

CITY OF BRENHAM, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2017



PREPARED BY THE FINANCE DIVISION

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

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INTRODUCTORY
SECTION



March 2, 2018

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, 2017. 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, 2017 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, 2017, 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

The City of Brenham's diverse economic base allowed the City to weather the economic disruption resulting from prolonged low oil and gas prices and the temporary shutdown of the Blue Bell facility in fiscal 2015. Despite the slowdown, taxable value growth remained stable as well as residential and commercial building activity. Sales tax revenue is rebounding along with hotel occupancy tax revenue. Specific information related to these indicators are noted below.

ECONOMIC CONDITION AND OUTLOOK (continued)

Local Economy (continued)

- Growth in Sales Tax Revenue – sales tax, which is the largest revenue source for funding general government operations and maintenance, was budgeted to increase 2% over the prior year budget. We experienced a 4.6 % increase over the FY17 original budget, and FY18 revenues are stable.
- Stable Taxable Property Valuations – the City of Brenham’s certified taxable property valuations for the 2017 tax year grew to just over \$1.198 billion compared to the prior year of \$1.189 billion (less than 1%). This growth included over \$16.1 million in new improvements.
- Growth in Permit Revenue – permit revenue was originally budgeted at \$92,000, however actual collections were \$140,922 or 53% higher. Additional information related to building permits is included in the Economic Development section below.
- Unemployment Rate for the County – the unemployment rate for Washington County in September 2017 was 3.8% compared to 5.5% one year ago, and was favorable to the State's average unemployment rate of 4.0%.
- Increase in City’s Hotel Occupancy Tax Revenues – for FY17, hotel occupancy tax collections totaled \$617,291 which was 7.4% higher than FY17 budget and 4.7% above FY16 actual collections. The first quarter of FY18 is trending ahead of FY17 and 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 economic development through annexations, moderate growth in residential and commercial building permits and infrastructure improvements. Several highlights are noted below.

- Annexations – the City annexed 86 acres through a voluntary annexation process for Stylecraft Builders on a Planned Development District with frontage along State Highway 36 North. This development known as The Trails at Hickory Grove is a master planned community that is primarily single family housing with a dedicated area of multi-family and local business mixed use.
- Residential building permits – In FY17, 80 residential building permits were issued for the year totaling \$9.425 million with over 47% in the Ralston Creek Subdivision.
- Commercial building permits – The City issued 18 commercial building permits for FY17 totaling \$6.205 million including the Blinn College Hodde Tech Center Annex, a Lutheran Church, two retail businesses, a fast-food chain restaurant, a commercial property development and one business expansion.

ECONOMIC CONDITION AND OUTLOOK (continued)

Economic Development (continued)

- The City continues to invest in Electric and Water utility infrastructure improvements and upgrades. In 2016, the City issued \$2 million in Electric Fund debt for a copper conductor replacement project to replace about 18 of the 24 miles of copper conductor remaining in our distribution system. Around 5% of the project was completed in FY17. In 2017, the City issued \$677,000 in Water Fund debt for the water treatment plant rehabilitation and protective coatings project. Engineering work for this project was completed in FY17.

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. In accordance with GASB Statement No. 77, additional information on tax abatement can be found in the notes to the financial statements.

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 the prior fiscal year, and is continuing to work with an outside consultant on developing detail guidelines and policy implementation.

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 Blinn College 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. The Hodde Tech Center Annex was opened in September 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 over \$532,000 for improvements to our existing park facilities and aquatic center during the fiscal year.
- The Southwest Industrial Park Section III was expanded with the acquisition of just under 45 acres for new unrestricted industrial sites. The 4B sales tax provided \$478,150 in funding which was supplemented with a \$500,000 note from the City of Brenham.

The City Council approved an Ordinance amending the zoning in the downtown district to provide for a Neighborhood Business District (B-4) to include a Downtown Business/Residential Overlay. This encourages a mix of commercial, office, service, residential and government uses while preserving the historical/commercial character of this unique district. The goal is not only to encourage new development within the B-4 District, but to also strongly encourage redevelopment and reuse of existing structures within the District.

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 FY17, the unassigned fund balance had grown to over \$4.63 million or 125 days coverage. For purposes of this calculation, we used total expenditures less other financing sources/(uses).

Major Initiatives

The City engaged an outside consultant to evaluate the Fire Department for required apparatus and staffing. Based on ISO (Insurance Service Office) and NFPA (National Fire Protection Association) industry standards, the report noted deficiencies in staffing resources. During FY17 budget workshops, the Fire Chief referenced the continual decline in the volunteer base, which has led to the shortage of manpower responding to emergency calls. The consultant’s report recommended adding three additional firefighters which carried a fiscal impact of \$185,000. This priority was met with a \$0.02 increase in the O&M tax rate for FY17.

Another initiative was to restore funding for the street reconstruction program of \$900,000 (\$225,000 over four fiscal years). Originally, a portion of the \$1.429 million from the sale of land in Chappell Hill was dedicated to the street reconstruction program. These funds were temporarily reallocated for the completion of the animal shelter and renovated/expanded library with the intent to reimburse the City by issuing certificates of obligation when our local economy rebounded. In October 2016, the City issued \$1.26 million in tax supported debt for transportation needs and \$2.125 million in utility debt that includes electric utility system upgrades.

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, 2016. This is the ninth 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,



James Fisher
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**

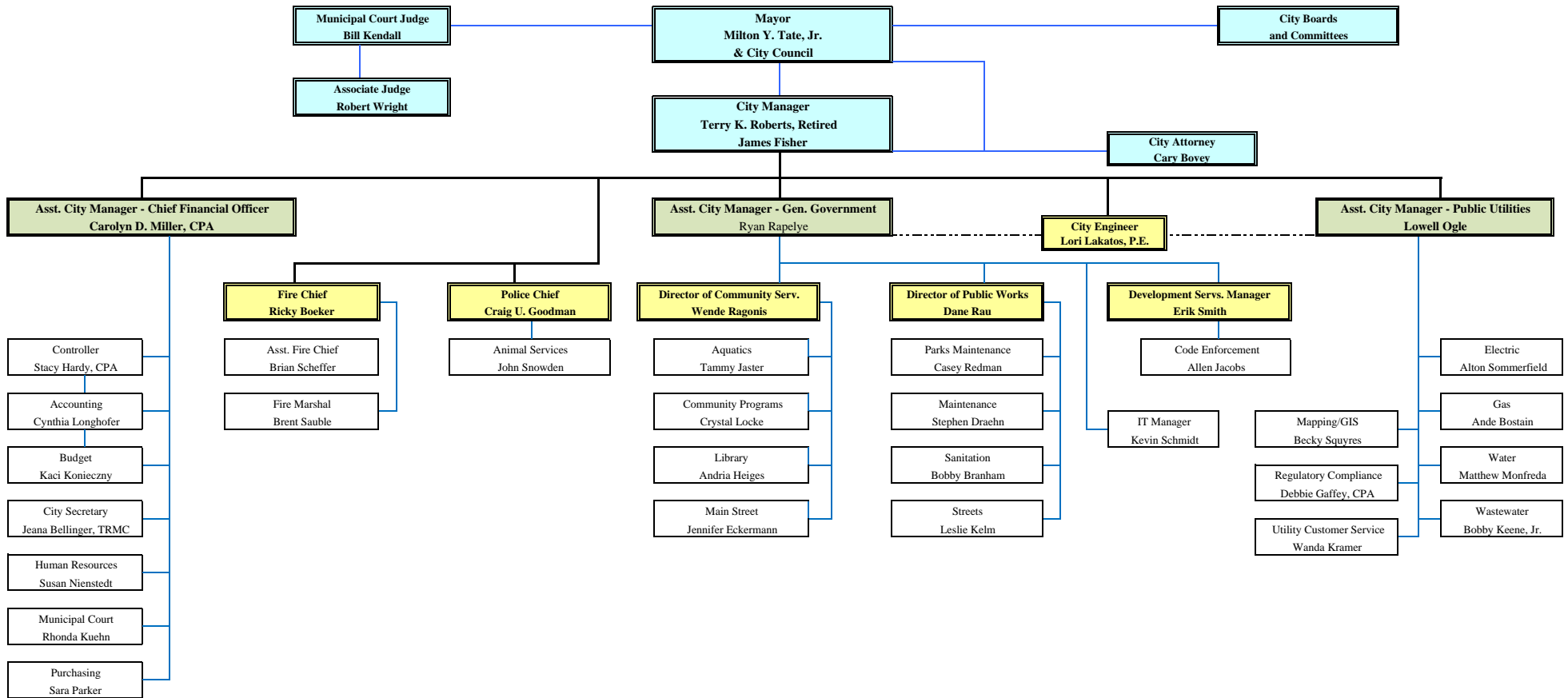
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morrill

Executive Director/CEO

CITY OF BRENHAM - ORGANIZATIONAL CHART
As of October 1, 2017



* City Manager Terry Roberts retired; James Fisher was appointed by the City Council on December 7, 2017.

**CITY OF BRENHAM
PRINCIPAL OFFICIALS
SEPTEMBER 30, 2017**

MAYOR

Milton Y. Tate, Jr.

MAYOR PRO-TEM

Andrew Ebel

CITY COUNCIL

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

CITY MANAGER

Terry K. Roberts, Retired
James Fisher

ASSISTANT CITY MANAGERS

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

CONTROLLER

Stacy Hardy, CPA

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INDEPENDENT AUDITOR'S 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, 2017, 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, 2017, 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 March 2, 2018 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
March 2, 2018



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CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2017

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, 2017. 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 \$96,282 (net position). Of this amount, \$10,526 (*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 \$339.
- As of the close of the current fiscal year, the City of Brenham's governmental funds reported combined ending fund balances of \$12,140 a decrease of \$396 in comparison with the prior year. Approximately \$4,626 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 \$5,258 or 30% of total general fund expenditures.
- The City of Brenham's total bonded debt decreased by \$3,063 or 8.34% 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 FY17.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS – (Continued)

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

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

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

The City of Brenham maintains 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and US 290 Pass Thru Finance Fund which are considered to be major funds. Individual fund balance sheets and statements of revenues, expenditures, and changes in fund balance for the other 9 governmental funds are presented in the supplementary information section. The governmental FFS can be found on pages 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 141 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
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GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position serves as a useful indicator of the City's financial position. Assets exceeded liabilities by \$96,282 (net position) at the close of the fiscal year, compared to assets exceeding liabilities by \$95,943 (net position) at the end of the prior fiscal year. The City's total net position increased by \$339 during the period.

City of Brenham, Texas						
Net Position						
(Amounts in Thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 13,921	\$ 16,858	\$ 22,082	\$ 18,582	\$ 36,003	\$ 35,440
Capital assets	61,211	61,576	53,682	53,296	114,893	114,872
Total assets	<u>75,132</u>	<u>78,434</u>	<u>75,764</u>	<u>71,878</u>	<u>150,896</u>	<u>150,312</u>
Deferred Outflows of Resources						
Deferred amount from refundings	181	232	734	537	915	769
Deferred outflows - TMRS Pension	1,842	2,070	718	805	2,560	2,875
Deferred outflows - TESRS Pension	142	100	-	-	142	100
Total Deferred Outflows of Resources	<u>2,165</u>	<u>2,402</u>	<u>1,452</u>	<u>1,342</u>	<u>3,617</u>	<u>3,744</u>
Liabilities						
Long-term debt outstanding	27,248	29,140	17,993	16,377	45,241	45,517
Other liabilities	5,849	6,755	6,338	5,071	12,187	11,826
Total liabilities	<u>33,097</u>	<u>35,895</u>	<u>24,331</u>	<u>21,448</u>	<u>57,428</u>	<u>57,343</u>
Deferred Inflows of Resources						
Deferred amount from refundings	65	100	73	85	138	185
Deferred inflows - TMRS Pension	459	392	178	152	637	544
Deferred inflows - TESRS Pension	27	41	-	-	27	41
Total Deferred Inflows of Resources	<u>551</u>	<u>533</u>	<u>251</u>	<u>237</u>	<u>802</u>	<u>770</u>
Net Position						
Net invested in capital assets	45,068	45,917	40,363	39,542	85,431	85,459
Restricted	325	313	-	-	325	313
Unrestricted	(1,745)	(1,822)	12,271	11,993	10,526	10,171
Total net position	<u>\$ 43,648</u>	<u>\$ 44,408</u>	<u>\$ 52,634</u>	<u>\$ 51,535</u>	<u>\$ 96,282</u>	<u>\$ 95,943</u>

By far the largest portion of the City of Brenham's net position, \$85,431 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 \$325, less than 1%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$10,526 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
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GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

City of Brenham, Texas						
Changes in Net Position						
(Amounts in Thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 1,530	\$ 1,592	\$ 36,471	\$ 33,880	\$ 38,001	\$ 35,472
Operating grants and contributions	617	596	70	-	687	596
Capital grants and contributions	63	2,374	45	391	108	2,765
General revenues:						
Property taxes	6,124	5,680			6,124	5,680
Sales taxes	4,830	4,654			4,830	4,654
Franchise taxes	2,780	2,623			2,780	2,623
Hotel Occupancy taxes	712	753			712	753
Alcoholic Beverage taxes	42	40			42	40
Other	1,639	1,817	326	305	1,965	2,122
Total revenues	<u>18,337</u>	<u>20,129</u>	<u>36,912</u>	<u>34,576</u>	<u>55,249</u>	<u>54,705</u>
Expenses:						
General government	6,433	6,137	-	-	6,433	6,137
Public safety	7,331	7,186	-	-	7,331	7,186
Highway/streets	2,626	2,568	-	-	2,626	2,568
Interest on Long Term Debt	454	503	-	-	454	503
Culture and recreation	4,650	4,109	-	-	4,650	4,109
Health and welfare	596	348	-	-	596	348
Water	-	-	3,646	3,732	3,646	3,732
Wastewater	-	-	2,865	2,792	2,865	2,792
Electric	-	-	20,830	19,465	20,830	19,465
Gas	-	-	2,530	1,664	2,530	1,664
Sanitation	-	-	2,950	2,884	2,950	2,884
Total Expenses	<u>22,090</u>	<u>20,851</u>	<u>32,821</u>	<u>30,537</u>	<u>54,911</u>	<u>51,388</u>
Increase (decrease) in net position before transfers	(3,753)	(722)	4,091	4,039	339	3,317
Transfers	2,993	2,787	(2,993)	(2,787)	-	-
Increase (decrease) in net position	(760)	2,065	1,099	1,253	339	3,318
Net position - beginning	44,408	42,343	51,535	50,282	95,943	92,625
Net position - ending	<u>\$ 43,648</u>	<u>\$ 44,408</u>	<u>\$ 52,634</u>	<u>\$ 51,535</u>	<u>\$ 96,282</u>	<u>\$ 95,943</u>

CITY OF BRENHAM, TEXAS
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GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

Governmental activities. Governmental activities decreased the City of Brenham's net position by \$760 compared to an increase of \$2,065 in the prior fiscal year. Key elements of this decrease are noted below.

Revenues decreased to \$18,337 from \$20,129 during the year. This decrease is attributable to several factors.

Program Revenues

- The decrease in *Charges for Services* is due mainly to reduced municipal court fees and fines;
- The increase in *Operating Grants and Contributions* is attributable to FEMA disaster recovery in several areas;
- *Capital Grants and Contributions* decreased from \$2,374 to \$63 because FY16 included donations for the 50/50 public-private partnerships for the new animal shelter and renovated/expanded library.

General Revenues

- The increase in *Property Taxes* is attributable to the \$0.0339 increase in the property tax rate;
- *Sales Taxes* increased by 3.8% over the prior year due to a more robust local economy;
- *Franchise Taxes* are received from the enterprise funds and are budgeted at 7% of revenue. The franchise taxes were higher than the prior year by 6% which is directly attributable to increased 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 growth of competing hotel properties in Brazos County;
- *Other Revenues* were higher in FY16 compared to FY17 due primarily from insurance proceeds related to storm damage, and sale of city-owned residential lots.

