804	3,905,007	3,974,875	3,586,878	3,121,490	41,610,054
2015	24,042,704	2,824,075	3,759,869	3,413,850	3,226,180	37,266,678
2016	20,938,896	2,203,446	3,890,641	3,483,098	3,363,751	33,879,832

ELECTRIC CUSTOMERS, CONSUMPTION AND SALES
Last Ten Fiscal Years

CITY OF BRENHAM

	FISCAL YEAR									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Number of customers										
Residential	5,716	5,664	5,646	5,642	5,450	5,357	5,337	5,273	5,184	5,061
Commercial	1,026	1,009	1,010	1,000	1,132	1,178	1,154	1,146	1,165	1,191
Large commercial	295	296	292	301	309	317	308	303	294	288
Industrial	22	22	21	21	21	21	23	23	22	20
Street lights	1,279	1,275	1,272	1,263	1,257	1,248	1,238	1,228	1,218	1,205
Security lights	191	183	179	178	176	165	175	176	177	182
Total	8,529	8,449	8,420	8,405	8,345	8,286	8,235	8,150	8,060	7,947
Consumption (in KWH)										
Residential	74,495,748	77,311,527	78,361,082	75,322,524	75,853,482	80,534,797	76,664,387	74,039,837	73,296,005	70,267,796
Commercial	15,988,851	16,148,162	16,475,538	15,150,052	15,607,437	16,835,349	16,364,454	16,334,810	17,061,350	17,089,919
Large commercial	62,037,997	62,339,574	63,647,041	64,393,979	65,687,242	68,446,624	65,006,673	64,052,067	65,162,802	64,226,951
Industrial	107,445,320	112,386,240	128,179,180	124,709,000	122,894,960	122,217,940	111,567,780	115,129,160	133,073,570	148,939,620
Street lights	1,473,096	1,469,064	1,465,225	1,454,952	1,447,560	1,437,576	1,426,728	1,414,248	1,403,016	1,388,136
Security lights	316,320	306,048	299,040	298,608	295,488	296,472	289,440	278,448	276,192	277,728
Total	261,757,332	269,960,615	288,427,106	281,329,115	281,786,169	289,768,758	271,319,462	271,248,570	290,272,935	302,190,150
Sales (1)										
Residential	\$ 6,840,388	\$ 7,884,485	\$ 8,325,945	\$ 7,783,426	\$ 7,636,392	\$ 8,477,097	\$ 7,861,811	\$ 8,077,592	\$ 7,909,221	\$ 6,419,733
Commercial	1,500,066	1,676,277	1,778,764	1,600,573	1,628,597	1,829,938	1,727,624	1,838,138	1,877,315	1,607,902
Large commercial	4,753,980	5,414,602	5,788,208	5,632,488	5,623,885	6,195,255	5,662,262	6,055,319	5,979,719	4,867,798
Industrial	7,198,818	8,687,582	10,410,691	9,518,295	9,139,115	9,683,819	8,461,265	9,322,374	10,135,546	9,842,065
Street lights	84,296	98,223	104,046	98,050	95,163	101,171	95,651	106,217	92,907	81,595
Security lights	44,409	43,006	42,021	41,920	41,522	41,660	40,639	39,090	38,696	39,011
Total	\$ 20,421,957	\$ 23,804,175	\$ 26,449,675	\$ 24,674,752	\$ 24,164,675	\$ 26,328,940	\$ 23,849,252	\$ 25,438,730	\$ 26,033,404	\$ 22,858,104
Annual average consumption per customer (in KWH)										
Residential	13,033	13,650	13,879	13,350	13,918	15,034	14,365	14,041	14,138	13,884
Commercial	15,584	16,004	16,312	15,150	13,782	14,291	14,181	14,254	14,651	14,349
Large commercial	210,298	210,607	217,969	213,933	212,408	215,920	211,061	211,393	221,642	223,010
Industrial	4,883,878	5,108,465	6,103,770	5,938,524	5,783,292	5,819,902	4,850,773	5,005,616	6,048,799	7,446,981
Street lights	1,152	1,152	1,152	1,152	1,152	1,152	1,152	1,152	1,152	1,152
Security lights	1,656	1,672	1,671	1,678	1,684	1,797	1,654	1,582	1,562	1,526
Monthly average bill per customer										
Residential	\$ 100	\$ 116	\$ 123	\$ 115	\$ 117	\$ 132	\$ 123	\$ 128	\$ 127	\$ 106
Commercial	122	138	147	133	120	129	125	134	134	113
Large commercial	1,343	1,524	1,652	1,559	1,515	1,629	1,532	1,665	1,695	1,409
Industrial	27,268	32,908	41,312	37,771	35,840	38,428	30,657	33,777	38,392	41,009
Street lights	5	6	7	6	6	7	6	7	6	6
Security lights	19	20	20	20	20	21	19	19	18	18
Average price per KWH purchased	\$ 0.0535	\$ 0.0611	\$ 0.0718	\$ 0.0632	\$ 0.0613	\$ 0.0656	\$ 0.0637	\$ 0.0626	\$ 0.0691	\$ 0.0557
Average price per KWH sold	\$ 0.0780	\$ 0.0882	\$ 0.0917	\$ 0.0877	\$ 0.0858	\$ 0.0909	\$ 0.0879	\$ 0.0938	\$ 0.0896	\$ 0.0756
% line loss	5.73%	5.29%	4.74%	5.12%	5.71%	5.83%	5.83%	5.14%	5.32%	4.52%

(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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<u>Number of customers</u>										
Residential	3,865	3,852	3,815	3,808	3,733	3,686	3,653	3,611	3,562	3,490
Small commercial	317	313	315	310	348	363	368	350	357	369
Large commercial	124	124	125	128	129	129	126	125	122	124
Governmental	70	71	70	69	68	65	64	63	63	64
Industrial	1	1	1	1	1	1	1	2	3	3
Total	4,377	4,361	4,326	4,316	4,279	4,244	4,212	4,151	4,106	4,050
<u>Consumption (in mcf)</u>										
Residential	83,976	119,324	137,391	91,677	81,402	100,773	133,709	93,011	97,885	112,591
Small commercial	22,912	27,077	30,292	22,104	20,938	24,741	27,617	20,183	22,379	24,202
Large commercial	139,009	148,644	165,196	153,111	152,527	152,773	153,974	135,470	149,571	168,806
Governmental	38,062	46,253	52,724	48,692	42,938	40,885	46,813	41,174	42,332	43,576
Industrial	61,681	52,852	88,727	87,072	71,218	75,391	81,232	131,013	210,244	253,544
Total	345,640	394,150	474,330	402,656	369,023	394,563	443,345	420,851	522,411	602,719
<u>Sales (1)</u>										
Residential	\$ 883,250	\$ 1,186,117	\$ 1,496,320	\$ 965,455	\$ 831,794	\$ 1,095,738	\$ 1,430,671	\$ 1,036,495	\$ 1,386,177	\$ 1,414,718
Small commercial	154,151	201,897	264,724	176,043	154,636	215,979	253,361	181,313	280,878	261,881
Large commercial	686,663	878,697	1,179,110	975,201	847,219	1,077,654	1,141,328	964,811	1,656,716	1,501,897
Governmental	200,458	284,028	388,039	311,526	242,614	293,843	351,882	295,795	465,583	403,126
Industrial	261,689	287,067	573,525	508,802	355,647	489,495	542,846	884,593	2,254,059	2,058,256
Total	\$ 2,186,211	\$ 2,837,806	\$ 3,901,718	\$ 2,937,027	\$ 2,431,910	\$ 3,172,709	\$ 3,720,088	\$ 3,363,007	\$ 6,043,413	\$ 5,639,878
<u>Annual average consumption per customer (in mcf)</u>										
Residential	22	31	36	24	22	27	37	26	27	32
Small commercial	72	87	96	71	60	68	75	58	63	66
Large commercial	1,121	1,199	1,322	1,196	1,182	1,184	1,222	1,084	1,223	1,361
Governmental	544	651	753	706	631	629	731	654	676	681
Industrial	61,681	52,852	88,727	87,072	71,218	75,391	81,232	65,507	70,081	84,515
<u>Monthly average bill per customer</u>										
Residential	\$ 19	\$ 26	\$ 33	\$ 21	\$ 19	\$ 25	\$ 33	\$ 24	\$ 32	\$ 34
Small commercial	41	54	70	47	37	50	57	43	66	59
Large commercial	461	591	786	635	547	696	755	643	1,129	1,009
Governmental	239	333	462	376	297	377	458	391	619	525
Industrial	21,807	23,922	47,794	42,400	29,637	40,791	45,237	36,858	62,613	57,174
Average price per mcf purchased	\$ 2.4100	\$ 3.4900	\$ 4.6500	\$ 3.9000	\$ 3.1400	\$ 4.4400	\$ 5.2824	\$ 4.8929	\$ 8.3838	\$ 6.4885
Average price per mcf sold	\$ 6.3300	\$ 7.2000	\$ 8.2300	\$ 7.2900	\$ 6.5900	\$ 8.0400	\$ 8.3910	\$ 7.9910	\$ 11.5683	\$ 9.3524
% line loss (gain)	1.14%	3.27%	1.36%	0.93%	1.47%	1.47%	2.72%	0.85%	0.04%	1.94%

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

ELECTRIC RATES
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		
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
Oct-01-2008	Customer charge	\$ 11.60	\$ 20.00	\$ 15.00	\$ 26.00	\$ 40.00	\$ 70.00	\$ 100.00	\$ 100.00
	Electric charge per KWH (1)	\$0.10020	\$0.10020	\$ 0.09930	\$ 0.09930	\$ 0.09150	\$ 0.09150	\$ 0.00993	\$ 0.00700
Oct-01-2013	Customer charge	\$ 11.60	\$ 20.00	\$ 15.00	\$ 26.00	\$ 40.00	\$ 70.00	\$ 100.00	\$ 100.00
	Electric charge per KWH (1)	\$0.10020	\$0.10020	\$ 0.09930	\$ 0.09930	\$ 0.09150	\$ 0.09150	\$ 0.01162	\$ 0.00817
Oct-01-2014	Customer charge	\$ 11.60	\$ 20.00	\$ 15.00	\$ 26.00	\$ 40.00	\$ 70.00	\$ 100.00	\$ 100.00
	Electric charge per KWH (1)	\$0.10020	\$0.10020	\$ 0.09930	\$ 0.09930	\$ 0.09150	\$ 0.09150	\$ 0.08662	\$ 0.08317

(1) Customers are also assessed a Power Cost Recovery Charge for adjustment in generation and transmission charges.

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		
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 (1)	\$ 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 (1)	\$ 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 (1)	\$10.53100	\$10.93000	\$10.53100	\$10.93000	\$9.79100	\$10.07900	\$9.79100	\$10.07900	\$ 9.68500	\$9.52300
Oct-01-2013	Customer charge	\$ 10.00	\$ 11.50	\$ 10.00	\$ 11.50	\$ 56.25	\$ 64.69	\$ 56.25	\$ 64.69	\$ 56.25	\$ 56.25
	Gas charge per mcf (1)	\$ 2.31100	\$ 2.71000	\$ 2.31100	\$ 2.71000	\$1.57100	\$ 2.08000	\$1.57100	\$ 2.08000	\$ 1.46500	\$1.30300
Oct-01-2014	Customer charge	\$ 10.00	\$ 11.50	\$ 10.00	\$ 11.50	\$ 56.25	\$ 64.69	\$ 56.25	\$ 64.69	\$ 56.25	\$ 56.25
	Gas charge per mcf (1)	\$ 7.66100	\$ 8.06000	\$ 7.66100	\$ 8.06000	\$6.92100	\$ 7.20900	\$6.92100	\$ 7.20900	\$ 6.81500	\$6.65300

(1) Customers are also assessed a Gas Cost Adjustment Charge for adjustment in commodity charges.

TEN LARGEST ELECTRIC CUSTOMERS
Current Year and Nine Years Ago

CITY OF BRENHAM

2016			2007		
NAME	ELECTRIC BILLINGS	PERCENTAGE OF TOTAL CITY ELECTRIC CHARGES	NAME	ELECTRIC BILLINGS	PERCENTAGE OF TOTAL CITY ELECTRIC CHARGES
Blue Bell Creameries	\$ 2,281,242	11.17%	Blue Bell Creameries	\$ 3,001,402	13.13%
City of Brenham	913,147	4.47%	Mount Vernon Mills, Inc.	2,463,606	10.78%
Blinn College	866,932	4.25%	City of Brenham	1,046,085	4.58%
Valmont/ALS	732,201	3.59%	Blinn College	978,954	4.28%
Brenham I.S.D.	608,560	2.98%	Valmont/ALS	825,602	3.61%
Brenham State Supported Living Center	440,305	2.16%	Brenham I.S.D.	627,617	2.75%
StanPac USA	410,507	2.01%	Brenham State Supported Living Center	479,727	2.10%
Scott & White Hospital - Brenham	386,948	1.89%	Scott & White Hospital - Brenham	340,065	1.49%
Brenham Wholesale Grocery	296,179	1.45%	Brenham Wholesale Grocery	333,984	1.46%
Germania Insurance	260,695	1.28%	Germania Insurance	253,898	1.11%
Total	\$ 7,196,716	35.24%	Total	\$ 10,350,940	45.28%

2016 Total Electric Charges \$ 20,421,957

2007 Total Electric Charges \$ 22,858,104

TEN LARGEST GAS CUSTOMERS
Current Year and Nine Years Ago

CITY OF BRENHAM

2016			2007		
NAME	GAS BILLINGS	PERCENTAGE OF TOTAL CITY GAS CHARGES	NAME	GAS BILLINGS	PERCENTAGE OF TOTAL CITY GAS CHARGES
Blue Bell Creameries	\$ 268,848	12.30%	Mount Vernon Mills, Inc.	\$ 1,380,627	24.48%
Blinn College	134,361	6.15%	Blue Bell Creameries	734,153	13.02%
Valmont/ALS	122,757	5.62%	Blinn College	288,624	5.12%
Longwood Elastomers	112,336	5.14%	Longwood Elastomers	234,994	4.17%
Scott & White Hospital - Brenham	53,476	2.45%	Valmont/ALS	177,346	3.14%
Brenham I.S.D.	36,596	1.67%	Scott & White Hospital - Brenham	124,877	2.21%
Brenham Housing Authority	26,934	1.23%	Brenham Housing Authority	108,161	1.92%
City of Brenham	21,557	0.99%	Brenham I.S.D.	84,889	1.51%
HEB Grocery Company	15,409	0.70%	Navisa, Inc.	82,858	1.47%
Germania Insurance	13,317	0.61%	Ellison's Greenhouse	52,754	0.94%
Total	\$ 805,591	36.85%	Total	\$ 3,269,283	57.97%

2016 Total Gas Charges \$ 2,186,211

2007 Total Gas Charges \$ 5,639,878

THE WATER SYSTEM - UTILITY BILLING STATISTICS
Current Year and Prior Year

CITY OF BRENHAM

	FISCAL YEAR		
	2016	2015	(DEC)/INC
<u>Number of customers</u>			
Residential	5,880	5,820	60
Commercial	1,087	1,073	14
Meter on Fire Hydrant	3	4	(1)
Sprinkler	619	606	13
Total	7,589	7,503	86
<u>Consumption (in gallons)</u>			
Residential	349,219,700	342,065,200	7,154,500
Commercial	266,465,800	263,158,100	3,307,700
Meter on Fire Hydrant	98,600	976,700	(878,100)
Sprinkler	122,336,000	109,915,400	12,420,600
Total	738,120,100	716,115,400	22,004,700
<u>Sales (in dollars)</u>			
Residential	\$ 1,947,254	\$ 1,906,407	\$ 40,847
Commercial	1,154,754	1,139,463	15,291
Meter on Fire Hydrant	1,045	7,542	(6,497)
Sprinkler	671,529	604,551	66,978
Total	\$ 3,774,582	\$ 3,657,963	\$ 116,619
<u>Annual average consumption per customer</u>			
Residential (in gallons)	59,391	58,774	617
Commercial	245,139	245,255	(116)
Meter on Fire Hydrant	32,867	244,175	(211,308)
Sprinkler	197,635	181,379	16,256
<u>Monthly average bill per customer</u>			
Residential	\$ 28	\$ 27	\$ 0
Commercial	89	88	0
Meter on Fire Hydrant	29	157	(128)
Sprinkler	90	83	7
Average price per 1,000 gallons purchased	\$ 0.333	\$ 0.320	\$ 0.013
Average price per 1,000 gallons sold	\$ 5.114	\$ 5.108	\$ 0.006
% line loss (gain)	8.71% *	1.89% *	6.82%

*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		
	2016	2015	(DEC)/INC
<u>Number of customers</u>			
Residential	5,824	5,753	71
Commercial	951	945	6
Industrial	6	6	-
Oak Hill Acres Flow Meter	1	1	-
Total	6,782	6,705	77
<u>Sales (in dollars)</u>			
Residential	\$ 1,910,380	\$ 1,846,446	\$ 63,934
Commercial	971,302	966,096	5,206
Industrial	404,984	436,289	(31,305)
Oak Hill Acres Flow Meter	55,713	43,002	12,711
Total	\$ 3,342,379	\$ 3,291,833	\$ 50,546
<u>Monthly average bill per customer</u>			
Residential	\$ 27	\$ 27	\$ 1
Commercial	85	85	(0)
Industrial	5,625	6,060	(435)
Oak Hill Acres Flow Meter	4,643	3,584	1,059

THE SANITATION SYSTEM - UTILITY BILLING STATISTICS
Current Year and Prior Year

CITY OF BRENHAM

	FISCAL YEAR		
	2016	2015	(DEC)/INC
<u>Number of customers</u>			
Residential	5,448	5,395	53
Residential - Rural	5	6	(1)
Commercial	555	545	10
Total	<u>6,008</u>	<u>5,946</u>	<u>62</u>
<u>Sales (in dollars)</u>			
Residential	\$ 914,586	\$ 903,345	\$ 11,241
Residential - Rural	1,147	1,334	(187)
Commercial	929,087	947,616	(18,529)
Total	<u>\$ 1,844,820</u>	<u>\$ 1,852,295</u>	<u>\$ (7,475)</u>
<u>Monthly average bill per customer</u>			
Residential	\$ 14	\$ 14	\$ 0
Residential - Rural	19	19	1
Commercial	140	145	(5)