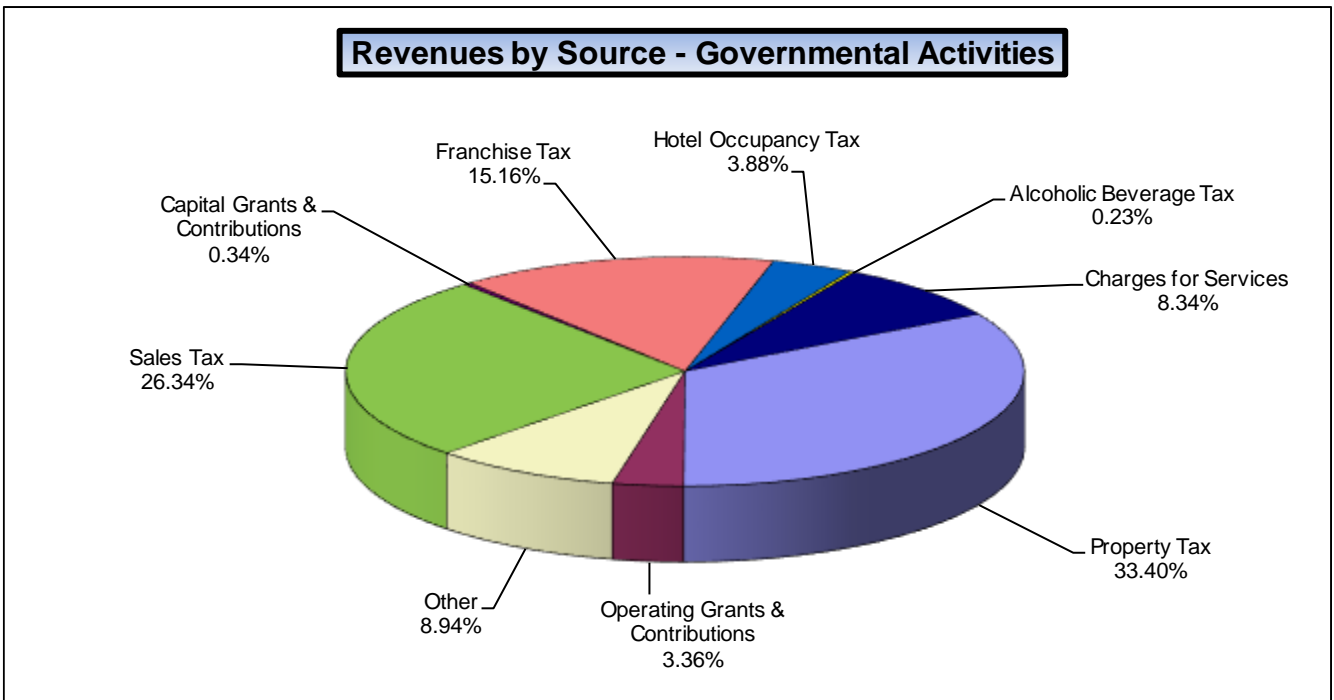
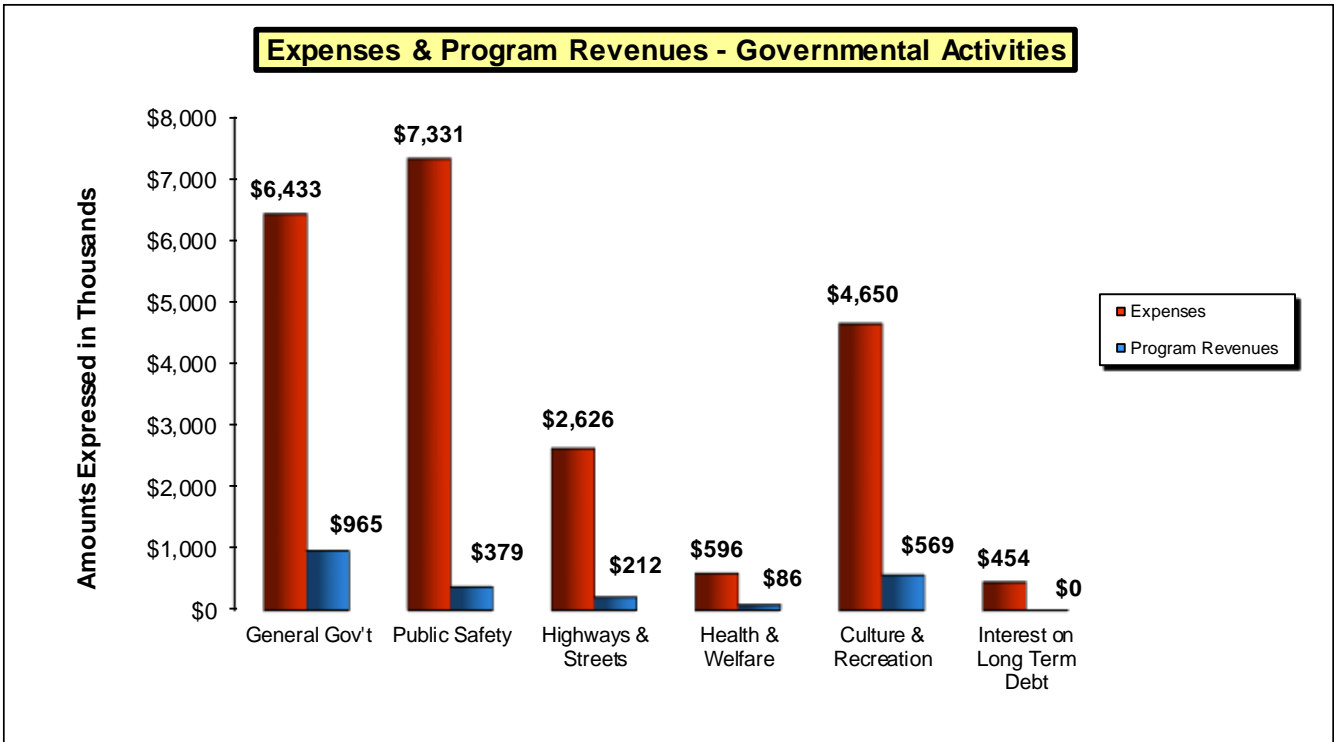
Expenses increased to \$22,090 from \$20,851 or \$1,239 during the year. This increase is attributable to several factors.

- *General Government* expenses increased by \$296 attributable mainly to salary expense related to the following personnel changes: addition of three new full-time positions (media and marketing coordinator, assistant parks superintendent, and equipment operator), a Council approved mid-year 2% COLA, continuation of the 2.5% step increase for eligible employees on their anniversary dates, and a substantial increase in the TMRS rate from 6.07% in FY16 to 9.62% in FY17;
- *Public Safety* expenses increased \$145 due primarily to the addition of three firefighters in FY17;
- *Culture and Recreation* expenses were higher by \$541 due to several items: additional personnel expenses related the 2% mid-year COLA, step increase and TMRS rate increase as described in the General Government section above; a full year of operational expenses at the newly renovated/expanded public library and additional depreciation expense related to this capital project; a full year of operating expenses at the Barnhill Center; and increased billboards and promotional advertising related to tourism;
- *Health and Welfare* increased by \$248 due mainly to a full year of operating expenses in the new Animal Shelter and additional depreciation expense related to this project.

Transfers increased during the year by \$206 which is directly proportional to the overall increase in actual expenses in the governmental indirect departments (Administration, 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
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GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)



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GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

Business-type activities. Business-type activities increased the City of Brenham's net position by \$1,099 compared to an increase of \$1,253 in the prior fiscal year. Key elements of this increase are noted below.

Revenues increased to \$36,912 from \$34,576 during the year, a 6.8% increase. This increase is attributable to several factors.

- The charges for services in the Electric Fund increased \$1,174 or 5.6% due to higher kWh consumption in the industrial customer class due mainly to a full year of production by Blue Bell Creameries which had resumed partial operation in FY16 after business interruption in FY15.
- Gas Fund revenues experienced a \$554 or 25% increase due to increased mcf consumption and higher sales due to the new Valmont galvanizing plant.
- The charges for services in the Water Fund increased \$469 or 12% during the year. Water consumption was up 95 million gallons or 13% over the prior fiscal year.
- Charges for services in the Wastewater Fund were higher by \$306 or 8.7% due to higher residential and commercial billing and higher processed plant gallons in commercial/industrial customer class.
- The Sanitation Fund charges for services were higher by \$88 or 2.6% due primarily to higher Recycling Center revenues from increased market prices for cardboard.

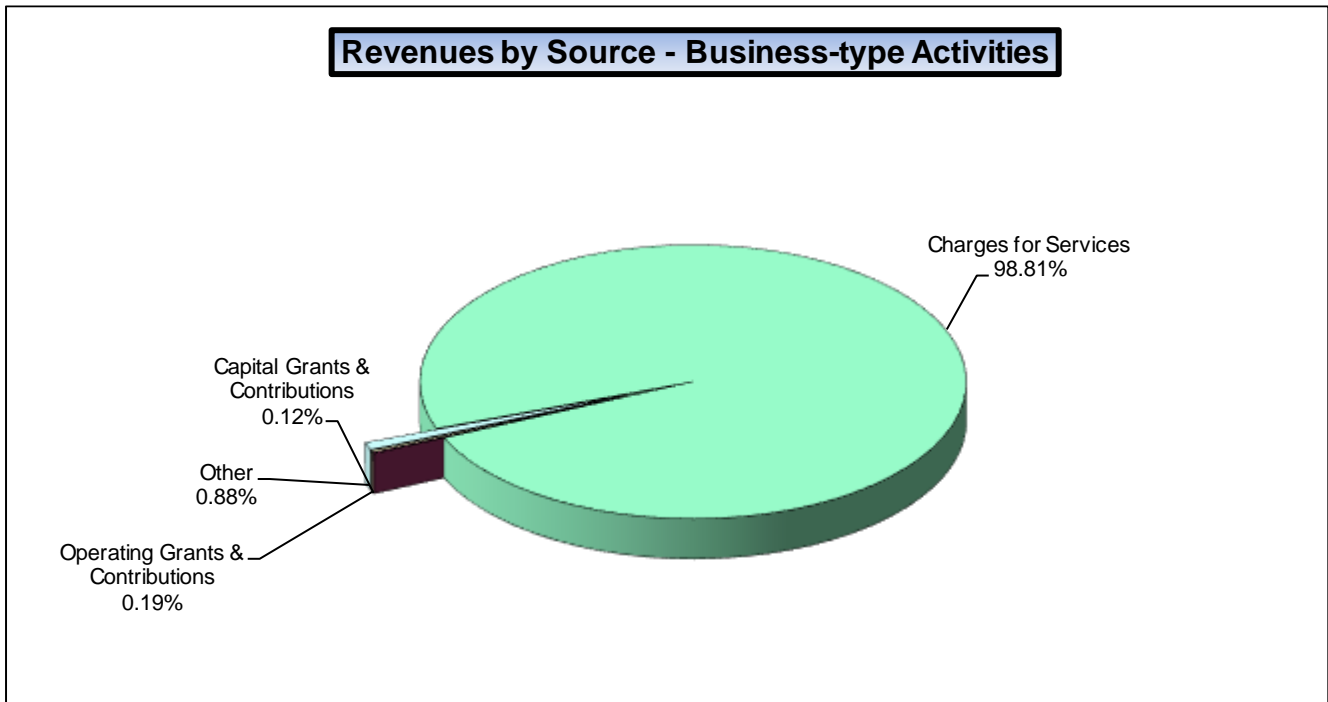
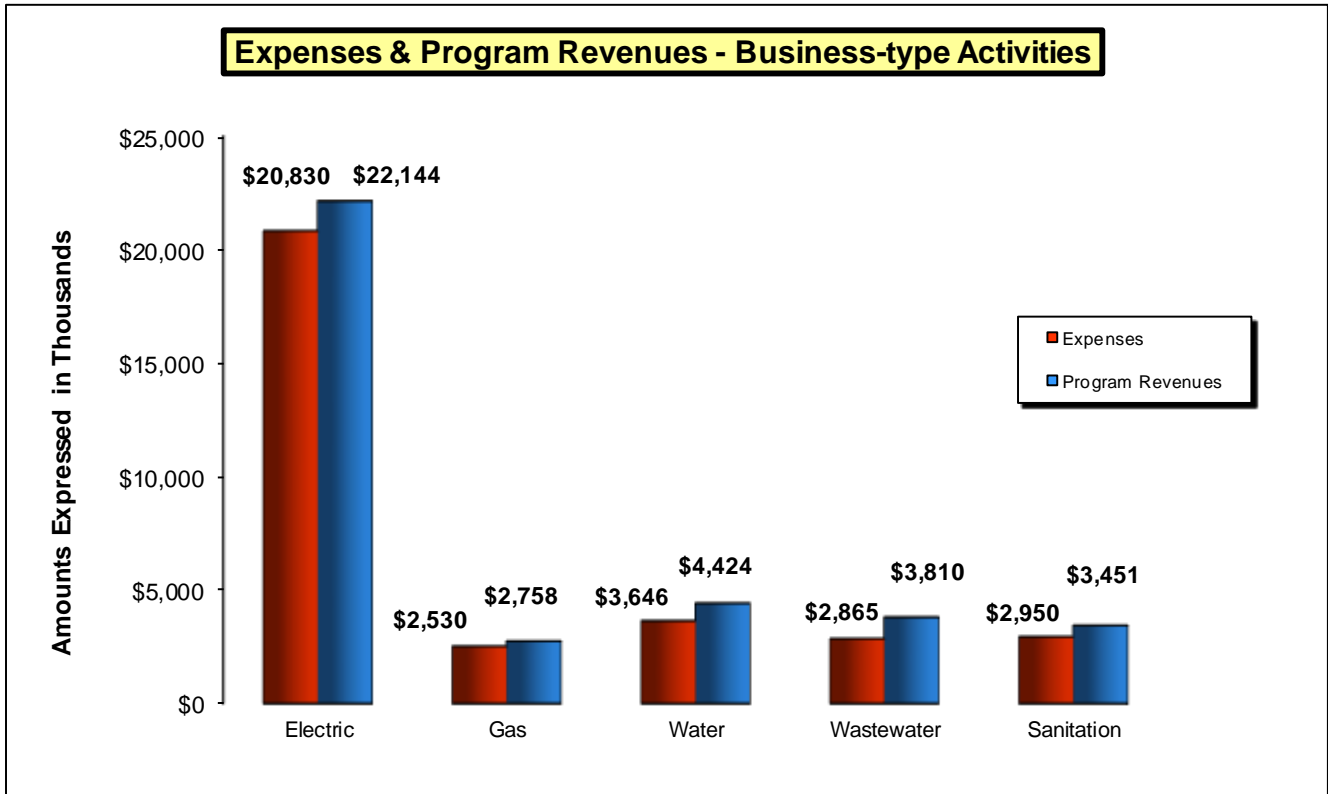
Expenses increased to \$32,821 from \$30,537 or 7.5% during the year with specific changes presented below.

- Electric Fund expenses increased \$1,365 or 7.0% due mainly to higher purchase costs from LCRA and higher kWh consumption by customers, combined with higher franchise taxes.
- The increase in Gas Fund expenses of \$866 or 52% is directly attributable to the commodity side of the operation with higher gas purchase costs combined with higher franchise taxes.
- The Water Fund operating expenses decreased by 2.3% and are comparable with the prior year.
- Wastewater Fund expenses increased by \$73 or 3% due mainly to higher maintenance and chemicals in wastewater treatment.
- With four operational areas, the Sanitation Fund expenses increased by \$67 or 2.3% overall due mainly to the addition of a transfer station driver and higher disposal fees.