CITY OF BRENHAM, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT NUMBER	PROGRAM AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT 09/30/15	FEDERAL/ STATE FUNDS RECEIVED	FEDERAL/ STATE EXPENDITURES	NET OTHER TRANSACTIONS	ACCRUED OR (DEFERRED) REVENUE AT 09/30/16
<u>U.S. DEPARTMENT OF JUSTICE</u>								
Bulletproof Vest Partnership 2013 Grant	16.607		\$ 2,263	\$ 2,263	\$ (2,263)	\$ -	\$ -	\$ -
Bulletproof Vest Partnership 2014 Grant	16.607		4,825	1,202	(1,202)	1,120	-	1,120
Bulletproof Vest Partnership 2016 Grant	16.607		2,639	-	-	-	-	-
			<u>\$ 9,727</u>	<u>\$ 3,465</u>	<u>\$ (3,465)</u>	<u>\$ 1,120</u>	<u>\$ -</u>	<u>\$ 1,120</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>								
Texas Department of Transportation								
Selective Traffic Enforcement Program-2015 Speed	20.600		\$ 36,270	\$ 3,985	\$ (3,985)	\$ -	\$ -	\$ -
Selective Traffic Enforcement Program-2015 Impaired Driving Mobilization	20.616		3,831	520	(520)	-	-	-
Selective Traffic Enforcement Program-2016 Speed	20.600		53,541	-	(15,403)	17,281	-	1,878
Selective Traffic Enforcement Program-2017 Speed	20.600		27,675	-	-	-	-	-
			<u>\$ 121,317</u>	<u>\$ 4,505</u>	<u>\$ (19,908)</u>	<u>\$ 17,281</u>	<u>\$ -</u>	<u>\$ 1,878</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>								
Texas Department of Agriculture								
Texas Community Development Block Grant Program		Contract #7216059	\$ 275,000	\$ -	\$ -	\$ -	\$ -	\$ -
			<u>\$ 275,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Texas Department of Transportation								
Routine Airport Maintenance Program (RAMP)		M1617 BREN	\$ 50,000	\$ -	\$ -	\$ 28,297	\$ -	\$ 28,297
Routine Airport Maintenance Program (RAMP)		M1717 BREN	50,000	-	-	-	-	-
			<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,297</u>	<u>\$ -</u>	<u>\$ 28,297</u>
Texas Office of the Governor - Criminal Justice Division								
Body-Worn Camera Program			\$ 19,985	\$ -	\$ -	\$ 12,957	\$ -	\$ 12,957
			<u>\$ 19,985</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,957</u>	<u>\$ -</u>	<u>\$ 12,957</u>
Texas Parks and Wildlife Commission								
Local Park Grant Program		Project #54-000173	\$ 35,000	\$ -	\$ -	\$ 33,250	\$ -	\$ 33,250
			<u>\$ 35,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,250</u>	<u>\$ -</u>	<u>\$ 33,250</u>
Texas State Library and Archives Commission								
Library Cooperation Grant Program	45.310	479-16007	\$ 8,800	\$ -	\$ (2,490)	\$ 8,800	\$ -	\$ 6,310
"Play On" Special Projects Grant Program	45.310	478-17017	16,350	-	-	11,278	-	11,278
Library Small Business and Workforce Development Hub Program	45.310	479-17005	15,500	-	-	6,499	-	6,499
			<u>\$ 40,650</u>	<u>\$ -</u>	<u>\$ (2,490)</u>	<u>\$ 26,576</u>	<u>\$ -</u>	<u>\$ 24,086</u>
TOTAL FEDERAL AND STATE CASH AWARDS			<u>\$ 601,679</u>	<u>\$ 7,970</u>	<u>\$ (25,863)</u>	<u>\$ 119,481</u>	<u>\$ -</u>	<u>\$ 101,588</u>

Note 1: Basis of Presentation

The schedule of expenditure of federal and state awards include the federal and state grant activity of the City and is presented on the modified accrual basis of accounting.

This page intentionally left blank.



STATISTICAL
SECTION

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.

This page intentionally left blank.

NET POSITION BY COMPONENT

CITY OF BRENHAM

*Last Ten Fiscal Years
(accrual basis of accounting)*

TABLE 1

Description	FISCAL YEAR									
	2016	2015	2014	2013	2012 (2)	2011	2010	2009 (1)	2008	2007
Governmental activities:										
Net investment in capital assets	\$ 45,917,775	\$ 40,206,741	\$ 36,830,206	\$ 35,548,260	\$ 34,415,305	\$ 35,294,268	\$ 35,289,795	\$ 35,421,458	\$ 33,407,787	\$ 32,212,469
Restricted	313,000	459,504	633,409	256,528	266,119	307,292	537,786	391,469	470,187	333,943
Unrestricted	(1,822,525)	1,676,818	7,320,914	4,953,603	6,310,807	3,952,381	4,502,834	5,227,975	6,649,435	4,764,217
Subtotal governmental activities net position	44,408,250	42,343,063	44,784,529	40,758,391	40,992,231	39,553,941	40,330,415	41,040,902	40,527,409	37,310,629
Business-type activities:										
Net investment in capital assets	39,541,645	37,750,305	36,724,082	36,081,573	33,977,027	31,846,549	29,364,559	28,504,390	28,296,722	27,082,608
Restricted	-	-	-	-	-	-	-	-	809	538,822
Unrestricted	11,993,394	12,531,834	15,484,242	15,715,277	15,389,182	15,098,756	13,332,206	11,851,906	8,766,360	8,201,530
Subtotal business-type activities net position	51,535,039	50,282,139	52,208,324	51,796,850	49,366,209	46,945,305	42,696,765	40,356,296	37,063,891	35,822,960
Primary government:										
Net investment in capital assets	85,459,420	77,957,046	73,554,288	71,629,833	68,392,332	67,140,817	64,654,354	63,925,848	61,704,509	59,295,077
Restricted	313,000	459,504	633,409	256,528	266,119	307,292	537,786	391,469	470,996	872,765
Unrestricted	10,170,869	14,208,652	22,805,156	20,668,880	21,699,989	19,051,138	17,835,040	17,079,881	15,415,795	12,965,747
Total primary government net position (3)	\$ 95,943,289	\$ 92,625,202	\$ 96,992,853	\$ 92,555,241	\$ 90,358,440	\$ 86,499,247	\$ 83,027,180	\$ 81,397,198	\$ 77,591,300	\$ 73,133,589
Component unit:										
Net investment in capital assets	\$ 1,101,468	\$ 1,023,730	\$ 964,912	\$ 904,031	\$ 850,007	\$ 838,450	\$ 867,353	\$ 135,227	\$ 223,467	\$ 163,683
Restricted	1,556,849	1,489,966	1,393,356	986,165	903,879	1,353,823	551,160	1,110,691	890,106	782,051
Total component unit net position (3)	\$ 2,658,317	\$ 2,513,696	\$ 2,358,268	\$ 1,890,196	\$ 1,753,886	\$ 2,192,273	\$ 1,418,513	\$ 1,245,918	\$ 1,113,573	\$ 945,734

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

(2) As restated for recalculation of post employment benefits liability.

(3) See Table 2 for changes in net position from year to year.