Transfers out increased by \$206 during the year which is directly proportional to the overall increase in actual expenses in the governmental indirect departments (Administration, Main Street, Maintenance, Finance, Purchasing/Central Warehouse, HR/Risk Management, and Information Technology) which are allocated to the business-type activities.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)



CITY OF BRENHAM, TEXAS
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FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City of Brenham's governmental funds reported combined ending fund balances of \$12,140 a decrease of \$396 in comparison with the prior year. The General Fund highlights are discussed in the following section. Significant changes in other governmental funds are noted below.

The U.S. Hwy 290 Pass-Thru Finance Fund has a total fund balance of \$4,881 which is a decrease of \$613 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 \$2,024 being received in FY17 offset by one principal payment of \$2,680.

In Other Governmental Funds, the combined fund balance of \$1,773 decreased by \$170, which is comprised of activity in these funds:

- 1) Special Revenue Funds decreased overall by \$126 due mainly to the City Council approval of an additional \$50,000 from the Hotel Occupancy Tax Fund for the Wayfinding Signage project, and the allocation of \$68,555 of Washington County Hotel Occupancy Tax funds for billboards and promotional advertising.
- 2) Nonmajor Capital Projects Funds decreased overall by \$43 which included the following: a decrease of \$408 in the Capital Leases Fund which is the net impact of \$949 in lease proceeds offset by capital expenditures of \$1,359 for new library furniture and street equipment; a decrease of \$287 in the 2014 Capital Projects Fund due to capital outlay expenditures and the close-out of the animal shelter and library renovation/expansion projects; and an increase of \$631 in the Street & Drainage Improvements Fund which is the net impact of a \$900 transfer from the General Fund for the street reconstruction program offset by \$271 of capital outlay expenditures.

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 \$7,394; those of the Gas Fund were \$954; the Water Fund \$1,471; the Wastewater Fund \$1,467 and the Sanitation Fund \$642. 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 \$13,056 and the final amended budget was \$13,296, an increase of \$240. City sales taxes were increased by \$211; permit revenue was increased by \$49; fines and forfeitures were decreased by \$68; payment from component unit was decreased by \$15; and sale of assets was increased by \$62.

CITY OF BRENHAM, TEXAS
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GENERAL FUND BUDGETARY HIGHLIGHTS – (Continued)

The original expenditure budget was \$16,514 and the final amended budget was \$16,103, a decrease of \$411 in the following categories:

- 1) General Government decreased by \$122 with a majority due to vacant positions;
- 2) Health and Welfare increased by \$29 due to increased animal shelter operations and adoption expense;
- 3) Highways and Streets decreased by \$242 due mainly to labor and equipment contra expenditure accounts of \$140; lower street maintenance of \$33; vacant positions, and lower motor fuel costs;
- 4) Public Safety decreased by \$124 due primarily to vacant positions;
- 5) Capital Outlay increased by \$50 for additional street construction.

The original budget for transfers-in was \$3,418 and the final amended budget was \$3,413, an increase of \$13. The increase is related to the close-out of the Critical Incident Command Unit in the Emergency Management Fund.

The original budget for transfers-out was zero and the final amended budget was \$1,587, an increase of \$1,587. This increase is due to the transfer of \$685 to the Equipment Fund for capital equipment replacements included in the FY18 budget; and the transfer of \$900 to the Streets and Drainage Fund for the restoration of the multi-year street rehab/maintenance program.

The original budget for issuance of debt and premium on debt issued was zero and the final amended budget was \$1,130 and \$158 respectively related to the issuance of 2017 Certificates of Obligation for construction of various street/drainage improvements and renovation to City's aquatic center.

For fiscal year 2017, the General Fund's revenue came in \$10 higher than budget. This increase is primarily related to higher miscellaneous revenue.

For fiscal year 2017, the General Fund's actual expenditures came in approximately \$150 lower than budget. This positive variance is attributable mainly to 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, 2017 of \$13,297 which is 127.82% of the City's annual covered payroll of \$10,404. The Net Pension Liability for TESRS as of September 30, 2017 is \$352.

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 \$842 as of September 30, 2017, an increase of \$72 from the prior fiscal year valuation.

CITY OF BRENHAM, TEXAS
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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City of Brenham's investment in capital assets for its governmental and business- type activities as of September 30, 2017 totals \$114,893 (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 \$21 or less than 1%. Changes in major capital asset expenditures during the current fiscal year included the following.

- Governmental Activities capital assets showed a net decrease of \$365 with major changes in the following categories: buildings increased by \$5,633 for the new animal shelter and newly renovated/expanded library which also contributed to the decrease in construction-in-progress of \$7,421 and the \$515 increase in furniture/fixtures/equipment; improvements other than buildings increased by \$606 from the new Owsley Garden and Fireman's Park improvements; vehicles increased by \$793 as new street equipment was added per the five year capital plans; and infrastructure decreased by \$709 mainly due to current year depreciation expense.
- Business-type capital assets showed an overall increase of \$386 with major changes in the following categories: furniture/fixtures/equipment increased by \$625 from the purchase of a tub grinder in Sanitation; vehicles increased by \$364 due to a new discharge spreader truck and trackhoe per the five year capital plans; infrastructure decreased by \$1,019 due to current year depreciation expense; and construction-in-progress increased by \$537 from electric and wastewater treatment utility infrastructure projects.

City of Brenham, Texas						
Capital Assets						
(Amounts in Thousands)						
(net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land and Improvements	\$ 4,456	\$ 4,382	\$ 562	\$ 562	\$ 5,018	\$ 4,944
Buildings	21,161	15,528	436	466	21,597	15,994
Improvements other than buildings	4,914	4,308	20,083	20,157	24,997	24,465
Furniture, fixtures, and equipment	755	240	894	269	1,649	509
Machinery	266	105	-	-	266	105
Vehicles	4,238	3,445	2,142	1,778	6,380	5,223
Intangibles	142	159	90	107	232	266
Infrastructure	24,769	25,478	28,631	29,650	53,400	55,128
Construction in progress	510	7,931	844	307	1,354	8,238
Total	<u>\$ 61,211</u>	<u>\$ 61,576</u>	<u>\$ 53,682</u>	<u>\$ 53,296</u>	<u>\$ 114,893</u>	<u>\$ 114,872</u>

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
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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 \$33,665. Of this amount, \$19,413 is tax-supported debt backed by the full faith and credit of the government and sales tax revenues of the BCDC (Component Unit). The remaining \$14,252 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			
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 7,460	\$ 8,628	\$ 11,920	\$ 8,647	\$ 19,380	\$ 17,275
Certificates of Obligation	11,499	10,985	2,067	5,350	13,566	16,335
Pass-Through Toll Revenue Bonds	0	2,680	-	-	0	2,680
Limited Tax Notes	185	480	-	-	185	480
Unamortized Credits/Charges	269	331	265	(373)	534	(42)
Total	<u>\$ 19,413</u>	<u>\$ 23,104</u>	<u>\$ 14,252</u>	<u>\$ 13,624</u>	<u>\$ 33,665</u>	<u>\$ 36,728</u>

The City of Brenham's total bonded debt decreased by \$3,063 or 8.34% during the current fiscal, with a decrease of \$3,691 in governmental activities and an increase of \$628 in business-type activities. The City issued \$1.129 million of Certificates of Obligation (COs) pursuant to a Reimbursement Resolution related to capital projects for the animal shelter and library. Also, \$4.88 million in remaining COs issued in 2008 for water system projects was refunded during FY17, along with the issuance of \$1.9 million in COs for electric utility projects.

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 of \$.5070 for the year ended September 30, 2017 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
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ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for Washington County in September 2017 was 3.8%, which is lower than the rate of 5.5% one year ago, and is favorable compared to the State's average unemployment rate of 4.0%.
- Sales tax, which is the City's largest revenue source for funding general government operations, continues to outperform budget and prior year collections. The FY17 levels were 4.5% above the budget and 3.78% ahead of the prior year. For the FY18 budget, we anticipate continued growth and accordingly included a 4% growth rate above the FY17 RAE (revised annual estimate).
- Utility franchise taxes paid to the General Fund are based on 7% of actual utility fund revenue. The FY17 performance was slightly under budget (2.6%) due mainly to lower Gas Fund revenues from the delayed start-up of the galvanizing plant. Utility franchise tax revenues for FY18 are budgeted 1% less than FY17 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 FY17, unassigned fund balance in the General Fund, which excludes the other internal funds, increased from \$3,926 to \$4,341. The City of Brenham's adopted budget for FY18 is at a break-even level, so that General Fund expenditures do not utilize any fund balance.

For FY18, the City's overall tax rate was increased by \$0.01 per \$100 of property valuation as noted below.

- Overall tax rate changed from \$0.5070 to \$0.5170
- M&O tax rate changed from \$0.3150 to \$0.3200
- I&S tax rate changed from \$0.1920 to \$0.1970

Two primary budget priorities for FY18 were to add additional staffing due to expanding service demand levels and the issuance of debt for drainage improvements, aquatic center renovations and construction of streets/thoroughfares. These priorities were accomplished with a \$0.0050 tax increase on the O&M side and a \$0.0050 increase on the I&S side.

Other FY18 budget priorities addressed service levels, staffing, maintaining competitive salaries and group medical insurance. The City is planning to conduct a comprehensive Compensation and Benefits Study using an outside consultant. Also, a 10% increase for group medical insurance was included in the FY18 budget. We did not increase any utility rates in the FY18 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.

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**BASIC FINANCIAL
STATEMENTS**

**City of Brenham
Statement of Net Position
September 30, 2017**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Equivalents	\$ 2,329,547	\$ 6,282,311	\$ 8,611,858	\$ 2,277,373
Investments	3,000,000	2,500,000	5,500,000	500,000
Receivables - Property Tax (net)	265,741	-	265,741	-
Receivables - Sales Tax	794,317	-	794,317	264,772
Receivables - Occupancy Taxes	82,090	-	82,090	-
Receivables - Account (net)	333,789	4,270,125	4,603,914	12,995
Receivables - Interest	22,813	389,625	412,438	572
Internal Balances	(1,462,183)	1,462,183	-	-
Due from Component Unit	1,557,613	-	1,557,613	-
Due from Other Governments	195,493	65,451	260,944	-
Inventory at Cost	177,818	1,177,398	1,355,216	-
Notes Receivable, Current	-	148,069	148,069	-
Prepaid Water Agreement	-	284,900	284,900	-
Other Current Assets	1,100	39,897	40,997	-
Restricted Cash	6,169,838	3,123,138	9,292,976	-
Restricted Investments	450,000	1,000,000	1,450,000	-
Notes Receivable, Long Term	-	1,338,742	1,338,742	-
Unamortized Bond Insurance Premiums, Net	3,008	-	3,008	-
Capital Assets, Not Being Depreciated	4,976,520	1,440,020	6,416,540	3,149,595
Other Capital Assets, Net	56,234,538	52,242,401	108,476,939	14,733
Total assets	<u>75,132,042</u>	<u>75,764,260</u>	<u>150,896,302</u>	<u>6,220,040</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amount from Refundings	180,821	734,328	915,149	-
Deferred Outflows - TMRS Pension	1,841,517	717,963	2,559,480	-
Deferred Outflows - TESRS Pension	142,424	-	142,424	-
Total deferred outflows	<u>2,164,762</u>	<u>1,452,291</u>	<u>3,617,053</u>	<u>-</u>
LIABILITIES				
Accounts Payable and Other Current Liabilities	1,195,309	2,869,519	4,064,828	35,776
Due to Primary Government	-	-	-	1,557,613
Other Liabilities	167	4,303	4,470	135,630
Accrued Interest	87,359	68,155	155,514	368,195
Consumer Deposits	-	1,329,471	1,329,471	-
Compensated Absences, Current	178,730	108,078	286,808	-
Bonds Payable, Current	4,167,332	-	4,167,332	-
Lease Payable, Current	154,439	191,025	345,464	-
Revenue Bonds Payable, Current	-	1,767,668	1,767,668	-
Notes Payable, Current	64,286	-	64,286	148,069
Compensated Absences, Long Term	173,382	57,200	230,582	-
Post Employment Benefits	590,557	252,007	842,564	-
Net Pension Liability - TMRS	9,598,796	3,698,742	13,297,538	-
Net Pension Liability - TESRS	352,450	-	352,450	-
Long Term Debt, Net	16,534,087	13,985,146	30,519,233	1,338,742
Total liabilities	<u>33,096,894</u>	<u>24,331,314</u>	<u>57,428,208</u>	<u>3,584,025</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Amount from Refundings	65,143	73,056	138,199	-
Deferred Inflows - TMRS Pension	458,774	178,402	637,176	-
Deferred Inflows - TESRS Pension	27,453	-	27,453	-
Total deferred inflows	<u>551,370</u>	<u>251,458</u>	<u>802,828</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	45,068,187	40,363,022	85,431,209	1,677,517
Restricted for Debt Service	325,399	-	325,399	-
Restricted for Economic Development	-	-	-	(307,738)
Restricted for Recreation	-	-	-	1,266,235
Unrestricted (deficit)	(1,745,046)	12,270,757	10,525,711	-
Total net position	<u>\$ 43,648,540</u>	<u>\$ 52,633,779</u>	<u>\$ 96,282,319</u>	<u>\$ 2,636,015</u>

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

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**City of Brenham
Statement of Activities
For the Year Ended September 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		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	\$ 6,432,612	\$ 959,452	\$ 5,643	\$ -	\$ (5,467,517)	\$ -	\$ (5,467,517)	\$ -
Public Safety	7,331,321	15,818	362,971	-	(6,952,532)	-	(6,952,532)	-
Highways and Streets	2,625,793	92,516	119,177	-	(2,414,100)	-	(2,414,100)	-
Health and Welfare	596,689	54,062	10,902	21,000	(510,725)	-	(510,725)	-
Culture and Recreation	4,650,211	408,316	118,078	42,402	(4,081,415)	-	(4,081,415)	-
Interest on Long Term Debt	454,218	-	-	-	(454,218)	-	(454,218)	-
Total governmental activities	<u>22,090,844</u>	<u>1,530,164</u>	<u>616,771</u>	<u>63,402</u>	<u>(19,880,507)</u>	<u>-</u>	<u>(19,880,507)</u>	<u>-</u>
Business-type activities:								
Electric	20,829,632	22,112,796	30,746	-	-	1,313,910	1,313,910	-
Gas	2,529,600	2,757,889	-	-	-	228,289	228,289	-
Sanitation	2,950,325	3,451,489	-	-	-	501,164	501,164	-
Wastewater	2,865,017	3,788,837	21,380	-	-	945,200	945,200	-
Water	3,646,400	4,360,072	18,750	45,080	-	777,502	777,502	-
Total business-type activities	<u>32,820,974</u>	<u>36,471,083</u>	<u>70,876</u>	<u>45,080</u>	<u>-</u>	<u>3,766,065</u>	<u>3,766,065</u>	<u>-</u>
Total primary government	<u>\$ 54,911,818</u>	<u>\$ 38,001,247</u>	<u>\$ 687,647</u>	<u>\$ 108,482</u>	<u>\$ (19,880,507)</u>	<u>\$ 3,766,065</u>	<u>\$ (16,114,442)</u>	<u>\$ -</u>
Component unit:								
Brenham Community Devel Corp	\$ 471,813	-	-	-	-	-	-	(471,813)
Total component unit	<u>\$ 471,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(471,813)</u>
General Revenues:								
Property Taxes					6,124,393	-	6,124,393	-
Sales Taxes					4,829,919	-	4,829,919	1,609,973
Franchise Taxes					2,779,897	-	2,779,897	-
Hotel Occupancy Taxes					712,291	-	712,291	-
Alcoholic Beverage Taxes					42,352	-	42,352	-
Investment Income not Restricted					141,978	205,888	347,866	20,911
Miscellaneous					317,353	99,915	417,268	-
Gain on Sale of Capital Assets					96,816	19,959	116,775	-
Payments to/from Component Unit					1,082,711	-	1,082,711	(1,082,711)
Transfers					2,993,087	(2,993,087)	-	-
Total general revenues, payments to/from component unit and transfers					<u>19,120,797</u>	<u>(2,667,325)</u>	<u>16,453,472</u>	<u>548,173</u>
Change in net position					<u>(759,710)</u>	<u>1,098,740</u>	<u>339,030</u>	<u>76,360</u>
Net position - beginning as previously reported					<u>44,408,250</u>	<u>51,535,039</u>	<u>95,943,289</u>	<u>2,658,317</u>
Restatement of net position					<u>-</u>	<u>-</u>	<u>-</u>	<u>(98,662)</u>
Net position - beginning					<u>44,408,250</u>	<u>51,535,039</u>	<u>95,943,289</u>	<u>2,559,655</u>
Net position - ending					<u>\$ 43,648,540</u>	<u>\$ 52,633,779</u>	<u>\$ 96,282,319</u>	<u>\$ 2,636,015</u>

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

**City of Brenham
Balance Sheet
Governmental Funds
September 30, 2017**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>US 290 Pass Thru Finance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and Equivalents	\$ 2,190,491	\$ -	\$ -	\$ 139,055	\$ 2,329,546
Investments	3,000,000	-	-	-	3,000,000
Interest Receivable	22,813	-	-	-	22,813
Receivables (Net)					
Property Taxes	167,291	98,450	-	-	265,741
Sales Tax	794,317	-	-	-	794,317
Occupancy Tax	-	-	-	82,090	82,090
Accounts	330,600	-	-	3,188	333,788
Interfund Receivables	-	-	-	585,701	585,701
Due from Component Unit	1,282,759	-	-	274,854	1,557,613
Due from Other Governments	185,840	2,580	-	-	188,420
Inventory at Cost	177,818	-	-	-	177,818
Other Current Assets	1,000	-	-	-	1,000
Restricted Cash	-	224,369	4,881,345	956,651	6,062,365
Restricted Investments	450,000	-	-	-	450,000
Total Assets	<u>\$ 8,602,929</u>	<u>\$ 325,399</u>	<u>\$ 4,881,345</u>	<u>\$ 2,041,539</u>	<u>\$ 15,851,212</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts Payable & Other Current Liabilities	\$ 1,045,296	\$ -	\$ -	\$ 148,940	\$ 1,194,236
Interfund Payables	1,858,349	-	-	119,340	1,977,689
Other Liabilities	167	-	-	-	167
Total Liabilities	<u>2,903,812</u>	<u>-</u>	<u>-</u>	<u>268,280</u>	<u>3,172,092</u>
Deferred Inflows of Resources:					
Unavailable Revenues	440,876	98,450	-	-	539,326
Total Deferred Inflows of Resources	<u>440,876</u>	<u>98,450</u>	<u>-</u>	<u>-</u>	<u>539,326</u>
Total Liabilities and Deferred Inflows of Resources	<u>3,344,688</u>	<u>98,450</u>	<u>-</u>	<u>268,280</u>	<u>3,711,418</u>
Fund Balances:					
Nonspendable	178,818	-	-	-	178,818
Restricted	449,993	226,949	4,881,345	853,295	6,411,582
Committed	2,952	-	-	256,303	259,255
Assigned	-	-	-	663,661	663,661
Unassigned	4,626,478	-	-	-	4,626,478
Total Fund Balances	<u>5,258,241</u>	<u>226,949</u>	<u>4,881,345</u>	<u>1,773,259</u>	<u>12,139,794</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,602,929</u>	<u>\$ 325,399</u>	<u>\$ 4,881,345</u>	<u>\$ 2,041,539</u>	

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

City of Brenham
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
September 30, 2017

Total fund balances - total governmental funds \$ 12,139,794

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. 61,211,058

Gross capital assets	111,150,859
Accumulated depreciation	(49,939,801)
	61,211,058

Certain long-term assets are not available to pay current period expenditures and therefore are not reported in the governmental funds balance sheet. 7,075

Certain deferred inflows and outflows of resources are not reported in the governmental funds: 1,613,392

Deferred charges on debt refundings	(115,678)
Deferred outflows - TMRS Pension	(1,841,517)
Deferred outflows - TESRS Pension	(142,424)
Deferred inflows - TMRS Pension	458,774
Deferred inflows - TESRS Pension	27,453
	(1,613,392)

Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. (31,898,410)

Bonds payable	19,143,389
Less: Unamortized bond insurance premiums	(3,004)
Add: Issuance premium	384,927
Accrued interest payable	87,359
Capital lease payable	1,006,110
Note payable	385,714
Compensated absences	352,112
Post retirement benefits	590,557
Net pension liability - TMRS	9,598,796
Net pension liability - TESRS	352,450
	31,898,410

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. 36,305

Other long term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds. 539,326

Net position of governmental activities \$ 43,648,540

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, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>US 290 Pass Thru Finance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 11,437,922	\$ 2,304,789	\$ -	\$ 712,291	\$ 14,455,002
Licenses and Permits	157,128	-	-	-	157,128
Intergovernmental	522,459	-	2,023,695	15,824	2,561,978
Charges for Services	588,219	-	-	62,697	650,916
Fines and Forfeitures	713,986	-	-	-	713,986
Investment Income	72,082	14,208	43,070	11,522	140,882
Payment from Component Unit	86,363	571,425	-	424,923	1,082,711
Contributions and Donations	107,440	-	-	5,148	112,588
Miscellaneous	247,723	-	-	30,725	278,448
Total revenues	<u>13,933,322</u>	<u>2,890,422</u>	<u>2,066,765</u>	<u>1,263,130</u>	<u>20,153,639</u>
Expenditures					
Current:					
Culture and Recreation	3,021,329	-	-	692,198	3,713,527
General Government	5,672,887	-	-	29,606	5,702,493
Health and Welfare	404,891	-	-	-	404,891
Highways and Streets	1,157,773	-	-	-	1,157,773
Public Safety	6,198,268	-	-	18,622	6,216,890
Debt service:					
Interest & Fiscal Charges	-	669,942	-	-	669,942
Principal Retirement	-	4,900,881	-	-	4,900,881
Issuance Costs	27,207	-	-	-	27,207
Capital Outlay	1,141,532	-	-	2,170,113	3,311,645
Total expenditures	<u>17,623,887</u>	<u>5,570,823</u>	<u>-</u>	<u>2,910,539</u>	<u>26,105,249</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,690,565)</u>	<u>(2,680,401)</u>	<u>2,066,765</u>	<u>(1,647,409)</u>	<u>(5,951,610)</u>
Other Financing Sources (Uses)					
Transfers In	3,518,926	2,680,000	-	914,018	7,112,944
Transfers Out	(914,018)	-	(2,680,000)	(385,839)	(3,979,857)
Issuance of Debt	1,129,719	-	-	-	1,129,719
Issuance of Capital Lease	-	-	-	949,333	949,333
Premium on Debt Issued	157,735	-	-	-	157,735
Insurance Proceeds	185,329	-	-	-	185,329
Total other financing sources and (uses)	<u>4,077,691</u>	<u>2,680,000</u>	<u>(2,680,000)</u>	<u>1,477,512</u>	<u>5,555,203</u>
Net change in Fund Balances	387,126	(401)	(613,235)	(169,897)	(396,407)
Fund balances - beginning	<u>4,871,115</u>	<u>227,350</u>	<u>5,494,580</u>	<u>1,943,156</u>	<u>12,536,201</u>
Fund balances - ending	<u>\$ 5,258,241</u>	<u>\$ 226,949</u>	<u>\$ 4,881,345</u>	<u>\$ 1,773,259</u>	<u>\$ 12,139,794</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, 2017

Net change in fund balances - total governmental funds \$ (396,407)

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. (364,505)

Capital outlay	3,311,645
Depreciation expense	(3,434,987)
Proceeds from sale	(101,529)
Insurance proceeds	(29,598)
Loss on disposal	(206,852)
Gain on disposal	96,816
	(364,505)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. 55,989

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. (2,023,695)

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. 2,883,938

Debt issued:	
2017 Certificates of Obligation	(1,129,719)
Lease Payable	(949,333)
Bond premium on new debt	(157,735)
Repayments:	
To bond, certificate, and note holders	4,900,881
Amortization of bond premiums, discounts, & charges	219,844
	2,883,938

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. (833,832)

Compensated absences	(44,979)
Accrued interest payable	(981)
Post retirement benefits	(59,001)
Pension Costs - TMRS, Net	(704,442)
Pension Costs - TESRS, Net	(24,429)
	(833,832)

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. (78,060)

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

Change in net position of governmental activities \$ (759,710)

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, 2017

	Budgeted Amounts		Actual	Adjustments to Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Revenues						
Taxes	\$ 11,290,100	\$ 11,501,188	\$ 11,437,922	\$ -	\$ 11,437,922	\$ (63,266)
Licenses and Permits	110,640	159,562	157,128	-	157,128	(2,434)
Intergovernmental	42,000	42,000	522,459	(481,271)	41,188	(812)
Charges for Services	539,575	539,575	588,219	(18,678)	569,541	29,966
Fines and Forfeitures	785,730	718,091	713,986	-	713,986	(4,105)
Investment Income	70,000	70,000	72,082	-	72,082	2,082
Payment from Component Unit	104,000	89,000	86,363	-	86,363	(2,637)
Contributions and Donations	-	-	107,440	(107,440)	-	-
Miscellaneous	114,305	176,652	247,723	(19,551)	228,172	51,520
Total revenues	13,056,350	13,296,068	13,933,322	(626,940)	13,306,382	10,314
Expenditures						
Current:						
Culture and Recreation	2,880,218	2,878,230	3,021,329	(168,437)	2,852,892	25,338
General Government	5,761,558	5,639,558	5,672,887	(72,587)	5,600,300	39,258
Health and Welfare	371,815	400,851	404,891	(6,805)	398,086	2,765
Highways and Streets	1,315,343	1,072,843	1,157,773	(202,745)	955,028	117,815
Public Safety	6,035,472	5,911,594	6,198,268	(361,506)	5,836,762	74,832
Debt Service:						
Issuance Costs	-	-	27,207	-	27,207	(27,207)
	16,364,406	15,903,076	16,482,355	(812,080)	15,670,275	232,801
Capital Outlay	150,000	200,000	1,141,532	(858,239)	283,293	(83,293)
Total Expenditures	16,514,406	16,103,076	17,623,887	(1,670,319)	15,953,568	149,508
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	(3,458,056)	(2,807,008)	(3,690,565)	1,043,379	(2,647,186)	159,822
Other Financing Sources (Uses)						
Transfers In	3,418,056	3,431,579	3,518,926	(267,573)	3,251,353	(180,226)
Transfers Out	-	(1,586,998)	(914,018)	(672,980)	(1,586,998)	-
Issuance of Debt	-	1,129,719	1,129,719	-	1,129,719	-
Premium on Debt Issued	-	157,735	157,735	-	157,735	-
Insurance Proceeds	40,000	86,197	185,329	(84,261)	101,068	14,871
Total other financing sources and (uses)	3,458,056	3,218,232	4,077,691	(1,024,814)	3,052,877	(165,355)
Net change in fund balance	-	411,224	387,126	18,565	405,691	(5,533)
Fund balance - beginning	4,113,900	4,113,900	4,871,115	(757,215)	4,113,900	-
Fund balance - ending	\$ 4,113,900	\$ 4,525,124	\$ 5,258,241	\$ (738,650)	\$ 4,519,591	(\$ 5,533)

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, 2017

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	\$ 1,875,847	\$ 1,023,222	\$ 645,870	\$ 1,459,508	\$ 997,534	\$ 6,001,981	\$ 280,330
Investments	2,000,000	-	500,000	-	-	2,500,000	-
Interest Receivable	389,019	-	606	-	-	389,625	-
Receivables - Accounts, Net	2,664,949	250,781	539,452	535,338	279,605	4,270,125	-
Receivables - Interfund	1,391,988	-	-	-	-	1,391,988	-
Due from Other Governments	13,335	-	37,902	-	14,214	65,451	-
Inventory at Cost	649,767	117,156	356,324	52,182	-	1,175,429	1,969
Prepaid Water Agreement	-	-	284,900	-	-	284,900	-
Other Current Assets	-	-	-	-	39,897	39,897	100
Notes Receivable, Net	148,069	-	-	-	-	148,069	-
Restricted Cash	2,513,892	-	-	183	608,991	3,123,066	107,545
Restricted Investments	1,000,000	-	-	-	-	1,000,000	-
Total current assets	12,646,866	1,391,159	2,365,054	2,047,211	1,940,241	20,390,531	389,944
Noncurrent assets:							
Capital Assets, Net	12,909,036	1,840,062	19,244,548	17,927,141	1,479,292	53,400,079	282,342
Notes Receivable, Long Term	1,338,742	-	-	-	-	1,338,742	-
Total noncurrent assets	14,247,778	1,840,062	19,244,548	17,927,141	1,479,292	54,738,821	282,342
Total assets	26,894,644	3,231,221	21,609,602	19,974,352	3,419,533	75,129,352	672,286
Deferred Outflows of Resources							
Deferred Amount from Refundings	-	-	390,152	344,176	-	734,328	-
Deferred Outflows - TMRS Pension	344,313	64,664	117,899	88,318	102,769	717,963	-
Total deferred outflows	344,313	64,664	508,051	432,494	102,769	1,452,291	-
Liabilities							
Current liabilities:							
Accounts Payable & Other Current Liabilities	\$ 1,590,937	\$ 110,396	\$ 271,892	\$ 103,281	\$ 785,646	\$ 2,862,152	\$ 8,438
Other Liabilities	-	900	2,353	1,050	-	4,303	-
Accrued Interest	8,675	-	28,896	20,371	7,735	65,677	2,478
Compensated Absences, Current	61,163	9,710	18,168	5,547	13,490	108,078	-
Lease Payable, Current	-	-	-	84,234	80,877	165,111	25,914
Revenue Bonds Payable, Current	69,055	-	555,375	1,143,238	-	1,767,668	-
Consumer Deposits	1,329,471	-	-	-	-	1,329,471	-
Total current liabilities	3,059,301	121,006	876,684	1,357,721	887,748	6,302,460	36,830
Noncurrent liabilities:							
Compensated Absences	21,957	9,611	9,243	4,017	12,372	57,200	-
Post Employment Benefits	119,381	24,654	42,332	26,891	38,749	252,007	-
Net Pension Liability - TMRS	1,755,992	330,065	609,560	485,648	517,477	3,698,742	-
Long Term Debt, Net	2,010,921	-	6,368,495	4,910,172	526,772	13,816,360	168,786
Total noncurrent liabilities	3,908,251	364,330	7,029,630	5,426,728	1,095,370	17,824,309	168,786
Total liabilities	6,967,552	485,336	7,906,314	6,784,449	1,983,118	24,126,769	205,616
Deferred Inflows of Resources							
Deferred Inflows - TMRS Pension	85,487	16,017	29,315	22,052	25,531	178,402	-
Deferred Amount from Refundings	-	-	73,056	-	-	73,056	-
Total deferred inflows	85,487	16,017	102,371	22,052	25,531	251,458	-
Net Position							
Net Investment in Capital Assets	12,792,228	1,840,062	12,637,774	12,133,673	871,643	40,275,380	87,642
Unrestricted	7,393,690	954,470	1,471,194	1,466,672	642,010	11,928,036	379,028
Total net position	\$ 20,185,918	\$ 2,794,532	\$ 14,108,968	\$ 13,600,345	\$ 1,513,653	\$ 52,203,416	\$ 466,670

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

430,363
\$ 52,633,779

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City of Brenham, Texas
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year ended September 30, 2017