CHANGE IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

CITY OF BRENNHAM

TABLE 2

	FISCAL YEAR									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Program expenses										
Governmental activities:										
General government	\$ 6,137,527	\$ 5,909,039	\$ 5,458,639	\$ 5,453,313	\$ 5,230,134	\$ 5,177,514	\$ 5,755,450	\$ 5,241,430	\$ 2,001,542	\$ 1,888,188
Public safety	7,185,482	6,705,267	7,104,713	6,899,558	6,567,832	6,579,061	6,831,143	5,414,468	5,235,849	5,028,102
Highways and streets	2,567,833	2,811,875	2,572,715	2,611,294	2,599,723	2,628,682	2,679,468	2,410,013	2,302,230	2,279,505
Health and welfare	347,948	314,352	316,672	318,672	285,870	288,699	299,216	271,509	545,485	580,118
Culture and recreation	4,108,823	4,120,261	3,751,931	3,635,589	3,406,693	3,513,628	3,676,194	3,585,647	3,607,684	3,264,409
Debt service	503,446	837,928	880,199	916,548	887,431	938,663	855,569	918,260	952,463	991,486
Total government activities program expenses	20,851,059	20,698,722	20,084,869	19,834,974	18,977,683	19,126,247	20,097,040	17,841,327	14,645,253	14,031,808
Business-type activities:										
Electric	19,464,587	22,485,206	25,911,242	23,009,788	22,895,981	23,962,803	22,259,716	22,428,215	26,690,324	23,342,221
Gas	1,664,249	2,217,022	3,087,321	2,401,303	1,908,278	2,602,842	3,198,740	2,905,012	5,975,923	5,646,666
Sanitation	2,884,041	2,754,244	2,768,399	2,737,307	2,603,144	2,706,750	2,669,678	2,464,142	2,621,538	2,331,316
Wastewater	2,791,804	2,785,435	2,841,457	2,846,895	2,692,136	2,860,922	2,979,406	3,286,770	3,803,759	3,559,574
Water	3,731,863	3,268,023	3,753,663	3,342,073	3,281,611	3,430,862	3,088,039	3,316,393	3,405,073	3,164,010
Total business-type activities program expenses	30,536,544	33,509,930	38,362,082	34,337,366	33,381,150	35,564,179	34,195,579	34,400,532	42,496,617	38,043,787
Total primary government expenses	51,387,603	54,208,652	58,446,951	54,172,340	52,358,833	54,690,426	54,292,619	52,241,859	57,141,870	52,075,595
Program revenues										
Governmental activities:										
Charges for services:										
General government	1,083,616	945,154	714,188	675,909	936,160	934,808	866,090	782,976	652,831	482,252
Public safety	8,712	14,743	8,878	4,959	5,971	6,258	8,548	5,446	6,138	2,321
Highways and streets	81,727	63,084	68,300	56,920	51,616	51,666	51,996	44,094	38,284	13
Health and welfare	38,218	34,647	31,492	30,004	29,507	32,452	35,606	47,472	37,566	30,290
Culture and recreation	379,925	351,860	343,989	353,510	340,739	364,696	387,113	348,065	275,555	271,842
Operating grants and contributions	596,344	553,618	817,748	574,798	628,127	626,870	865,607	469,206	678,485	915,090
Capital grants and contributions	2,374,213	3,326,657	4,022,261	25,209	1,495,920	610,145	1,213,423	1,467,320	1,415,745	1,081,668
Total governmental activities program revenues	4,562,755	5,289,763	6,006,856	1,721,309	3,488,040	2,626,895	3,428,383	3,164,579	3,104,604	2,783,476
Business-type activities:										
Charges for services:										
Electric	20,938,896	24,042,704	27,021,804	25,240,842	24,538,200	26,814,028	24,387,117	26,016,817	26,539,793	23,184,463
Gas	2,203,446	2,824,075	3,905,007	2,965,796	2,437,314	3,178,811	3,740,133	3,372,455	6,061,128	5,639,536
Sanitation	3,363,751	3,226,180	3,121,490	3,043,375	3,065,318	3,119,515	2,913,758	2,767,713	2,731,314	2,468,172
Wastewater	3,483,098	3,413,850	3,586,878	3,584,026	3,647,923	3,717,883	3,552,062	4,104,465	4,119,867	3,798,212
Water	3,890,641	3,759,869	3,974,875	4,326,320	4,413,082	5,122,170	3,898,319	4,688,689	3,719,257	3,254,617
Operating grants and contributions	-	-	6,461	-	7,435	16,622	-	8,316	5,000	-
Capital grants and contributions	391,496	292,732	280,501	325,463	117,427	599,799	229,089	115,539	240,481	-
Total business-type activities program revenues	34,271,328	37,559,410	41,897,016	39,485,822	38,226,699	42,568,828	38,720,478	41,073,994	43,416,841	38,345,000
Total primary government program revenues	38,834,083	42,849,173	47,903,872	41,207,131	41,714,739	45,195,723	42,148,861	44,238,573	46,521,445	41,128,476
Net (expense)/revenue										
Governmental activities	(16,288,304)	(15,408,959)	(14,078,013)	(18,113,665)	(15,489,643)	(16,499,352)	(16,668,657)	(14,676,748)	(11,540,649)	(11,248,332)
Business-type activities	3,734,784	4,049,480	3,534,934	5,148,456	4,845,549	7,004,649	4,524,899	6,673,462	920,224	301,213
Total primary government net expense	(12,553,520)	(11,359,479)	(10,543,079)	(12,965,209)	(10,644,094)	(9,494,703)	(12,143,758)	(8,003,286)	(10,620,425)	(10,947,119)

CHANGE IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

CITY OF BRENNHAM

TABLE 2

	FISCAL YEAR									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General revenues and other changes in net position										
Governmental activities:										
Property taxes	5,680,168	5,465,940	6,145,913	5,647,218	5,449,748	4,980,377	5,011,013	4,787,893	4,547,830	4,152,080
Sales taxes	4,653,951	4,753,324	4,391,151	4,404,296	4,107,558	3,774,894	3,678,707	3,727,329	3,696,762	3,524,009
Other taxes	3,416,293	3,694,438	3,892,795	3,657,534	3,485,786	3,699,868	3,344,311	3,501,962	3,511,940	3,524,583
Investment income not restricted	88,759	9,398	3,947	7,125	6,817	18,501	12,790	181,281	460,201	587,125
Miscellaneous	367,506	121,500	128,809	102,935	150,630	143,988	105,935	120,375	208,690	55,483
Gain (loss) on sale of capital assets	296,006	107,318	75,275	67,395	53,693	12,771	7,879	5,482	37,643	9,508
Payments from component Unit	1,063,682	910,301	828,247	1,099,836	791,218	219,526	850,941	931,773	927,717	770,877
Transfers	2,787,126	4,381,164	3,034,718	2,893,486	2,715,519	2,872,953	2,836,566	3,146,621	154,171	96,380
Total government activities	18,353,491	19,443,383	18,500,855	17,879,825	16,760,969	15,722,878	15,848,142	16,402,716	13,544,954	12,720,045
Business-type activities:										
Investment income not restricted	143,036	78,002	74,935	84,013	87,517	95,798	50,841	129,159	348,525	462,286
Miscellaneous	102,257	67,076	55,515	91,658	70,555	21,046	44,971	192,729	126,353	267,835
Gain (loss) on sale of capital assets	59,949	647,069	-	-	-	-	-	-	-	(138,624)
Payments from component Unit	-	-	-	-	11,956	-	-	-	-	-
Transfers	(2,787,126)	(4,381,164)	(3,034,718)	(2,893,486)	(2,715,519)	(2,872,953)	(2,836,566)	(3,146,621)	(154,171)	(96,380)
Total business-type activities	(2,481,884)	(3,589,017)	(2,904,268)	(2,717,815)	(2,545,491)	(2,756,109)	(2,740,754)	(2,824,734)	320,707	495,117
Total primary government general revenues and other changes in net position	15,871,607	15,854,366	15,596,587	15,162,010	14,215,478	12,966,769	13,107,388	13,577,982	13,865,661	13,215,162
Change in net position										
Governmental activities, as previously reported	2,065,187	4,034,424	4,422,842	(233,840)	1,271,326	(776,474)	(820,515)	1,725,968	2,004,305	1,471,713
Restatement in capital assets (1)	-	-	-	-	-	-	110,028	-	-	-
Restatement in post employment benefits (3)	-	-	-	-	166,964	-	-	-	-	-
Governmental activities, restated	2,065,187	4,034,424	4,422,842	(233,840)	1,438,290	(776,474)	(710,487)	1,725,968	2,004,305	1,471,713
Business-type activities, as previously reported	1,252,900	460,463	630,666	2,430,641	2,300,058	4,248,540	1,784,145	3,292,404	1,240,931	796,330
Restatement in charges for services (2)	-	-	-	-	-	-	556,324	-	-	-
Restatement in post employment benefits (3)	-	-	-	-	120,846	-	-	-	-	-
Business-type activities, restated	1,252,900	460,463	630,666	2,430,641	2,420,904	4,248,540	2,340,469	3,292,404	1,240,931	796,330
Total primary government change in net position	\$ 3,318,087	\$ 4,494,887	\$ 5,053,508	\$ 2,196,801	\$ 3,859,194	\$ 3,472,066	\$ 1,629,982	\$ 5,018,373	\$ 3,245,236	\$ 2,268,044
Component unit										
Program expenses	\$ 353,281	\$ 1,269,991	\$ 245,479	\$ 236,449	\$ 1,107,871	\$ 269,757	\$ 205,065	\$ 190,761	\$ 191,425	\$ 163,868
Program revenues										
Brenham Community Development Corporation	-	-	-	-	-	-	-	-	-	-
Net expenses	(353,281)	(1,269,991)	(245,479)	(236,449)	(1,107,871)	(269,757)	(205,065)	(190,761)	(191,425)	(163,868)
General revenues and other changes in net position										
Component unit activities:										
Sales taxes	1,551,317	1,584,441	1,463,717	1,468,099	1,369,186	1,258,298	1,226,236	1,242,443	1,232,254	1,174,670
Investment income not restricted	10,267	956	282	1,120	1,434	1,645	2,365	7,088	24,727	28,427
Contribution from Developer	-	735,044	-	-	-	-	-	-	-	-
Miscellaneous	-	15,279	3,232	3,376	102,038	-	-	-	30,000	-
Gain (loss) on sale of capital assets	-	-	74,567	-	-	3,100	-	5,348	-	-
Payments from component unit	(1,063,682)	(910,301)	(828,247)	(1,099,836)	(803,174)	(219,526)	(850,941)	(931,773)	(927,717)	(770,877)
Total component unit activities	497,902	1,425,419	713,551	372,759	669,484	1,043,517	377,660	323,106	359,264	432,220
Component unit change in position	\$ 144,621	\$ 155,428	\$ 468,072	\$ 136,310	\$ (438,387)	\$ 773,760	\$ 172,595	\$ 132,345	\$ 167,839	\$ 268,352

- (1) As restated for prior year capital assets which were not recorded.
- (2) As restated for prior year correction to charges for services.
- (3) As restated for recalculation of post employment benefits liability.