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	\$ 22,112,796	\$ 2,757,889	\$ 4,360,072	\$ 3,788,837	\$ 3,451,489	\$ 36,471,083	\$ 309,684
Total Operating Revenues	<u>22,112,796</u>	<u>2,757,889</u>	<u>4,360,072</u>	<u>3,788,837</u>	<u>3,451,489</u>	<u>36,471,083</u>	<u>309,684</u>
Operating expenses:							
Cost of Sales and Services	15,942,618	1,659,809	303,100	-	-	17,905,527	-
Salaries	2,004,075	372,764	709,208	450,209	726,292	4,262,548	-
Supplies	137,944	51,606	518,751	166,866	242,407	1,117,574	20
Maintenance	20,905	13,281	196,809	220,256	175,116	626,367	25,824
Contractual Services	311,107	40,060	323,849	555,302	1,603,644	2,833,962	139,095
Depreciation	629,084	188,698	941,628	900,908	131,673	2,791,991	28,289
Gross Revenue Tax	1,537,579	191,643	296,854	255,127	59,820	2,341,023	-
Miscellaneous	124,647	17,867	23,749	27,631	18,577	212,471	4,995
Total operating expenses	<u>20,707,959</u>	<u>2,535,728</u>	<u>3,313,948</u>	<u>2,576,299</u>	<u>2,957,529</u>	<u>32,091,463</u>	<u>198,223</u>
Operating Income (loss)	<u>1,404,837</u>	<u>222,161</u>	<u>1,046,124</u>	<u>1,212,538</u>	<u>493,960</u>	<u>4,379,620</u>	<u>111,461</u>
Nonoperating revenues (expenses):							
Intergovernmental	30,746	-	63,830	21,380	-	115,956	-
Investment Income	161,064	9,650	10,035	14,718	8,364	203,831	3,155
Interest Expense & Fiscal Charges	(108,789)	(42)	(298,469)	(293,165)	(7,808)	(708,273)	(2,478)
Gain on Sale of Capital Assets	-	5,460	6,112	6,112	2,275	19,959	-
Miscellaneous, Net	33,959	1,678	(42,161)	16,397	20,665	30,538	-
Total non operating revenue (expenses)	<u>116,980</u>	<u>16,746</u>	<u>(260,653)</u>	<u>(234,558)</u>	<u>23,496</u>	<u>(337,989)</u>	<u>677</u>
Income (loss) before contributions and transfers	<u>1,521,817</u>	<u>238,907</u>	<u>785,471</u>	<u>977,980</u>	<u>517,456</u>	<u>4,041,631</u>	<u>112,138</u>
Transfers In	578,647	3,700	15,200	6,000	21,300	624,847	-
Transfers Out	(1,717,704)	(528,816)	(576,842)	(345,925)	(388,647)	(3,557,934)	(200,000)
Total Transfers In/(Out)	<u>(1,139,057)</u>	<u>(525,116)</u>	<u>(561,642)</u>	<u>(339,925)</u>	<u>(367,347)</u>	<u>(2,933,087)</u>	<u>(200,000)</u>
Change in net position	382,760	(286,209)	223,829	638,055	150,109	1,108,544	(87,862)
Total net position - beginning	19,803,158	3,080,741	13,885,139	12,962,290	1,363,544		554,532
Total net position - ending	<u>\$ 20,185,918</u>	<u>\$ 2,794,532</u>	<u>\$ 14,108,968</u>	<u>\$ 13,600,345</u>	<u>\$ 1,513,653</u>		<u>\$ 466,670</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

	(9,804)
Change in net position of business-type activities	<u>\$ 1,098,740</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, 2017

	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	\$ 22,229,739	\$ 2,705,866	\$ 4,364,718	\$ 3,728,334	\$ 3,424,690	\$ 36,453,347	\$ -
Receipts from interfund services provided	-	-	-	-	-	-	309,684
Gross revenue tax paid to General Fund	(1,537,579)	(191,643)	(296,854)	(255,127)	(59,820)	(2,341,023)	-
Payments to suppliers	(17,732,567)	(1,777,497)	(1,326,641)	(896,309)	(2,056,945)	(23,789,959)	(162,585)
Payments to employees	(1,859,588)	(340,201)	(649,851)	(410,303)	(680,488)	(3,940,431)	-
Net cash provided (used) by operating activities	<u>1,100,005</u>	<u>396,525</u>	<u>2,091,372</u>	<u>2,166,595</u>	<u>627,437</u>	<u>6,381,934</u>	<u>147,099</u>
Cash Flows from Non Capital Financing Activities							
Transfers in	578,647	3,700	15,200	6,000	21,300	624,847	-
Transfers out	(1,717,704)	(528,816)	(576,842)	(345,925)	(388,647)	(3,557,934)	(200,000)
Interest paid on consumer deposits	(6,956)	-	-	-	-	(6,956)	-
Net cash provided (used) by noncapital financing activities	<u>(1,146,013)</u>	<u>(525,116)</u>	<u>(561,642)</u>	<u>(339,925)</u>	<u>(367,347)</u>	<u>(2,940,043)</u>	<u>(200,000)</u>
Cash Flows from Capital and Related Financing Activities							
Acquisition and construction of capital assets	(1,128,804)	(191,718)	(432,647)	(526,025)	(201,739)	(2,480,933)	(194,700)
Proceeds from Issuance of Bonds	2,125,000	-	-	-	-	2,125,000	-
Proceeds from Capital Lease	-	-	-	166,400	607,649	774,049	194,700
Principal paid on bonds and capital leases	(83,045)	(972)	(571,310)	(1,140,533)	(1,700)	(1,797,560)	-
Insurance proceeds	3,892	-	1,757	10,957	11,613	28,219	-
Proceeds from sales of capital assets	-	5,460	13,637	6,112	2,275	27,484	-
Interest and fees paid on bonds and capital leases	(59,720)	(44)	(208,843)	(196,117)	(77)	(464,801)	-
Net cash provided (used) by capital and related financing activities	<u>857,323</u>	<u>(187,274)</u>	<u>(1,197,406)</u>	<u>(1,679,206)</u>	<u>418,021</u>	<u>(1,788,542)</u>	<u>-</u>
Cash Flows from Investing Activities							
Loan to component unit	(500,000)	-	-	-	-	(500,000)	-
Principal received on notes receivable	148,478	-	-	-	-	148,478	-
Investment income received	129,257	9,651	10,021	14,716	8,365	172,010	3,155
Net cash provided (used) by investing activities	<u>(222,265)</u>	<u>9,651</u>	<u>10,021</u>	<u>14,716</u>	<u>8,365</u>	<u>(179,512)</u>	<u>3,155</u>
Net increase (decrease) in cash and cash equivalents	589,050	(306,214)	342,345	162,180	686,476	1,473,837	(49,746)
Cash and cash equivalents, beginning 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>
Cash and cash equivalents, end of year	<u>\$ 4,389,739</u>	<u>\$ 1,023,222</u>	<u>\$ 645,870</u>	<u>\$ 1,459,691</u>	<u>\$ 1,606,525</u>	<u>\$ 9,125,047</u>	<u>\$ 387,875</u>
Reconciliation of cash and cash equivalents to statement of net position							
Cash and equivalents	\$ 1,875,847	\$ 1,023,222	\$ 645,870	\$ 1,459,508	\$ 997,534	\$ 6,001,981	\$ 280,330
Restricted cash and equivalents	2,513,892	-	-	183	608,991	3,123,066	107,545
Cash and cash equivalents, end of year	<u>\$ 4,389,739</u>	<u>\$ 1,023,222</u>	<u>\$ 645,870</u>	<u>\$ 1,459,691</u>	<u>\$ 1,606,525</u>	<u>\$ 9,125,047</u>	<u>\$ 387,875</u>

Reconciliation of operating income to net cash provided

(used) by operating activities							
Operating income (loss)	\$ 1,404,837	\$ 222,161	\$ 1,046,124	\$ 1,212,538	\$ 493,960	\$ 4,379,620	\$ 111,461
Adjustments to reconcile net cash provided (used) by operating activities							
Depreciation	629,084	188,698	941,628	900,908	131,673	2,791,991	28,289
Provision for uncollectible accounts	24,461	1,692	4,766	7,315	4,169	42,403	-
Other income (expense)	84,827	1,674	65,278	26,823	9,053	187,655	-
Changes in assets and liabilities affecting cash provided by operations:							
(Increase) decrease in accounts receivable	(90,841)	(55,390)	(65,398)	(94,641)	(40,020)	(346,290)	-
(Increase) decrease in inventory	50,657	16,497	20,304	6,361	-	93,819	(747)
(Increase) decrease in interfund receivables	(1,391,988)	-	-	-	-	(1,391,988)	-
(Increase) decrease in intergovernmental receivables	-	-	(37,902)	-	(340)	(38,242)	-
(Increase) decrease in other assets	9,196	-	27,104	6,238	(20,235)	22,303	-
Increase (decrease) in accounts payable and other current liabilities	136,789	(11,370)	30,111	61,147	3,374	220,051	8,096
Increase (decrease) in salaries & benefits payable	5,515	1,672	5,197	3,777	4,601	20,762	-
Increase (decrease) in compensated absences	5,398	4,092	2,429	254	1,477	13,650	-
Increase (decrease) in postemployment benefits	2,120	2,030	6,626	1,642	664	13,082	-
Increase (decrease) in pension benefits	131,454	24,769	45,105	34,233	39,061	274,622	-
Increase (decrease) in consumer deposits	98,496	-	-	-	-	98,496	-
Net cash provided (used) by operating activities	<u>\$ 1,100,005</u>	<u>\$ 396,525</u>	<u>\$ 2,091,372</u>	<u>\$ 2,166,595</u>	<u>\$ 627,437</u>	<u>\$ 6,381,934</u>	<u>\$ 147,099</u>

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

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City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2017

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, 2017

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 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, 2017

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, 2017

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 acquisition value at the date of donation.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2017

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, 2017

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 \$69,600 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, 2017, 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, 2017

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, 2017, 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. 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, 2014 Capital Projects 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, 2017

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 Position Balances

No fund had a deficit fund balance at year end.

D. Excess of Expenditures Over Appropriations

For fiscal year end September 30, 2017, all expenditures of the General Fund were within appropriations at the legal level of budgetary control.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2017, the City had an investment in a State Money Pool (TexPool) which had a balance of \$2,470,358 which was included in cash and cash equivalents and restricted cash at September 30, 2017. "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 \$1.0003 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 \$12,159,259 and was included in cash and cash equivalents and restricted cash at September 30, 2017. "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 \$1.00002 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, 2017

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 \$12,996,189 and the bank balances totaled \$13,168,967. Of the bank and certificates of deposit balances, \$250,000 was covered by federal depository insurance and \$12,180,302 was collateralized with securities held by the pledging financial institution's trust department or agent in the government's name. The government's deposits in a money market fund at Deutsche Bank totaled \$738,665 as of September 30, 2017. This amount is not insured or collateralized.

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	\$ 234,015	\$ 3,188
Assessments	104,585	-
	<u>338,600</u>	<u>3,188</u>
Less Allowance for Uncollectibles	(8,000)	-
Accounts Receivable, Net	<u>\$ 330,600</u>	<u>\$ 3,188</u>

Proprietary Funds

	Electric Fund	Gas Fund	Water Fund	Wastewater Fund	Sanitation Fund	Total
Accounts	\$ 2,714,949	\$ 253,781	\$ 546,952	\$ 542,338	\$ 284,605	\$4,342,625
Less Allowance for Uncollectibles	(50,000)	(3,000)	(7,500)	(7,000)	(5,000)	(72,500)
Accounts Receivable, Net	<u>\$ 2,664,949</u>	<u>\$ 250,781</u>	<u>\$ 539,452</u>	<u>\$ 535,338</u>	<u>\$ 279,605</u>	<u>\$4,270,125</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2017

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)	\$ 167,291	\$ -	\$ 167,291
Delinquent property taxes receivable (Debt Service Fund)	98,450	-	98,450
Franchise fees receivable	170,094	-	170,094
Lien assessments and pending seizures	103,491	-	103,491
Total deferred/unearned revenue for governmental funds	<u>\$ 539,326</u>	<u>\$ -</u>	<u>\$ 539,326</u>
Balances not expected to be collected within one year	\$ 103,491	\$ -	\$ 103,491

C. Receivables – Property Taxes

The following information relates to property taxes receivable for the year ended September 30, 2017:

Original Certified Tax Roll	\$ 1,198,566,558
Approved Rate (Per \$100 Valuation)	0.5070
Original Levy	6,076,732
Supplements	(678)
Adjusted Levy	<u>\$ 6,076,054</u>
Collections on Current Tax Roll	5,987,208
Total Collections	6,040,017
Property Taxes Receivable	\$ 265,741

D. Notes Receivable

Notes receivable at September 30, 2017 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	\$ 69,332
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	917,479
Note receivable from component unit Brenham Community Development Corporation, principal amount \$500,000; Interest payable at 3.250%; maturing September 2026, unsecured	<u>500,000</u>
	\$ 1,486,811
Less Current Portion	<u>(148,069)</u>
	<u>\$ 1,338,742</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2017

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets

Capital asset activity for the year ended September 30, 2017 was as follows:

<u>Governmental Activities</u>	Beginning Balance	Increases	Reclass/CIP to Complete	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	\$ 4,290,285	\$ 4,920	\$ -	\$ -	\$ 4,295,205
Land Improvements	91,559	-	69,159	-	160,718
Intangibles-Easements	10,593	-	-	-	10,593
Construction in Progress	7,931,074	276,289	(7,697,359)	-	510,004
Total Not Being Depreciated	<u>\$12,323,511</u>	<u>281,209</u>	<u>(7,628,200)</u>	<u>-</u>	<u>4,976,520</u>
Capital Assets, Being Depreciated:					
Buildings	23,594,883	33,775	6,575,072	(170,747)	30,032,983
Improvements Other Than Buildings	11,920,713	304,112	914,253	(28,950)	13,110,128
Furniture, Fixtures and Equipment	1,443,382	576,430	119,047	(23,692)	2,115,167
Machinery	391,053	204,518	-	(37,485)	558,086
Vehicles	7,813,205	1,395,921	3,147	(550,619)	8,661,654
Radios	645,621	-	-	-	645,621
Intangibles-Software	223,368	-	-	-	223,368
Infrastructure	50,656,261	515,680	16,681	(361,290)	50,827,332
Total Being Depreciated	96,688,486	3,030,436	7,628,200	(1,172,783)	106,174,339
Less Impairment	-	-	-	-	-
Less Accumulated Depreciation for:					
Buildings	(8,067,330)	(886,752)	-	82,148	(8,871,934)
Improvements Other Than Bldgs.	(7,613,134)	(604,325)	-	21,592	(8,195,867)
Furniture, Fixtures and Equipment	(1,458,036)	(116,188)	-	23,692	(1,550,532)
Machinery	(285,672)	(43,917)	-	37,485	(292,104)
Vehicles	(4,367,911)	(537,818)	-	481,270	(4,424,459)
Radios	(390,928)	(64,614)	-	-	(455,542)
Intangibles-Software	(75,003)	(16,760)	-	-	(91,763)
Infrastructure	(25,178,421)	(1,164,613)	-	285,434	(26,057,600)
Total Accumulated Depreciation	(47,436,435)	(3,434,987)	-	931,621	(49,939,801)
Total Being Depreciated, Net	49,252,051	(404,551)	7,628,200	(241,162)	56,234,538
Capital Assets, Net	<u>\$61,575,562</u>	<u>\$ (123,342)</u>	<u>\$ -</u>	<u>\$ (241,162)</u>	<u>\$ 61,211,058</u>
Business-type Activities					
	Beginning Balance	Additions	Reclass/CIP to Complete	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	\$ 562,003	\$ -	\$ -	\$ -	562,003
Intangibles-Easements	33,811	-	-	-	33,811
Construction in Progress	307,546	784,644	(247,984)	-	844,206
Total Not Being Depreciated	903,360	784,644	(247,984)	-	1,440,020
Capital Assets, Being Depreciated:					
Buildings	864,476	-	-	-	864,476
Improvements Other Than Buildings	33,254,677	49,900	-	(110,000)	33,194,577
Furniture, Fixtures and Equipment	1,681,763	630,899	100,000	-	2,412,662
Vehicles	4,733,776	681,312	-	(80,471)	5,334,617
Intangibles-Software	152,583	-	-	-	152,583
Infrastructure	60,294,505	1,136,527	147,984	(46,326)	61,532,690
Total Being Depreciated	100,981,780	2,498,638	247,984	(236,797)	103,491,605
Less Accumulated Depreciation for:					
Buildings	(398,076)	(30,138)	-	-	(428,214)
Improvements Other Than Bldgs.	(13,098,302)	(13,043)	-	-	(13,111,345)
Furniture, Fixtures and Equipment	(1,412,743)	(106,127)	-	-	(1,518,870)
Vehicles	(2,955,695)	(317,767)	-	80,471	(3,192,991)
Intangibles-Software	(78,777)	(16,835)	-	-	(95,612)
Infrastructure	(30,645,226)	(2,336,370)	-	79,424	(32,902,172)
Total Accumulated Depreciation	(48,588,819)	(2,820,280)	-	159,895	(51,249,204)
Total Being Depreciated, Net	52,392,961	(321,642)	247,984	(76,901.96)	52,242,401
Capital Assets, Net	<u>\$53,296,321</u>	<u>\$ 463,002</u>	<u>\$ -</u>	<u>\$ (76,902)</u>	<u>\$ 53,682,421</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2017

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	\$ 833,961
General Government	406,340
Health and Welfare	102,195
Highways and Streets	1,363,385
Public Safety	729,106
Total Governmental Activities	<u>\$ 3,434,987</u>
<u>Business-type Activities</u>	
Electric	\$ 629,084
Gas	188,698
Water	941,628
Sewer	900,908
Sanitation	131,673
Total Business-type Activities	<u>\$ 2,791,991</u>
<u>Internal Service Funds</u>	
Central Fleet	<u>\$ 28,289</u>
Total Internal Service Funds	<u>\$ 28,289</u>

As of September 30, 2017, capital assets of the component unit consists of land (not being depreciated) with a balance of \$2,923,999, land improvements (not being depreciated) with a balance of \$143,721 and other improvements (being depreciated) with a balance of \$14,733. The Construction in Progress has a balance of \$81,875 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, 2017, \$1,410,763 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, 2017 was \$303,100.

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, 2017 was \$15,942,618.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2017

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. Repayments from TxDOT were based on traffic levels. As of September 30, 2012, the \$15 million had been advanced to TxDOT. In years 2013 through 2017, the City has received repayments from TxDOT totaling \$15,000,000. As of September 30, 2017 the total local contribution has been repaid.

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, 2017 the City paid \$944,642 under this contract.

The City has the following active construction projects as of September 30, 2017:

	Contract Amount	Spent-to-Date	Remaining Commitment
Fire Substation - Architect	\$ 191,500	\$ 141,245	\$ 50,255
Raw Water Intake Repair - Engineer	285,888	80,113	205,775
Burleson Road Culvert Replacement-Engineer	100,157	46,976	53,181
Relocate Munz Lift Station - Engineer	52,300	26,974	25,326
Big Sandy Creek Water Line - Engineer	38,150	17,160	20,990
Water & Wastewater Plant Storm Damage Repairs - Engineer	360,100	140,986	219,114
Heritage Museum Drainage Repair - Engineer	14,680	9,180	5,500
Water Treatment Plant Evaluation - Engineer	35,000	28,000	7,000
Water Treatment Plant Protective Coatings Rehab-Engineer	47,000	38,912	8,088
Brenham Family Park Master Plan - Engineer	46,442	32,493	13,949
SWIP III Detention Pond Design	39,936	11,283	28,653
Brenham Business Center Detention Pond Design	60,348	44,657	15,691
Copper Conductor & Power Line Rehab - Engineer	300,000	104,378	195,622
Storm Damage Repairs			
Engineer	583,197	297,518	285,679
Church St. Water Tower Rehab			
Engineer	59,800	32,580	27,220
Grant Administrator	25,000	12,500	12,500
Contractor	346,000	-	346,000
Fireman's Park Restroom Renovations			
Architect	41,130	37,185	3,945
Contractor	251,500	16,000	235,500
Wayfinding Signage Project - Contractor	208,697	6,261	202,436
	<u>\$ 3,086,825</u>	<u>\$ 1,124,401</u>	<u>\$ 1,962,424</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2017

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, 2017 the balances were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds	General Fund	\$ 466,361
	Other Governmental Funds	<u>119,340</u>
		\$ 585,701
Electric Fund	General Fund	<u>\$ 1,391,988</u>
		\$ 1,391,988

In addition to the interfund receivables and payables shown above, the General Fund is reporting a receivable of \$1,282,759 from the component unit, the Streets and Drainage Fund is reporting a \$99,499 receivable from the component unit, and the Parks Capital Improvement Fund is reporting a \$175,355 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, 2017:

	<u>Governmental Activities</u>			<u>Business Type Activities</u>					<u>Net Transfers From</u>
	<u>General</u>	<u>Debt Service</u>	<u>Other Gov'l</u>	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Sanitation</u>	
Governmental Activities									
Major Funds									
General Fund	\$ -	\$ -	\$ 914,018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 914,018
Hwy 290 Pass Through	-	2,680,000	-	-	-	-	-	-	2,680,000
Other Gov'l Funds	385,839	-	-	-	-	-	-	-	385,839
Internal Service	140,000	-	-	13,800	3,700	15,200	6,000	21,300	200,000
Business-type Activities									
Major Funds									
Electric	1,717,704	-	-	-	-	-	-	-	1,717,704
Gas	360,964	-	-	167,852	-	-	-	-	528,816
Water	369,223	-	-	207,619	-	-	-	-	576,842
Wastewater	233,544	-	-	112,381	-	-	-	-	345,925
Sanitation	311,652	-	-	76,995	-	-	-	-	388,647
Total Transfers To	<u>\$ 3,518,926</u>	<u>\$ 2,680,000</u>	<u>\$ 914,018</u>	<u>\$ 578,647</u>	<u>\$ 3,700</u>	<u>\$ 15,200</u>	<u>\$ 6,000</u>	<u>\$ 21,300</u>	<u>\$ 7,737,791</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2017

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 \$424,923 to the Parks Capital Improvement Fund for capital improvements to six different city parks. BCDC also provided \$86,363 to the General Fund for various aquatic and recreation projects. The following schedule shows payments to and from the component unit for the year ended September 30, 2017:

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	\$ 86,363	\$ 571,425	\$ 424,923	\$ 1,082,711

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2017

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, 2017:

	Balance 9/30/2016	Additions	FY17 Retirements	Balance 9/30/2017	Due Within One Year	Long Term
Governmental Activities						
2006 COB - Gen	\$ 5,760,000	\$ -	\$ (385,000)	\$ 5,375,000	\$ 400,000	\$ 4,975,000
2009 GOB Ref - Gen	1,583,165	-	(973,165)	610,000	610,000	-
2010 PTT-Hw y 290 - Gen	2,680,000	-	(2,680,000)	-	-	-
2010 Ltd Tax Notes - Gen	115,000	-	(115,000)	-	-	-
2010 GOB Ref - Gen	335,378	-	-	335,378	-	335,378
2011 GOB Ref - Gen	1,347,629	-	(175,037)	1,172,592	182,782	989,810
2011 Ltd Tax Notes - Gen	365,000	-	(180,000)	185,000	185,000	-
2012 COB -Gen	1,570,000	-	(80,000)	1,490,000	80,000	1,410,000
2014 COB-Gen	3,655,000	-	(105,000)	3,550,000	110,000	3,440,000
2014 GOB Ref-Gen	1,451,471	-	(19,242)	1,432,229	398,605	1,033,624
2015 GOB Ref-Hw y 290-General	3,910,000	-	-	3,910,000	2,160,000	1,750,000
2016 COB-Gen	-	1,129,719	(46,529)	1,083,190	40,945	1,042,245
	<u>22,772,643</u>	<u>1,129,719</u>	<u>(4,758,973)</u>	<u>19,143,389</u>	<u>4,167,332</u>	<u>14,976,057</u>
Unamort Bond Premium	463,936	157,735	(236,744)	384,927	NA	384,927
Ref Deferred Charges - '09 Ref GOB	(36,387)	-	18,590	(17,797)	NA	(17,797)
Ref Deferred Charges - '10 Ref GOB	(16,194)	-	4,130	(12,064)	NA	(12,064)
Ref Deferred Charges - '11 Ref GOB	(132,344)	-	19,251	(113,093)	NA	(113,093)
Ref Deferred Charges - '14 Ref GOB	(47,540)	-	9,670	(37,870)	NA	(37,870)
Ref Deferred Charges - '15 Ref GOB	99,890	-	(34,744)	65,146	NA	65,146
	<u>23,104,004</u>	<u>1,287,454</u>	<u>(4,978,820)</u>	<u>19,412,638</u>	<u>4,167,332</u>	<u>15,245,306</u>
Chase BVWACS Radio Lease	50,132	-	(50,132)	-	-	-
Chase Asphalt Zipper Lease	84,267	-	(27,490)	56,777	28,085	28,692
Bank of Brenham Library Furniture Note Payable	450,000	-	(64,286)	385,714	64,286	321,428
Chase Vehicle & Equipment Lease	-	949,333	-	949,333	126,354	822,979
	<u>584,399</u>	<u>949,333</u>	<u>(141,908)</u>	<u>1,391,824</u>	<u>218,725</u>	<u>1,173,099</u>
Compensated Absences ⁽¹⁾	307,133	357,460	(312,481)	352,112	178,730	173,382
Total Governmental	<u>\$ 23,995,536</u>	<u>\$ 2,594,247</u>	<u>\$ (5,433,209)</u>	<u>\$ 21,156,574</u>	<u>\$ 4,564,787</u>	<u>\$ 16,591,787</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, 2017

III. DETAILED NOTES ON ALL FUNDS (Continued)

	Balance 9/30/2016	Refunding	Additions	FY17 Retirements	Balance 9/30/2017	Due Within One Year	Long Term
Business Type Activities							
2008 COB - Water	5,350,000	(4,885,000)	-	(225,000)	240,000	240,000	-
2009 GOB Ref - Water	279,512	-	-	(279,512)	-	-	-
2009 GOB Ref - Wastewater	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	3,002,368	-	-	(389,964)	2,612,404	407,218	2,205,186
2014 GOB Ref - Water	1,148,399	-	-	(15,224)	1,133,175	315,375	817,800
2014 GOB Ref - Wastewater	2,680,128	-	-	(35,532)	2,644,596	736,020	1,908,576
2016 COB- Electric	-	-	1,905,281	(78,470)	1,826,811	69,055	1,757,756
2016 GOB Ref-Water	-	-	4,695,000	(50,000)	4,645,000	-	4,645,000
	<u>13,997,352</u>	<u>(4,885,000)</u>	<u>6,600,281</u>	<u>(1,726,026)</u>	<u>13,986,607</u>	<u>1,767,668</u>	<u>12,218,939</u>
Unamort Bond Premium-Electric	-	-	266,021	(12,855)	253,166	NA	253,166
Unamort Bond Premium-Water	22,029	-	683,497	(65,181)	640,345	NA	640,345
Unamort Bond Premium-Wastewater	56,597	-	-	(23,711)	32,886	NA	32,886
09 Ref Deferred Chrg-Water	(22,285)	-	-	22,288	-	NA	-
09 Ref Deferred Chrg-Wastewater	(52,011)	-	-	52,012	-	NA	-
10 Ref Deferred Chrg-Water	(12,811)	-	-	3,271	(9,540)	NA	(9,540)
10 Ref Deferred Chrg-Wastewater	(29,900)	-	-	7,634	(22,266)	NA	(22,266)
11 Ref Deferred Chrg-Water	85,488	-	-	(12,431)	73,057	NA	73,057
11 Ref Deferred Chrg-Wastewater	(294,866)	-	-	42,885	(251,981)	NA	(251,981)
14 Ref Deferred Chrg-Water	(37,615)	-	-	7,651	(29,964)	NA	(29,964)
14 Ref Deferred Chrg-Wastewater	(87,787)	-	-	17,855	(69,932)	NA	(69,932)
16 Ref Deferred Chrg-Water	-	(381,547)	-	30,900	(350,647)	NA	(350,647)
Sub Total Bonds Payable	13,624,191	(5,266,547)	7,549,799	(1,655,708)	14,251,731		12,484,063
Compensated Absences	151,628	-	216,157	(202,507)	165,278	108,078	57,200
Chase BVWACS Radio Lease-Electric	4,575	-	-	(4,575)	-	-	-
Chase BVWACS Radio Lease-Gas	972	-	-	(972)	-	-	-
Chase BVWACS Radio Lease-Water	1,574	-	-	(1,574)	-	-	-
Chase BVWACS Radio Lease-Wastewater	1,820	-	-	(1,820)	-	-	-
Chase BVWACS Radio Lease-Sanitation	1,700	-	-	(1,700)	-	-	-
Chase Sewer Vacuum Truck Lease	122,979	-	-	(60,893)	62,086	62,086	-
Chase Vehicle & Equipment Lease-Fleet	-	-	194,700	-	194,700	25,914	168,786
Chase Vehicle & Equipment Lease-Wastewater	-	-	166,400	-	166,400	22,147	144,253
Chase Vehicle & Equipment Lease-Sanitation	-	-	607,649	-	607,649	80,878	526,771
Total Proprietary	\$ 13,909,439	\$ (5,266,547)	\$ 8,734,705	\$ (1,929,749)	\$ 15,447,844	\$ 2,066,771	\$ 13,381,073
Component Unit Governmental Activities							
Note Payable-BCDC to City Elec Fund	\$ 135,289	\$ -	\$ -	\$ (65,957)	\$ 69,332	\$ 69,332	\$ -
Note Payable-BCDC to City Elec Fund-FY10	1,000,000	-	-	(82,521)	917,479	78,737	838,742
Note Payable-BCDC to City Elec Fund-FY17	-	-	500,000	-	500,000	-	500,000
Total Governmental - BCDC	\$ 1,135,289	\$ -	\$ 500,000	\$ (148,478)	\$ 1,486,811	\$ 148,069	\$ 1,338,742

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2017

III. DETAILED NOTES ON ALL FUNDS (Continued)

The annual debt service requirement to maturity for all bonded outstanding debt as of September 30, 2017 follows:

FISCAL YEAR ENDING 9/30	PRIMARY GOVERNMENT							
	GENERAL OBLIGATION		TAX NOTES		CERTIFICATES OF OBLIGATION		TOTAL	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2018	\$ 4,810,000	\$ 571,414	\$ 185,000	\$ 3,164	\$ 940,000	\$ 466,877	\$ 5,935,000	\$ 1,041,455
2019	4,190,000	460,234	-	-	825,000	433,577	5,015,000	893,811
2020	2,470,000	334,821	-	-	915,000	406,239	3,385,000	741,060
2021	2,595,000	252,207	-	-	950,000	376,738	3,545,000	628,945
2022	1,155,000	190,100	-	-	1,005,000	345,905	2,160,000	536,005
2023-2027	3,515,000	475,450	-	-	4,930,000	1,177,674	8,445,000	1,653,124
2028-2032	644,996	20,800	-	-	2,640,000	529,800	3,284,996	550,600
2033-2037	-	-	-	-	1,360,000	110,975	1,360,000	110,975
	<u>\$ 19,379,996</u>	<u>\$ 2,305,026</u>	<u>\$ 185,000</u>	<u>\$ 3,164</u>	<u>\$ 13,565,000</u>	<u>\$ 3,847,785</u>	<u>\$ 33,129,996</u>	<u>\$ 6,155,975</u>