FUND BALANCES - GOVERNMENTAL FUNDS

CITY OF BRENHAM

Last Ten Fiscal Years

(modified accrual basis of accounting)

TABLE 3

	FISCAL YEAR									
	2016	2015	2014	2013	2012 (2)	2011 (1)	2010	2009	2008	2007
General fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved							2,764,850	2,764,850	2,687,654	2,251,108
Nonspendable	187,362	180,105	188,412	212,530	256,443	204,230	-	-	-	-
Restricted	239,510	10,713	801,061	74,074	103,959	103,052	-	-	-	-
Committed	6,952	6,952	10,304	10,304	-	-	-	-	-	-
Assigned	-	169,114	-	-	-	-	-	-	-	-
Unassigned	4,437,291	4,376,760	3,861,506	3,609,690	3,505,058	3,529,369	-	-	-	-
Total general fund	<u>\$ 4,871,115</u>	<u>\$ 4,743,644</u>	<u>\$ 4,861,283</u>	<u>\$ 3,906,598</u>	<u>\$ 3,865,460</u>	<u>\$ 3,836,651</u>	<u>\$ 2,764,850</u>	<u>\$ 2,764,850</u>	<u>\$ 2,687,654</u>	<u>\$ 2,251,108</u>
All other governmental funds:										
Reserved, reported in:										
Debt service fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	481,884	337,949	418,335	333,943
Unreserved reported in:										
Special revenue funds	-	-	-	-	-	-	1,829,883	1,400,880	1,126,499	700,725
Capital projects funds	-	-	-	-	-	-	77,479	699,191	7,787,965	8,722,314
Restricted	7,454,047	9,986,870	12,808,565	5,613,677	1,793,596	5,600,913	-	-	-	-
Committed	48,016	193,699	525,451	12,000	15,689	111,424	-	-	-	-
Assigned	163,023	1,273,106	8,158	169,134	523,677	394,896	-	-	-	-
Total all other governmental funds	<u>\$ 7,665,086</u>	<u>\$ 11,453,675</u>	<u>\$ 13,342,174</u>	<u>\$ 5,794,811</u>	<u>\$ 2,332,962</u>	<u>\$ 6,107,233</u>	<u>\$ 2,389,246</u>	<u>\$ 2,438,020</u>	<u>\$ 9,332,799</u>	<u>\$ 9,756,982</u>

(1) Implementation of GASB 54 beginning in 2011, prior years are not restated.

(2) As restated for recalculation of post employment benefits liability.

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

CITY OF BRENHAM

Last Ten Fiscal Years

(modified accrual basis of accounting)

TABLE 4

	FISCAL YEAR									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Taxes	\$ 13,748,920	\$ 13,904,906	\$ 14,409,371	\$ 13,703,177	\$ 13,039,066	\$ 12,445,035	\$ 12,013,599	\$ 12,006,792	\$ 11,770,388	\$ 11,181,972
Licenses and permits	146,329	121,076	76,379	59,826	72,425	64,465	76,999	61,989	58,260	54,487
Intergovernmental	3,910,222	5,046,207	4,260,002	3,595,065	545,942	696,256	1,817,216	1,462,232	769,904	1,648,201
Charges for services	612,693	563,123	517,114	512,012	509,278	558,484	603,568	571,177	458,378	368,861
Fines and forfeitures	833,046	723,181	573,355	549,460	782,276	766,908	668,762	594,840	493,664	363,253
Investment income	87,852	9,320	3,884	6,948	6,604	18,259	12,428	179,685	457,112	572,336
Payment from component unit	1,063,682	910,301	828,247	1,099,836	791,218	970,989	850,941	931,773	927,717	770,877
Contributions and donations	1,141,823	505,658	2,248,498	68,724	127,206	111,254	174,272	39,833	176,900	124,608
Miscellaneous	407,717	203,891	141,911	160,959	203,888	115,930	111,418	149,984	151,892	85,405
Total revenues	21,952,284	21,987,663	23,058,761	19,756,007	16,077,903	15,747,580	16,329,203	15,998,305	15,264,215	15,170,000
Expenditures										
Current:										
Culture and recreation	3,344,965	3,195,581	3,081,793	2,965,441	2,778,854	2,860,841	2,985,738	2,963,083	2,993,583	2,611,013
General government	5,403,850	5,275,753	5,067,284	5,038,077	4,849,317	4,814,955	4,987,652	4,793,575	1,491,349	1,383,100
Health and welfare	314,999	292,948	305,008	302,547	280,468	278,258	281,388	262,880	535,818	562,579
Highways and streets	1,129,539	1,435,659	1,379,361	1,444,078	6,061,296	11,426,323	1,535,385	1,317,966	1,240,278	1,153,897
Public safety	5,991,944	5,794,265	6,382,845	6,091,109	5,870,921	5,801,959	5,977,319	5,055,235	4,801,776	4,634,054
Debt service:										
Interest & fiscal charges	747,578	974,276	926,007	964,850	967,466	932,687	818,939	816,482	929,359	938,159
Principal retirement	4,715,090	4,563,551	3,090,133	1,749,643	1,664,835	1,623,452	1,291,944	1,319,200	1,165,767	1,070,825
Issuance costs	-	-	95,731	51,489	15,550	331,409	800	132,893	1,069	21,072
Capital outlay	7,482,720	6,109,584	1,520,404	2,476,074	1,303,258	1,203,378	2,002,664	9,585,060	2,340,500	3,497,123
Total expenditures	29,130,685	27,641,617	21,848,566	21,083,308	23,791,965	29,273,262	19,881,829	26,246,374	15,499,499	15,871,822
Excess (deficiency) of revenues over(under) expenditures	(7,178,401)	(5,653,954)	1,210,195	(1,327,301)	(7,714,062)	(13,525,682)	(3,552,626)	(10,248,069)	(235,284)	(701,822)
Other financing sources (uses)										
Transfers in	6,206,837	11,129,848	4,704,485	3,201,225	3,060,200	3,091,370	3,849,305	4,092,165	1,036,319	723,787
Transfers out	(3,419,711)	(6,470,544)	(1,669,767)	(314,213)	(344,681)	(218,417)	(1,012,739)	(945,544)	(882,148)	(848,384)
Payment to Component Unit	-	-	-	-	-	(751,463)	-	-	-	-
Issuance of debt	450,000	138,000	4,075,000	1,886,423	1,200,000	16,097,674	-	-	-	-
Refunding bonds issued	-	3,910,000	1,509,201	-	-	3,060,619	-	5,941,995	-	1,524,321
Premium on debt issued	-	259,994	71,819	-	-	-	-	194,962	-	-
Payment to refunded bond escrow agent	-	(5,338,791)	(1,490,242)	-	-	(3,004,387)	-	(6,004,364)	-	(1,501,306)
Proceeds from capital lease	-	-	-	-	-	-	645,621	131,933	-	544,300
Miscellaneous	280,157	19,309	91,357	56,853	53,081	40,074	21,665	19,339	93,476	-
Total other financing sources (uses)	3,517,283	3,647,816	7,291,853	4,830,288	3,968,600	18,315,470	3,503,852	3,430,486	247,647	442,718
Net change in fund balance	\$ (3,661,118)	\$ (2,006,138)	\$ 8,502,048	\$ 3,502,987	\$ (3,745,462)	\$ 4,789,788	\$ (48,774)	\$ (6,817,583)	\$ 12,363	\$ (259,104)
Debt service as a percentage of non-capital expenditures	25.23%	25.72%	19.76%	14.59%	11.70%	9.11%	11.81%	12.82%	15.92%	16.23%

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
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
2012	4,107,558	5,445,722	2,888,603	571,918	25,265	-	13,039,066
2013	4,404,296	5,641,349	2,972,220	658,646	26,668	-	13,703,179
2014	4,391,151	6,125,425	3,164,298	704,638	23,859	-	14,409,371
2015	4,753,324	5,457,145	2,874,901	770,537	49,000	-	13,904,906
2016	4,653,951	5,678,676	2,622,742	753,205	40,346	-	13,748,920

(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
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
2012	543,733,871	339,233,301	284,765,763	1,167,732,935	170,370,802	997,362,133	0.54320
2013	553,888,549	338,903,778	305,901,720	1,198,694,047	169,214,031	1,029,480,016	0.54320
2014	588,967,628	341,750,962	329,190,550	1,259,909,140	179,340,848	1,080,568,292	0.56320
2015	588,614,227	359,317,477	356,131,045	1,304,062,749	201,487,280	1,102,575,469	0.49120
2016	662,228,119	376,628,126	369,673,156	1,408,529,401	219,787,164	1,188,742,237	0.47310