The annual debt service requirement to maturity for all notes payable outstanding debt as of September 30, 2017 follows:

FISCAL YEAR ENDING 9/30	NOTES PAYABLE	
	PRINCIPAL	INTEREST
	2018	\$ 64,286
2019	321,428	7,168
2020	-	-
2021	-	-
2022	-	-
2023-2027	-	-
2028-2032	-	-
2033-2037	-	-
	<u>\$ 385,714</u>	<u>\$ 15,769</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2017

III. DETAILED NOTES ON ALL FUNDS (Continued)

Debt outstanding at September 30, 2017 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%	\$ 5,375,000
\$5,985,000, 2008 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$30,000 to \$695,000 through August 15, 2018; interest rate 4.1-4.8%	240,000
\$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%	610,000
\$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%	3,785,000
\$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%	185,000
\$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%	1,490,000
\$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%	3,550,000
\$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%	5,210,000
\$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
\$3,035,000; 2016 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$110,000 to \$210,000 through August 15, 2036; interest rate 2.0-4.0%	2,910,000
\$4,695,000; 2016 General Obligation Refunding Bonds due in annual installments of \$50,000 to \$645,000 through August 15, 2028; interest rate 2.0-4.0%	4,645,000
\$298,723 lease payable dated May 10, 2013 due in annual payments of \$63,303 including interest, through May, 2018 (Sewer Vacuum Truck Lease)	62,086
\$138,000 lease payable dated November 5, 2014 due in annual payments of \$29,314 including interest, through September, 2019 (Asphalt Zipper)	56,777
\$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)	385,714
\$1,918,082 lease payable dated March 13, 2017 due in annual payments of \$300,367 including interest, through March 2024, (FY17 Vehicles & Equipment)	1,918,082
Compensated Absences for accrued vacation	517,389
	\$36,070,048
Unamortized Bond Premium	1,311,321
Unamortized Bond Discount	-
Deferred Charges on Bonds	(776,951)
	\$36,604,418

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2017

III. DETAILED NOTES ON ALL FUNDS (Continued)

Debt outstanding for Brenham Community Development Corporation Component Unit at September 30, 2017 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	\$ 69,332
\$1,000,000 note payable to primary government dated August 6, 2010, interest payable at 4.75%, unsecured, annual payments 2017 through 2029	917,479
\$500,000 note payable to primary government dated May 5, 2017, interest payable at 3.25%, unsecured, annual payments 2017 through 2026	<u>500,000</u>
	<u>\$ 1,486,811</u>

FISCAL YEAR ENDING 9/30	COMPONENT UNIT NOTES PAYABLE	
	PRINCIPAL	INTEREST
	2018	\$ 148,069
2019	154,274	68,941
2020	154,721	71,706
2021	150,377	74,101
2022	146,233	76,295
2023-2027	640,347	406,253
2028-2032	92,790	127,044
	<u>\$ 1,486,811</u>	<u>\$ 878,744</u>

1. Advance Refunding of Debt

In 2017, the City issued \$4,695,000 of general obligation refunding bonds to provide resources to purchase federal securities that were placed in an irrevocable trust for the purpose of generating resources for the redemption on August 15, 2018 for 2008 Combination Tax & Revenue Certificates of Obligation maturing 2017 through 2028. As a result, the refunded bonds are considered to be defeased and the liability has been removed from long-term debt. At September 30, 2017 the outstanding principal on the defeased debt was \$4,885,000.

As a result of the refunding, the City reduced its aggregate debt service payments to maturity by \$705,978, and obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$621,512.

I. Capital Leases

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. In FY17, the city entered into a lease agreement to finance the acquisition of various vehicles and equipment for governmental and proprietary departments. 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, 2017

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	\$ 1,083,672	\$ 1,267,472
Less: Accumulated Depreciation	(79,228)	(122,907)
Total Net Asset	<u>\$ 1,004,444</u>	<u>\$ 1,144,565</u>

The total future minimum lease payments and the net present value of these minimum payments as of September 30, 2017 were as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2018	\$ 177,977	\$ 215,007
2019	177,977	151,704
2020	148,663	151,704
2021	148,663	151,704
2022	148,663	151,704
2023	148,663	151,704
2024	148,663	151,704
Total Minimum Lease Payments	\$ 1,099,269	\$ 1,125,231
Less: Amount Representing Interest	(93,159)	(94,396)
Present Value of Minimum Payments	<u>\$ 1,006,110</u>	<u>\$ 1,030,835</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, 2017 the primary government had no liability for rebtable arbitrage.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2017

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	164,910	2,051,616
Capital Leases	147,272	609,174
Customer Deposits	-	1,462,276
Debt Service	224,369	-
Hotel/Motel Tax	262,991	-
PD Criminal Law Enforcement	19,404	-
Streets/Drainage Improvements	362,074	-
Worker's compensation	107,473	-
Central Fleet	-	72
Pass Thru Toll Agreement	4,881,345	-
	<u>\$ 6,619,838</u>	<u>\$ 4,123,138</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 position represents 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, 2017

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, 2017:

	General Fund	Debt Service Fund	US 290 Pass Thru Finance Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Inventory	\$ 177,818	\$ -	\$ -	\$ -	\$ 177,818
Prepaid Assets	1,000	-	-	-	1,000
Restricted for:					
Debt Service	-	226,949	4,881,345	-	5,108,294
Grantor and Contributor Purposes	162,282	-	-	-	162,282
Public Safety	-	-	-	168,793	168,793
Culture & Recreation	-	-	-	36,020	36,020
Transportation and Aviation Projects	-	-	-	363,201	363,201
Court Technology and Security	-	-	-	60,692	60,692
Tourism Promotion	287,711	-	-	224,589	512,300
Committed to:					
Culture & Recreation	2,952	-	-	-	2,952
Park Capital Improvements	-	-	-	249,360	249,360
Transportation and Aviation Projects	-	-	-	6,943	6,943
Assigned to:					
Culture and Recreation	-	-	-	21,085	21,085
Public Safety	-	-	-	14,058	14,058
				628,518	628,518
Unassigned:	4,626,478	-	-	-	4,626,478
Total Fund Balances:	<u>\$ 5,258,241</u>	<u>\$ 226,949</u>	<u>\$ 4,881,345</u>	<u>\$ 1,773,259</u>	<u>\$ 12,139,794</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2017

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, 2017 was \$106,502.

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, 2017 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. As of September 30, 2017, the City had incurred expenditures for repairs and reconstruction of city property and infrastructure of approximately \$505,000 in the governmental funds and \$279,000 in proprietary funds. Additional repairs and reconstruction work will continue in FY18.

For FY16, storm damage related insurance proceeds of approximately \$175,000 and \$62,000 were received by the governmental and proprietary funds respectively. For FY17, storm related insurance proceeds of approximately \$84,000 and \$13,000 were received by the governmental and proprietary funds, respectively.

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). For FY17, storm related FEMA reimbursements of approximately \$155,000 and \$71,000 were received for the governmental and proprietary funds, respectively. In addition to claims that have already been collected, additional claims are still being submitted to FEMA for review; however, reimbursement amounts cannot be determined at this time.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2017

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 872 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, 2017

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 2016</i>	<i>Plan Year 2017</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>2016</u>
<u>Membership</u>	
Inactive employees or beneficiaries currently receiving benefits	117
Inactive employees entitled to but not yet receiving benefits	128
Active employees	<u>202</u>
Total	447

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 6.07% and 9.62% in 2016 and 2017, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2017 were \$962,437 and were equal to the required contribution.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2017

IV. OTHER INFORMATION (Continued)

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016 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, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 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 2016 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, 2017

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%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
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 12/31/2015	\$ 49,916,434	\$ 37,189,771	\$ 12,726,663
Changes for the year:			
Service Cost	1,221,386	-	1,221,386
Interest	3,339,042	-	3,339,042
Change of benefit terms	-	-	-
Difference between expected and actual experience	(353,462)	-	(353,462)
Changes of assumptions	-	-	-
Contributions - employer	-	633,027	(633,027)
Contributions - employee	-	520,181	(520,181)
Net investment income	-	2,512,798	(2,512,798)
Benefit payments, including refunds of employee contributions	(2,119,688)	(2,119,688)	-
Administrative expense	-	(28,385)	28,385
Other changes	-	(1,529)	1,529
Net changes	2,087,278	1,516,404	570,874
Balance at 12/31/2016	\$ 52,003,712	\$ 38,706,175	\$ 13,297,537

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2017

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	\$20,716,170	\$13,297,537	\$7,218,900

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, 2016, the City of Brenham recognized pension expense of \$1,489,672, 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	\$ -	\$ 635,186
Differences in assumption changes	36,116	-
Differences between projected and actual investment earnings	1,750,097	1,990
Contributions subsequent to the measurement date	773,267	-
Total	\$ 2,559,480	\$ 637,176

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling \$773,267 will be recognized as a reduction of the net pension liability for the year ending September 30, 2018.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2017

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
2017	\$ 365,955
2018	388,399
2019	407,133
2020	(12,450)
2021	-
Thereafter	-
Total	<u>\$ 1,149,037</u>

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, 2016, there were 225 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, 2016, the pension system membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	3,167
Terminated Members Entitled to Benefits but Not Yet Receiving Them	2,200
Active Participants (Vested and Non-vested)	3,634

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, 2017

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, 2016, the Part Two contributions were established by the board to be 2% of the Part One contributions beginning September 1, 2017.

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, 2017

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, 2016, total contributions (dues, prior service, and interest on prior service financing) of \$55,440 were paid by the City. The State appropriated \$1,583,825 for the fiscal year ending August 31, 2016 to the plan as a whole.

Net Pension Liability

The System's net pension liability was measured as of August 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2016.

Total pension liability	\$ 123,092,111
Plan fiduciary net position	93,964,008
System's net pension liability	\$ 29,128,103
Plan fiduciary net position as a percentage of the total pension liability	76.30%

Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	8/31/2016
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	3.00%
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 2024 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 (3.00%). In addition, the final 7.75% assumption reflected a reduction of 0.22% 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, 2017

IV. OTHER INFORMATION (Continued)

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities		
Large Cap Domestic	32.00%	5.72%
Small Cap Domestic	10.00%	5.96%
Developed International	21.00%	6.21%
Emerging Markets	6.00%	7.18%
Master Limited Partnership	5.00%	7.61%
Fixed Income		
Domestic	21.00%	1.61%
International	5.00%	1.81%
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, 2016 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. Because of the 30-year amortization period with the conservative amortization method, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, 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	\$596,703	\$352,450	\$196,824

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2017

IV. OTHER INFORMATION (Continued)

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

At August 31, 2016, the City reported a liability of \$352,450 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	\$ 352,450
State's proportionate share that is associated with the City*	<u>121,845</u>
Total	<u>\$ 474,295</u>

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

The net pension liability was measured as of August 31, 2016 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, 2016. The City used the assumption that any differences in the net pension liability measured as of August 31, 2016 versus September 30, 2016 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, 2015 through August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was 1.21%.

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, 2016, the City recognized pension expense of \$80,608. The City recognized on-behalf revenues of \$29,301 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, 2017

IV. OTHER INFORMATION (Continued)

At August 31, 2016, 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	\$ 84,813	\$ 27,453
Differences due to changes in actuarial assumptions	\$ 4,243	\$ -
Differences in expected and actual experience	\$ 308	\$ -
Contributions paid to TESRS subsequent to the measurement data	\$ 53,060	\$ -
Total	\$ 142,424	\$ 27,453

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling \$53,060 will be recognized as a reduction of the net liability for the year ending August 31, 2017.

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
2017	\$ 16,444
2018	40,772
2019	4,695
Total	<u>\$ 61,911</u>

F. Restatements

The net position of the City's component unit as previously reported, as of September 30, 2016, has been restated to give effect to the following:

The beginning balance of other liabilities reported in the government-wide financial statements has been restated as a result of a correction of the previously reported value.

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

	<u>Component Unit</u>
Net position as previously reported	\$ 1,891,785
Decrease due to correction of other liabilities	<u>(98,662)</u>
Net Position as restated	<u>\$ 1,793,123</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2017

IV. OTHER INFORMATION (Continued)

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

	<u>Component Unit</u>
Net position as previously reported	\$ 2,658,317
Decrease due to correction of other liabilities	(98,662)
Net Position as restated	\$ 2,559,655

G. 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, 2016, 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.

<u>Coverage</u>	<u>Premium (less supplement)</u>
Retiree Only	\$6,302.70
Retiree & Spouse	\$15,605.04

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 198 active members as of October 1, 2016, the effective date of this OPEB valuation. For FY17, the City paid 95.2% of monthly premiums (\$593.20) for active members, 80.3% of premiums (\$1,220.56) for member and spouse, 84.1% of premiums (\$928.48) for member and child, and 78.3% for family coverage (\$1,441.42).

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, 2016.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2017

IV. OTHER INFORMATION (Continued)

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 09/30/2017	FY Ending 09/30/2016	FY Ending 09/30/2015
<i>Determination of Annual Required Contribution</i>			
Normal Cost at fiscal year end	\$ 73,082	\$ 86,849	\$ 86,849
Amortization of UAAL	<u>64,340</u>	<u>82,745</u>	<u>77,492</u>
Annual Required Contribution (ARC)	\$ 137,422	\$ 169,594	\$ 164,341
<i>Determination of Net OPEB Obligation</i>			
Annual Required Contribution	\$ 137,422	\$ 169,594	\$ 164,341
Interest on prior year Net OPEB Obligation	30,819	26,127	22,349
Adjustment to ARC	<u>(42,843)</u>	<u>(36,321)</u>	<u>(31,068)</u>
Annual OPEB Cost	\$ 125,398	\$ 159,400	\$ 155,622
Contributions made	<u>(53,315)</u>	<u>(42,106)</u>	<u>(61,151)</u>
Estimated increase in Net OPEB Obligation	\$ 72,083	\$ 117,294	\$ 94,471
<i>Estimated Net OPEB Obligation - begin of year</i>	\$ 770,481	\$ 653,187	\$ 558,716
<i>Estimated Net OPEB Obligation - end of year</i>	\$ 842,564	\$ 770,481	\$ 653,187

Funded Status and Funding Progress. As of October 1, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$1,112,559, and the actuarial value of the assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,112,559. The covered payroll (annual payroll of active employees covered by the plan) was \$10,806,240 and the ratio of the UAAL to the covered payroll was 10.3%.

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.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2017

IV. OTHER INFORMATION (Continued)

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 FY2017 and the three preceding years:

<u>Fiscal Year Ended</u>	<u>Discount Rate</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
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
9/30/2017	4.0%	\$ 125,398	42.52%	\$ 842,564

Actuarial Methods and Assumptions. The following assumptions were used in the October 1, 2016 actuarial valuation:

<u>Actuarial Valuation Information</u>	
<u>10/01/16</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 4.40% increasing to 5.9% after 18 years then declining to an ultimate rate of 4.00% 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%	-5%
55	11%	4%
60	23%	14%
64	25%	15%

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2017

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.

H. Tax Abatements

The City of Brenham negotiates property tax abatement agreements on an individual basis. Each agreement was negotiated under The Texas Property Redevelopment and Tax Abatement Act, Chapter 312, Tax Code, V.A.T.S. as amended, allowing localities to abate property taxes for economic development purposes, which include business relocation, retention and expansion. Property must be located within a reinvestment zone to be eligible for a tax abatement, and agreements are limited to ten (10) years in length.

The City has established guidelines and criteria for tax abatements and has adopted formal incentive schedules for calculating the level of abatement depending on the combination of property value created and job creation/retention. These schedules also include property value created in the downtown district. The recipients commit to adding new value to the tax rolls of eligible property within established minimums and maximums and commit to new and or retained full-time employees with a minimum salary and benefits level.