(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 Ten Fiscal Years

CITY OF BRENHAM

TABLE 7

	CALENDAR YEAR (1)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<u>Sales subject to sales tax</u>										
Retail trade	\$ 211,999,117	\$ 206,936,182	\$ 200,166,319	\$ 192,880,386	\$ 185,845,076	\$ 184,434,383	\$ 185,958,779	\$ 184,899,069	\$ 176,374,582	\$ 165,564,470
Accommodation/food services	44,864,438	42,307,898	39,733,063	38,172,199	36,330,789	36,309,229	35,547,090	34,609,238	31,635,974	28,528,631
Wholesale trade	23,039,871	25,121,744	24,694,123	16,762,409	13,616,793	12,950,217	13,395,632	16,490,784	16,316,965	17,216,891
Manufacturing	16,204,739	20,485,742	20,879,179	18,536,084	15,277,547	14,031,339	15,744,268	25,038,093	16,522,060	16,115,966
Admin/support/waste mgmt/remediation services	13,063,035	12,314,737	11,908,900	10,380,780	6,229,057	5,148,773	5,420,141	7,191,225	6,385,434	6,511,431
Information	10,907,336	9,357,216	5,092,179	4,222,671	3,924,959	3,403,518	3,293,086	2,587,597	6,743,249	1,662,880
Other services	8,051,592	8,631,759	8,411,007	8,397,832	7,852,686	8,254,664	7,646,118	7,642,688	7,529,497	6,339,914
Construction	6,300,143	4,636,339	3,634,513	5,929,461	4,250,898	4,874,143	5,485,705	4,183,561	5,313,078	4,009,748
Real estate/rental/leasing	5,161,358	4,596,074	4,726,546	4,578,407	4,270,107	3,784,914	4,934,661	7,408,045	5,840,137	4,927,370
Mining/quarrying/oil/gas extraction	5,042,647	3,784,238	9,957,614	6,728,368	2,999,333	3,152,929	4,229,845	9,146,075	7,752,965	5,464,529
Professional/scientific/technical services	2,973,265	3,164,426	3,012,617	2,269,454	2,112,551	2,002,752	1,864,755	2,931,954	2,202,976	2,250,152
Educational services	2,545,139	2,231,771	2,199,657	2,164,287	2,157,341	1,886,553	1,759,260	1,767,263	1,815,152	1,585,995
Arts/entertainment/recreation	1,325,235	1,266,465	1,104,462	1,157,707	1,135,531	1,098,302	1,135,902	1,016,048	664,880	428,104
Finance/insurance	941,719	709,837	981,444	2,056,713	1,905,231	2,399,368	2,649,199	1,399,762	1,074,663	1,182,103
Transportation/warehousing	307,391	304,802	284,374	306,194	246,296	223,081	225,203	273,397	111,957	27,959
Health care/social assistance	123,081	125,376	125,304	134,722	114,402	47,212	37,369	52,738	34,638	33,136
Agriculture/forestry/fishing hunting	89,881	75,721	73,717	195,546	171,394	136,705	116,141	163,971	367,864	338,068
Public administration	-	-	-	-	-	-	-	-	-	1,778,439
All industries (2)	\$ 360,102,873	\$ 353,637,727	\$ 343,937,445	\$ 321,297,875	\$ 295,952,623	\$ 291,297,972	\$ 297,373,449	\$ 314,645,173	\$ 293,550,391	\$ 269,363,326
City sales tax rate (3)	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500	0.01500

(1) 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 2016 was unavailable.

(2) 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.

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

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

CITY OF BRENHAM

TABLE 8

Fiscal Year	PROPERTY TAX RATES (per \$100 of assessed value) (1)							SALES TAX RATES (2)		
	City Direct Rates			Brenham Independent School District	Blinn College	Washington County	Total Overlapping Governments	City of Brenham	Washington County	Total Overlapping Governments
	General Fund	Debt Service	Total							
2007	0.31650	0.18980	0.50630	1.44450	0.05130	0.43350	2.43560	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
2012	0.34200	0.20120	0.54320	1.13500	0.05660	0.44080	2.17560	0.01500	0.00500	0.02000
2013	0.34200	0.20120	0.54320	1.13500	0.05670	0.44260	2.17750	0.01500	0.00500	0.02000
2014	0.35790	0.20530	0.56320	1.13500	0.06000	0.46260	2.22080	0.01500	0.00500	0.02000
2015	0.28900	0.20220	0.49120	1.13500	0.05840	0.52110	2.20570	0.01500	0.00500	0.02000
2016	0.29500	0.17810	0.47310	1.13500	0.06010	0.52110	2.18930	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 Nine Years Ago

CITY OF BRENHAM

TABLE 9

2016			2007		
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	\$ 50,144,510	4.22%	Blue Bell Creameries	\$ 37,797,420	4.74%
Valmont/ALS	22,678,690	1.91%	Valmont/ALS - Abated	15,082,070	1.89%
Sealy Mattress Company	12,120,220	1.02%	Mount Vernon Mills, Inc.	14,948,290	1.88%
Germania Farm Mutual Aid Association	11,833,835	1.00%	Wal-Mart Stores Texas LLC #4109	13,964,200	1.75%
MIC Group LLC (West)	11,455,770	0.96%	Magnetic Instruments	11,436,220	1.43%
Sabra Texas Properties, LP	10,505,540	0.88%	Lowe's Home Centers, Inc. #2521	11,279,395	1.41%
MIC LLC (East)	9,771,360	0.82%	Valmont/ALS	11,191,010	1.40%
Lowe's Home Centers, Inc. #2521	9,176,040	0.77%	Germania Farm Mutual Aid Association	9,748,755	1.22%
Brenham Wholesale Grocery Company	7,660,160	0.64%	Moore Wallace North America	9,205,070	1.15%
PI Components Corporation	7,293,340	0.61%	Longwood Elastomers, Inc.	8,417,210	1.06%
Total	\$ 152,639,465	12.84%	Total	\$ 143,069,640	17.95%

(1) Data is from Washington County Appraisal District.

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

CITY OF BRENHAM

TABLE 10

Fiscal Year	Total Tax Levy Net of Adjustments	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2007	\$ 4,090,469	\$ 4,020,713	98.29%	\$ 68,169	\$ 4,088,883	99.96%
2008	4,492,272	4,424,623	98.49%	63,468	4,488,091	99.91%
2009	4,738,704	4,666,545	98.48%	67,941	4,734,487	99.91%
2010	4,951,610	4,866,421	98.28%	76,973	4,943,394	99.83%
2011	4,918,797	4,840,737	98.41%	70,401	4,911,138	99.84%
2012	5,408,586	5,320,079	98.36%	74,036	5,394,116	99.73%
2013	5,590,859	5,507,178	98.50%	62,140	5,569,317	99.61%
2014	6,092,623	6,001,567	98.51%	49,380	6,050,947	99.32%
2015	5,424,641	5,347,550	98.58%	26,617	5,374,167	99.07%
2016	5,617,542	5,544,254	98.70%	-	5,544,254	98.70%

PRINCIPAL SALES TAX PAYERS BY INDUSTRY (1)
Calendar Years 2015 and 2006 (2)

CITY OF BRENHAM

TABLE 11

2015				2006			
Sales Tax Payers By Industry	Sales Subject to Sales Tax	Percentage of All Industries	Number of Reporting Outlets 4th Q	Sales Tax Payers By Industry	Sales Subject to Sales Tax	Percentage of All Industries	Number of Reporting Outlets 4th Q
Retail trade	\$ 211,999,117	58.87%	381	Retail trade	\$ 165,564,470	61.47%	395
Accommodation/food services	44,864,438	12.46%	89	Accommodation/food services	28,528,631	10.59%	79
Wholesale trade	23,039,871	6.40%	55	Wholesale trade	17,216,891	6.39%	43
Manufacturing	16,204,739	4.50%	114	Manufacturing	16,115,966	5.98%	77
Admin/support/waste mgmt/remediation services	13,063,035	3.63%	61	Admin/support/waste mgmt/remediation services	6,511,431	2.42%	100
Information	10,907,336	3.03%	8	Other services	6,339,914	2.35%	16
Other services	8,051,592	2.24%	103	Mining/quarrying/oil/gas extraction	5,464,529	2.03%	47
Construction	6,300,143	1.75%	83	Real estate/rental/leasing	4,927,370	1.83%	10
Real estate/rental/leasing	5,161,358	1.43%	14	Construction	4,009,748	1.49%	85
Mining/quarrying/oil/gas extraction	5,042,647	1.40%	4	Professional/scientific/technical services	2,250,152	0.84%	6
Professional/scientific/technical services	2,973,265	0.83%	68	Public administration	1,778,439	0.66%	13
Educational services	2,545,139	0.71%	12	Information	1,662,880	0.62%	69
Arts/entertainment/recreation	1,325,235	0.37%	20	Educational services	1,585,995	0.59%	13
Finance/insurance	941,719	0.26%	14	Finance/insurance	1,182,103	0.44%	15
Transportation/warehousing	307,391	0.09%	9	Arts/entertainment/recreation	428,104	0.16%	11
Health care/social assistance	123,081	0.03%	12	Agriculture/forestry/fishing hunting	338,068	0.13%	7
Agriculture/forestry/fishing hunting	89,881	0.02%	12	Health care/social assistance	33,136	0.01%	5
Public administration	-	0.00%	1	Transportation/warehousing	27,959	0.01%	12
Management of companies/enterprises	-	0.00%	1	Management of companies/enterprises	-	0.00%	4
Other	-	0.00%	4	Other	-	0.00%	1
All industries (3)	<u>\$ 360,102,873</u>	<u>100.00%</u>	<u>1,065</u>	All industries (3)	<u>\$ 269,363,326</u>	<u>100.00%</u>	<u>1,008</u>

(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 2016 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 (1)
Last Ten Fiscal Years

CITY OF BRENHAM

TABLE 12

Fiscal Year	Governmental Activities					Business-Type Activities				Total Primary Government	Percentage of Personal Income	
	Certificates of Obligation	General Obligation Refunding	Revenue Bonds	Limited Tax Notes	Capital Leases/Notes Payable	Certificates of Obligation	General Obligation Refunding	Capital Leases	Settlement		Per Capita	
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	7,947,643	9,127,587	15,191,283	665,873	552,333	6,535,198	14,311,233	188,043	-	54,519,193	7.47%	3,388
2012	7,426,711	8,391,568	15,061,647	1,594,036	435,986	6,192,281	13,266,678	92,535	-	52,461,442	7.04%	3,277
2013	8,705,034	7,632,103	14,932,012	1,322,198	344,237	5,835,000	12,190,566	371,785	-	51,332,935	6.56%	3,166
2014	12,280,891	6,715,656	13,607,376	1,045,360	249,414	5,770,000	10,740,847	294,212	-	50,703,757	6.19%	3,103
2015	11,688,697	9,920,792	5,549,929	763,522	262,590	5,565,000	9,525,932	214,838	-	43,491,300	5.14%	2,623
2016	11,078,284	8,726,402	2,817,634	481,685	584,399	5,350,000	8,274,189	133,619	-	37,446,211	4.32%	2,247

(1) Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(2) 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	Certificates of Obligation	General Obligation Refunding	Revenue Bonds	Limited Tax Notes	Capital Leases/ Notes Payable	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)
2007	\$ 19,848,522	\$ 1,511,950	\$ -	\$ -	\$ 878,321	\$ 22,238,793	\$ 332,812	\$ 21,905,981	\$ 797,156,826	2.75%	1,521
2008	18,899,484	1,505,078	-	-	635,451	21,040,013	418,335	20,621,678	879,817,843	2.34%	1,375
2009	12,019,923	7,371,700	-	-	471,085	19,862,708	337,949	19,053,674	945,811,445	2.01%	1,248
2010	11,407,845	6,906,103	-	-	866,584	19,180,532	481,884	18,698,648	982,776,938	1.90%	1,190
2011	7,947,643	9,127,587	15,191,283	665,873	552,333	33,484,719	245,654	33,239,065	975,919,507	3.41%	2,066
2012	7,426,711	8,391,568	15,061,647	1,594,036	435,986	32,909,948	199,181	32,710,767	997,362,133	3.28%	2,043
2013	8,705,034	7,632,103	14,932,012	1,322,198	344,237	32,935,584	185,850	32,749,734	1,029,480,016	3.18%	2,020
2014	12,280,891	6,715,656	13,607,376	1,045,360	249,414	33,898,697	554,803	33,343,894	1,080,568,292	3.09%	2,040
2015	11,688,697	9,920,792	5,549,929	763,522	262,590	28,185,530	405,888	27,779,642	1,102,575,469	2.52%	1,676
2016	11,078,284	8,726,402	2,817,634	481,685	584,399	23,688,403	227,350	23,461,053	1,188,742,237	1.97%	1,408

(1) See Table 17 for population information.

DIRECT AND OVERLAPPING DEBT
Current Year

CITY OF BRENHAM

TABLE 14

NAME OF GOVERNMENTAL UNIT	GROSS BONDED DEBT OUTSTANDING	2015 TAX ROLL TAXABLE VALUE	PERCENTAGE APPLICABLE TO CITY OF BRENHAM (1)	CITY OF BRENHAM'S SHARE OF DEBT
City of Brenham	\$ 23,688,403	\$ 1,188,742,237	100.00%	\$ 23,688,403
Total direct debt	23,688,403	1,188,742,237		23,688,403
Brenham I. S. D.	33,228,245	2,168,893,320	54.81%	18,211,969
Washington County	3,250,000	2,625,346,096	45.28%	1,471,582
Blinn College	-	2,662,449,330	0.00%	-
Total overlapping debt	36,478,245	7,456,688,746		19,683,551
Total direct and overlapping debt	\$ 60,166,648	\$ 8,645,430,983		\$ 43,371,954

Ratio of direct and consolidated overlapping funded debt to taxable assessed valuation 0.50%

Per capita consolidated overlapping tax supported debt (based on population of 16,668) \$2,602

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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Taxable assessed valuations	\$ 1,188,742,237	\$ 1,102,575,469	\$ 1,080,568,292	\$ 1,029,480,016	\$ 997,362,133	\$ 975,919,507	\$ 982,776,938	\$ 945,811,445	\$ 879,817,843	\$ 797,156,826
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	0.29500	0.28900	0.35790	0.34200	0.34200	0.34200	0.34200	0.34200	0.32450	0.31650
Debt limit per \$100 valuation	1.35500	1.36100	1.29210	1.30800	1.30800	1.30800	1.30800	1.30800	1.32550	1.33350
Debt limit	16,107,457	15,006,052	13,962,023	13,465,599	13,045,497	12,765,027	12,854,722	12,371,214	11,661,986	10,630,086
Total net debt applicable to limit	5,462,668	5,537,827	4,016,140	2,714,493	2,632,301	2,611,307	2,107,581	2,219,350	2,046,971	1,980,831
Legal debt margin	\$ 10,644,789	\$ 9,468,225	\$ 9,945,883	\$ 10,751,106	\$ 10,413,196	\$ 10,153,720	\$ 10,747,141	\$ 10,151,864	\$ 9,615,015	\$ 8,649,255
Total net debt applicable to the limit as a percentage of debt limit	33.91%	36.90%	28.76%	20.16%	20.18%	20.46%	16.40%	17.94%	17.55%	18.63%

PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years

CITY OF BRENHAM

TABLE 16

Water Fund (1)							Wastewater Fund - Self-Supporting Debt (2)						
Fiscal Year	Utility Charges for Services	Less: Operating Expenses	Net Available Revenue	Debt Service		Debt Service Coverage	Fiscal Year	Utility Charges for Services	Less: Operating Expenses	Net Available Revenue	Debt Service		Debt Service Coverage
				Principal	Interest (3)						Principal	Interest (3)	
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	552,701	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
2012	4,413,080	2,819,979	1,593,101	600,229	481,901	1.47	2012	3,647,921	2,353,385	1,294,536	856,283	271,196	1.15
2013	4,326,320	2,877,823	1,448,497	613,738	472,594	1.33	2013	3,584,026	2,509,164	1,074,862	888,133	249,074	0.95
2014	3,974,875	3,146,191	828,684	703,854	399,330	0.75	2014	3,586,878	2,549,655	1,037,223	925,835	214,615	0.91
2015	3,759,869	2,945,350	814,519	479,962	335,835	1.00	2015	3,413,850	2,470,332	943,518	1,021,313	258,364	0.74
2016	3,890,641	3,321,499	569,142	498,938	316,657	0.70	2016	3,483,098	2,479,197	1,003,901	1,049,163	228,023	0.79

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)	
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	979,390	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
2012	8,061,001	5,173,364	2,887,637	1,456,512	753,097	1.31
2013	7,910,346	5,386,987	2,523,359	1,501,871	721,668	1.13
2014	7,561,753	5,695,846	1,865,907	1,629,689	613,945	0.83
2015	7,173,719	5,415,682	1,758,037	1,501,275	594,199	0.84
2016	7,373,739	5,800,696	1,573,043	1,548,101	544,680	0.75

(1) Water fund-supported debt includes 2001 general obligation refunding bonds, 2001 and 2008 certificates of obligation, and 2007, 2009, 2010, 2011, 2014, and 2016 general obligation refunding bonds.
(2) Wastewater fund-supported debt includes 2001 and 2002 certificates of obligation, and 2007, 2009, 2010, 2011, and 2014 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)
2007	14,873	\$ 575,421	\$ 38,689	3.8
2008	15,049	632,825	42,051	3.8
2009	15,270	626,925	41,056	5.3
2010	15,716	665,573	42,350	5.9
2011	16,091	730,274	45,384	6.0
2012	16,008	745,397	46,564	4.8
2013	16,214	782,180	48,241	4.9
2014	16,342	819,649	50,156	4.0
2015	16,579	846,855	51,080	5.0
2016	16,668	867,269	52,030	5.5

(1) Population data for 2007 to 2009 and 2011 to 2015 are projections provided by the Population Division of the U.S. Census Bureau. The results of the 2010 Census supply the data for 2010. Data for 2016 is estimated based on an average annual growth rate. All data is updated annually based on the newest information available.

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

(3) Per capita data for 2007 to 2015 are projections for Washington County provided by the Bureau of Economic Analysis. Year 2016 is an estimate based on a five year compound average annual growth rate. All data is updated annually based on the newest information available.

(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 2007 to 2016 are for Washington County.

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

CITY OF BRENHAM

TABLE 18

2016			2007		
Employer (1)	Employees	Percentage of Total City Employment	Employer	Employees	Percentage of Total City Employment
Brenham State Supported Living Center	1,051	15.39%	Blinn College	900	13.48%
Brenham I.S.D.	693	10.15%	Brenham State Supported Living Center	880	13.18%
Blue Bell Creameries	575	8.42%	Blue Bell Creameries	786	11.77%
Blinn College	475	6.96%	Brenham I.S.D.	719	10.77%
Wal-Mart Supercenter	385	5.64%	Wal-Mart Supercenter	380	5.69%
Tempur Sealy International	341	4.99%	Germania Insurance	324	4.85%
Germania Insurance	336	4.92%	Mount Vernon Mills	305	4.57%
Scott & White Hospital - Brenham	300	4.39%	Trinity Medical Center	285	4.27%
City of Brenham	284	4.16%	City of Brenham	240	3.59%
Washington County	236	3.46%	Sealy Mattress Company	211	3.16%
Total	4,676	68.49%	Total	5,030	75.33%
Employment (2)	6,827		Employment	6,678	

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

(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 2015 is an estimate based on Washington County employment estimates reported by the U.S. Bureau of Labor Statistics for 2014. City employment is an allocation using the proportion of City to County estimated populations.

FULL-TIME EQUIVALENT EMPLOYEES
Last Ten Fiscal Years

CITY OF BRENHAM

TABLE 19

Function/program	FISCAL YEAR									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Administration	5.07	5.90	6.00	6.00	5.00	6.28	8.08	8.08	7.00	10.00
Development Services	5.50	4.50	4.50	4.10	1.00	1.00	-	-	-	-
Human Resources	2.50	2.43	2.00	2.00	2.80	2.80	-	-	-	-
Main Street	1.00	1.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00	-
Engineering Services	2.00	-	-	-	-	-	-	-	-	-
Maintenance	8.47	8.47	7.97	7.50	8.00	8.00	8.00	8.00	8.38	9.38
Finance	8.87	9.27	9.27	9.08	8.08	9.39	10.39	10.45	10.00	10.00
Purchasing/Warehouse	3.47	3.47	4.44	3.47	3.47	-	-	-	-	-
Streets	15.25	16.75	16.75	16.46	16.46	16.90	16.90	16.90	17.50	17.50
Parks	16.67	15.42	15.42	17.62	18.62	21.06	21.06	27.38	20.10	20.10
Library	6.47	5.99	5.99	5.99	7.41	8.14	8.14	8.03	8.92	8.92
Community Programs/Marketing	2.93	3.18	1.94	2.19	4.66	4.74	4.74	-	-	-
Aquatic Center	15.40	15.40	15.15	14.90	13.92	15.04	15.04	15.04	20.19	20.19
City Communications	0.25	0.25	-	-	-	-	-	-	-	-
Communications	-	-	17.17	17.17	16.92	17.16	17.16	13.13	14.17	13.17
Police	40.50	41.50	40.50	38.50	38.00	38.00	37.00	34.00	34.00	33.00
Fire	16.25	16.25	16.25	15.25	15.00	15.00	15.00	12.13	12.00	11.00
Animal Shelter/Control	4.00	4.00	4.00	4.00	4.00	4.00	3.00	4.00	4.40	3.40
Municipal Court	5.35	4.60	4.80	4.80	4.80	4.60	4.60	4.75	4.60	4.60
Public Works	2.13	1.50	1.50	1.90	5.50	6.00	6.00	6.00	6.14	6.14
Information Technology	5.18	5.00	5.00	5.00	6.00	5.00	5.00	5.00	4.50	3.50
Utility Customer Service	6.00	6.00	5.60	7.20	9.00	10.00	10.00	10.00	10.00	10.00
Public Utilities	10.50	12.00	11.00	8.00	7.50	7.00	7.00	7.00	6.00	6.00
Electric	11.00	12.00	12.00	12.00	12.00	13.00	12.00	12.00	11.00	11.00
Gas	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.33
Water Treatment	7.50	7.50	6.50	6.50	6.50	6.50	6.50	7.00	7.00	6.00
Water Construction	4.00	5.00	5.00	5.00	5.00	5.00	5.50	5.50	5.50	5.34
Wastewater Construction	4.00	4.00	5.00	5.00	5.00	5.00	5.50	5.50	5.50	5.33
Wastewater Treatment	3.50	4.50	4.50	4.50	4.50	4.50	4.50	5.50	7.00	7.00
Transfer Station	3.25	2.75	2.75	2.75	2.75	2.75	2.75	3.08	3.08	3.08
Collection Station	2.25	3.25	3.25	3.25	2.83	2.83	2.83	1.39	1.08	1.08
Recycling Center	2.75	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25
Residential Collection	2.75	2.75	2.75	2.75	2.75	2.75	2.75	3.59	4.03	5.03
Public Information	-	-	-	-	-	-	2.00	2.00	2.00	2.00
Total	229.76	231.88	245.25	241.13	245.72	251.69	250.69	244.70	243.34	240.34

Source of Non-Accounting Data: City of Brenham's Adopted Budget

OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

CITY OF BRENHAM

TABLE 20

	FISCAL YEAR									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Recreation/Parks										
Number of athletic tournaments	27	28	32	42	45	41	36	33	31	32
Aquatic Center										
Number of Visitors	68,036	60,685	66,434	67,353	65,703	68,997	67,000	67,526	73,506	66,793
Number of Annual Passes	133	89	99	131	132	87	97	145	143	137
Number of Monthly Passes	1,053	916	960	910	991	1,156	962	930	927	907
Number of Summer Passes	103	77	78	76	80	84	-	-	-	-
Streets										
Road maintenance in linear feet	3,942	5,525	10,794	5,178	8,796	16,430	33,958	11,186	9,376	11,738
Library										
Circulation	60,629	61,689	57,949	62,782	63,737	73,288	75,174	73,700	70,174	44,933
Communications (1)										
Number of Incoming Calls	-	-	633,648	644,070	683,380	759,065	712,766	749,499	682,254	561,436
Number of 9-1-1 Calls	-	-	45,515	38,540	36,332	34,924	30,388	30,594	30,001	30,702
Police										
Traffic Citations	4,633	5,436	4,372	4,425	4,081	5,240	6,230	8,036	6,445	3,593
Traffic Warning Tickets Issued	4,231	5,854	5,694	4,964	4,964	9,740	7,493	4,274	3,426	3,536
Mileage on Police units	442,850	448,691	466,688	419,124	443,909	401,630	422,313	382,597	296,882	296,422
Fire (2)										
Fire Responses	598	661	568	547	547	570	429	352	376	401
Rescues	52	83	58	36	36	18	17	52	36	46
Animal Control/Shelter/Adoption (3)										
Number of Incoming Animals	1,177	1,240	1,419	1,645	1,906	1,611	1,760	1,455	1,723	1,846
Animals Adopted	334	279	284	256	263	336	343	300	385	401
Municipal Court										
Traffic dispositions	4,378	3,978	2,517	2,880	5,186	4,270	5,703	5,582	4,444	5,614
Other dispositions	1,934	1,680	1,959	2,132	4,302	2,458	1,527	1,603	1,647	1,413
Public Works										
Building Inspection Visits	2,011	1,878	2,315	1,901	1,621	1,835	1,956	1,818	1,936	1,742
Electric										
kWh delivered	261,757,332	269,960,615	288,427,106	281,329,115	281,786,169	289,768,758	271,319,462	271,248,570	290,272,935	302,190,150
Customers served	8,529	8,449	8,420	8,405	8,345	8,286	8,235	8,150	8,060	7,947
Gas										
mcf delivered	345,640	394,150	474,330	402,656	369,023	394,563	443,345	420,851	522,411	602,719
Customers served	4,377	4,361	4,326	4,316	4,279	4,244	4,212	4,151	4,106	4,050
Water										
Gallons delivered	738,120,100	716,115,400	763,545,100	847,002,400	872,381,300	996,362,800	752,748,100	926,510,200	883,015,900	799,546,600
Customers served	7,589	7,503	7,398	7,345	7,271	7,164	7,077	6,946	6,816	6,654
Wastewater										
Effluent plant gallons processed	749,670,200	732,231,000	687,835,000	672,065,000	704,378,000	657,568,000	727,301,000	762,338,000	772,589,000	810,562,100
Commercial/industrial gallons processed	287,287,700	294,107,600	328,694,600	326,351,900	340,551,800	351,747,400	327,125,800	385,150,300	393,674,700	394,462,700
Customers served	6,782	6,705	6,633	6,614	6,536	6,434	6,373	6,284	6,198	6,073
Sanitation										
Customers served	6,008	5,946	5,873	5,858	5,812	5,728	5,610	5,468	5,299	5,168

Source of Non-Accounting Data: City of Brenham's Departmental Records

(1) Communications department transferred from the City of Brenham to Washington County effective October 1, 2014 per the Comprehensive Exchange of Services Interlocal Agreement.

(2) Operating indicators for the Fire Department are based on fiscal year. Data for 2007 to 2015 are based on calendar year. Figures for 2008 are year-to-date, December 12, 2008.

(3) Operating indicators for the Animal Control/Shelter/Adoption are based on fiscal year. Data for 2007 to 2015 are based on calendar year.

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

CITY OF BRENHAM

TABLE 21

	FISCAL YEAR									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Recreation/Parks										
Park acreage	191	191	191	191	191	191	150	150	150	150
Parks	8	8	8	8	8	8	7	7	7	7
Amphitheatres	1	1	1	1	1	1	-	-	-	-
Aquatic centers	1	1	1	1	1	1	1	1	1	1
Baseball fields	7	7	7	8	8	8	8	8	8	8
Softball fields	9	9	9	9	9	9	9	9	9	9
Pickleball courts	4	-	-	-	-	-	-	-	-	-
Tennis courts	6	6	6	6	6	6	6	6	6	6
Soccer fields	12	12	12	12	12	12	12	12	12	12
Skateboard parks	1	1	1	1	1	1	1	1	1	1
Libraries	1	1	1	1	1	1	1	1	1	1
Airports	1	1	1	1	1	1	1	1	1	1
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	45	45	45	44	43	43	43	43	40	38
Fire										
Fire stations	1	1	1	1	1	1	1	1	1	1
Fire trucks	6	6	6	6	6	5	5	5	5	5
Animal control/shelter/adoption										
Shelters	1	1	1	1	1	1	1	1	1	1
Electric										
Miles of electric mains	121	120	119	118	118	118	118	118	118	116
Gas										
Miles of gas mains	126	124	122	121	118	118	116	115	115	111
Water										
Miles of water mains	165	155	154	153	153	153	149	148	145	143
Wastewater										
Miles of wastewater mains	144	143	141	141	138	138	137	137	136	135
Sanitation										
Collection stations	1	1	1	1	1	1	1	1	1	1
Transfer stations	1	1	1	1	1	1	1	1	1	1
Recycling stations	1	1	1	1	1	1	1	1	1	1

Source of Non-Accounting Data: City of Brenham's Departmental Records





CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brenham, Texas
February 27, 2017

Seidel Schroeder