Each tax phase-in incentive project is monitored annually for compliance. If a recipient does not fulfill the requirements, the City has an abatement recapture clause and if such default is not cured within thirty (30) days, the agreement shall be terminated. Taxes otherwise abated for the calendar year of default, shall be paid to the City within sixty (60) days from the date of termination.

For fiscal year 2017, the City abated property taxes of \$182,966, or 3.0%, of the \$6,076,054 total levy.

I. Subsequent Events

On October 12, 2017, the City Council approved a resolution expressing official intent to reimburse certain costs related to emergency street repairs from the issuance of Certificates of Obligation in the event that FEMA does not reimburse a portion of the estimated \$1.425 million in engineering and construction expenses. The repairs are needed for major damage to numerous roadways and drainage areas incurred during the May 2016 flood event.

On October 12, 2017, the City Council awarded the following emergency street and drainage repair contracts needed as a result of the May 2016 flood event:

- \$178,981 agreement with Sitework Contractors, LLC for Barbee Street
- \$464,700 agreement with Sitework Contractors, LLC for Burleson Street at Higgins Branch
- \$536,066 agreement with Hassell Construction Co., Inc. for Jefferson Street at Higgins Branch

On November 16, 2017, the City Council approved a note payable for \$171,000 with Bank of Brenham for the purchase of a sludge spreader truck for the Water Treatment Plant. The note term is for five years and has a 2.50% interest rate with annual payment of principal and interest equal to \$36,808.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2017

IV. OTHER INFORMATION (Continued)

On December 7, 2017, the City Council authorized the issuance and sale of \$3,840,000 Combination Tax and Revenue Certificates of Obligation, Series 2017, dated December 21, 2017. The proceeds are to be used for:

1. Water and Wastewater systems rehabilitation and improvements.
2. Street and drainage construction and improvements.
3. Renovations and improvements at the Blue Bell Aquatic Center.

On December 21, 2017, the City Council approved the purchase of three acres of land for a future fire station as outlined in a development agreement between the City and Ed. F. Kruse in the amount of \$150,000. The land will be purchased with proceeds from the 2014 Certificates of Obligation.

On January 18, 2018, the City Council approved the purchase of a Pool Pak System from American Mechanical Services, LLC for the Blue Bell Aquatic Center through the BuyBoard Local Government Purchasing Cooperative in the amount of \$674,963.00.

J. 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.



REQUIRED SUPPLEMENTARY
INFORMATION

**City of Brenham, Texas
Required Supplementary Information
September 30, 2017**

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
October 1, 2016	N/A	\$ 1,112,559	\$ 1,112,559	0%	\$10,806,240	10%

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

(2) Actuarial Accrued Liability less Actuarial Value of Assets

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

The most recent actuarial valuation is shown.

* Health Care Insurance Plan

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City of Brenham, Texas
Required Supplementary Information
September 30, 2017

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

Measurement Year	2014	2015	2016
Total Pension Liability			
Service Cost	\$ 1,137,682	\$ 1,217,054	\$ 1,221,386
Interest (on the Total Pension Liability)	3,168,390	3,311,366	3,339,042
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(488,131)	(335,369)	(353,462)
Change of assumptions	-	65,360	-
Benefit payments, including refunds of employee contributions	(1,552,848)	(2,077,364)	(2,119,688)
Net Change in Total Pension Liability	2,265,093	2,181,047	2,087,278
Total Pension Liability - Beginning	45,470,294	47,735,387	49,916,434
Total Pension Liability - Ending (a)	<u>\$ 47,735,387</u>	<u>\$ 49,916,434</u>	<u>\$ 52,003,712</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 725,558	\$ 672,655	\$ 633,027
Contributions - Employee	519,774	529,614	520,181
Net Investment Income	2,076,198	56,134	2,512,798
Benefit payments, including refunds of employee contributions	(1,552,848)	(2,077,364)	(2,119,688)
Administrative Expense	(21,680)	(34,193)	(28,385)
Other	(1,782)	(1,688)	(1,529)
Net Change in Plan Fiduciary Net Position	1,745,220	(854,842)	1,516,404
Plan Fiduciary Net Position - Beginning	36,299,393	38,044,613	37,189,771
Plan Fiduciary Net Position - Ending (b)	<u>\$ 38,044,613</u>	<u>\$ 37,189,771</u>	<u>\$ 38,706,175</u>
Net Pension Liability - Ending (a) - (b)	\$ 9,690,774	\$ 12,726,663	\$ 13,297,537
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	79.70%	74.50%	74.43%
Covered Employee Payroll	\$ 10,395,487	\$ 10,592,288	\$ 10,403,627
Net Position Liability as a Percentage of Covered Employee Payroll	93.22%	120.15%	127.82%

Notes to Schedule:
N/A

**City of Brenham, Texas
Required Supplementary Information
September 30, 2017**

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

Fiscal Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Actuarially Determined Contribution	\$ 844,732	\$ 851,388	\$ 833,706	\$ 904,116	\$ 698,787	\$ 694,276	\$ 726,981	\$ 725,558	\$ 672,655	\$ 633,027
Contributions in relation to the actuarially determined contribution	\$ 844,732	\$ 851,388	\$ 833,706	\$ 904,116	\$ 698,787	\$ 694,276	\$ 726,981	\$ 725,558	\$ 672,655	\$ 633,027
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 8,228,123	\$ 9,116,479	\$ 9,171,150	\$ 9,567,491	\$ 9,856,804	\$ 9,933,343	\$ 10,158,757	\$ 10,395,487	\$ 10,592,288	\$ 10,403,627
Contributions as a percentage of covered employee payroll	10.27%	9.34%	9.09%	9.45%	7.09%	6.99%	7.16%	6.98%	6.35%	6.08%

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.) Adopted 100% repeating USC with transfer.
- 2.) Granted 70% ad hoc COLA.

City of Brenham, Texas
Required Supplementary Information
September 30, 2017

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

Measurement Year	<u>2015</u>	<u>2016</u>	<u>2017</u>
City's proportion of the net pension liability	1.1990%	1.1290%	1.2100%
City's proportionate share of the net pension liability	\$ 217,878	\$ 301,359	\$ 352,450
State's proportionate share of the net pension liability	73,625	104,460	121,846
Total	<u>\$ 291,503</u>	<u>\$ 405,819</u>	<u>\$ 474,296</u>
Number of Active Members*	32	32	32
City's Net Pension Liability per Active Member	\$ 6,809	\$ 9,417	\$ 11,014
Plan fiduciary net position as a percentage of the total pension liability	83.50%	76.90%	76.30%

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

Notes to Schedule:

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

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

City of Brenham, Texas
Required Supplementary Information
September 30, 2017

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

Fiscal Year	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 54,320	\$ 53,340	\$ 55,440	\$ 53,060
Contributions in relation to the contractually required contribution	<u>54,320</u>	<u>53,340</u>	<u>55,440</u>	<u>53,060</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Number of Active Members *	32	32	32	32
Contributions per Active Member	\$ 1,698	\$ 1,667	\$ 1,733	\$ 1,658

Notes to Schedule of Contributions:

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



CITY OF BRENHAM, TEXAS

Special Revenue Funds

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

Hotel/Motel Tax Fund

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

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.

2014 Capital Projects Fund

This fund is used to account for proceeds and expenditures for the approved 2014 Bond projects.

Parks Capital Improvements Fund

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

Streets and Drainage Improvements Fund

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

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CITY OF BRENHAM, TEXAS

Internal Service Funds

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

Workers' Compensation Fund

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

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, 2017**

	Special Revenue Funds	Nonmajor Capital Projects Funds	Total Other Governmental Funds
Assets			
Cash and Equivalents	\$ 69,454	\$ 69,601	\$ 139,055
Receivables (Net)			
Occupancy Tax	82,090	-	82,090
Accounts	2,688	500	3,188
Interfund Receivables	-	585,701	585,701
Due from Component Unit	-	274,854	274,854
Restricted Cash	282,395	674,256	956,651
Total Assets	\$ 436,627	\$ 1,604,912	\$ 2,041,539
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable & Other Current	\$ 13,213	\$ 135,727	\$ 148,940
Interfund Payables	119,340	-	119,340
Total Liabilities	132,553	135,727	268,280
Fund Balances:			
Restricted	304,074	549,221	853,295
Committed	-	256,303	256,303
Assigned	-	663,661	663,661
Total Fund Balances	304,074	1,469,185	1,773,259
Total Liabilities and Fund Balances	\$ 436,627	\$ 1,604,912	\$ 2,041,539

City of Brenham
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds
For the Year Ended September 30, 2017

	Special Revenue Funds	Nonmajor Capital Projects Funds	Total Other Governmental Funds
Revenues			
Taxes	\$ 712,291	\$ -	\$ 712,291
Intergovernmental	-	15,824	15,824
Charges for Services	62,697	-	62,697
Investment Income	3,130	8,392	11,522
Payment from Component Unit	-	424,923	424,923
Contributions and Donations	-	5,148	5,148
Program Revenue/Restitution	16,725	-	16,725
Miscellaneous	-	14,000	14,000
Total revenues	<u>794,843</u>	<u>468,287</u>	<u>1,263,130</u>
Expenditures			
Current:			
Culture and Recreation	588,871	103,327	692,198
General Government	29,606	-	29,606
Public Safety	18,622	-	18,622
Capital Outlay	37,528	2,132,585	2,170,113
Total expenditures	<u>674,627</u>	<u>2,235,912</u>	<u>2,910,539</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>120,216</u>	<u>(1,767,625)</u>	<u>(1,647,409)</u>
Other Financing Sources (Uses)			
Transfers In	-	914,018	914,018
Transfers Out	(246,743)	(139,096)	(385,839)
Lease Proceeds	-	949,333	949,333
Total other financing sources and (uses)	<u>(246,743)</u>	<u>1,724,255</u>	<u>1,477,512</u>
Net change in Fund Balances	<u>(126,527)</u>	<u>(43,370)</u>	<u>(169,897)</u>
Fund balances - beginning	<u>430,601</u>	<u>1,512,555</u>	<u>1,943,156</u>
Fund balances - ending	<u>\$ 304,074</u>	<u>\$ 1,469,185</u>	<u>\$ 1,773,259</u>

City of Brenham
Combining Balance Sheet
Other Governmental Funds - Special Revenue Funds
September 30, 2017

	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	\$ -	\$ 8,664	\$ -	\$ 60,790	\$ 69,454
Receivables (Net)					
Occupancy Tax	82,090	-	-	-	82,090
Accounts	2,688	-	-	-	2,688
Restricted Cash	262,991	-	19,404	-	282,395
Total Assets	\$ 347,769	\$ 8,664	\$ 19,404	\$ 60,790	\$ 436,627
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable & Other Current	\$ 12,504	\$ -	\$ 611	\$ 98	\$ 13,213
Interfund Payables	119,340	-	-	-	119,340
Total Liabilities	131,844	-	611	98	132,553
Fund Balances:					
Restricted	215,925	8,664	18,793	60,692	304,074
Total Fund Balances	215,925	8,664	18,793	60,692	304,074
Total Liabilities and Fund Balances	\$ 347,769	\$ 8,664	\$ 19,404	\$ 60,790	\$ 436,627

City of Brenham
Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds - Special Revenue Funds
For the Year Ended September 30, 2017

	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	\$ 617,291	\$ 95,000	\$ -	\$ -	\$ 712,291
Charges for Services	-	-	-	62,697	62,697
Investment Income	1,815	383	95	837	3,130
Program Revenue/Restitution	-	-	16,725	-	16,725
Total revenues	619,106	95,383	16,820	63,534	794,843
Expenditures					
Current:					
Culture and Recreation	424,703	164,168	-	-	588,871
General Government	-	-	-	29,606	29,606
Public Safety	-	-	18,622	-	18,622
Capital Outlay	-	-	-	37,528	37,528
Total expenditures	424,703	164,168	18,622	67,134	674,627
Excess (Deficiency) of Revenues Over (Under) Expenditures	194,403	(68,785)	(1,802)	(3,600)	120,216
Other Financing Sources (Uses)					
Transfers Out	(210,000)	-	-	(36,743)	(246,743)
Total other financing sources and (uses)	(210,000)	-	-	(36,743)	(246,743)
Net change in Fund Balances	(15,597)	(68,785)	(1,802)	(40,343)	(126,527)
Fund balances - beginning	231,522	77,449	20,595	101,035	430,601
Fund balances - ending	\$ 215,925	\$ 8,664	\$ 18,793	\$ 60,692	\$ 304,074

City of Brenham
Combining Balance Sheet
Other Governmental Funds - Nonmajor Capital Projects Funds
September 30, 2017

	Airport Capital Impr. Fund	Capital Leases Fund	2014 Capital Projects Fund	Parks Capital Improvements Fund	Streets & Drainage Improvements Fund	Total Nonmajor Capital Projects Funds
Assets						
Cash and Cash Equivalents	\$ 6,943	\$ -		\$ -	\$ 62,658	\$ 69,601
Receivables (Net)						
Accounts	-	-	-	500	-	500
Interfund Receivable	-	-		119,340	466,361	585,701
Due from Component Unit	-	-	-	175,355	99,499	274,854
Restricted Cash	-	147,272	164,910	-	362,074	674,256
Total Assets	<u>\$ 6,943</u>	<u>\$ 147,272</u>	<u>\$ 164,910</u>	<u>\$ 295,195</u>	<u>\$ 990,592</u>	<u>\$ 1,604,912</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts Payable & Other Current Liabilities	-	128,292	852	6,583	-	135,727
Total Liabilities	<u>-</u>	<u>128,292</u>	<u>852</u>	<u>6,583</u>	<u>-</u>	<u>135,727</u>
Fund Balances:						
Restricted	-	18,980	150,000	18,167	362,074	549,221
Committed	6,943	-	-	249,360	-	256,303
Assigned	-	-	14,058	21,085	628,518	663,661
Total Fund Balances	<u>6,943</u>	<u>18,980</u>	<u>164,058</u>	<u>288,612</u>	<u>990,592</u>	<u>1,469,185</u>
Total Liabilities and Fund Balances	<u>\$ 6,943</u>	<u>\$ 147,272</u>	<u>\$ 164,910</u>	<u>\$ 295,195</u>	<u>\$ 990,592</u>	<u>\$ 1,604,912</u>

City of Brenham
Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds - Nonmajor Capital Projects Funds
For the Year Ended September 30, 2017

	Airport Capital Impr. Fund	Capital Leases Fund	2014 Capital Projects Fund	Parks Capital Improvements Fund	Streets & Drainage Improvements Fund	Total Nonmajor Capital Projects Funds
Revenues						
Intergovernmental	\$ -	\$ -	\$ 14,074	\$ 1,750	\$ -	\$ 15,824
Investment Income	57	1,103	3,340	1,353	2,539	8,392
Payment from Component Unit	-	-	-	424,923	-	424,923
Contributions and Donations	-	-	-	5,148	-	5,148
Miscellaneous	-	-	-	14,000	-	14,000
Total revenues	<u>57</u>	<u>1,103</u>	<u>17,414</u>	<u>447,174</u>	<u>2,539</u>	<u>468,287</u>
Expenditures						
Current:						
Culture and Recreation	-	-	-	103,327	-	103,327
Capital Outlay	-	1,359,300	165,803	336,000	271,482	2,132,585
Total expenditures	<u>-</u>	<u>1,359,300</u>	<u>165,803</u>	<u>439,327</u>	<u>271,482</u>	<u>2,235,912</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>57</u>	<u>(1,358,197)</u>	<u>(148,389)</u>	<u>7,847</u>	<u>(268,943)</u>	<u>(1,767,625)</u>
Other Financing Sources (Uses)						
Transfers In	-	-	-	14,018	900,000	914,018
Transfers Out	-	-	(139,096)	-	-	(139,096)
Lease Proceeds	-	949,333	-	-	-	949,333
Total other financing sources and (uses)	<u>-</u>	<u>949,333</u>	<u>(139,096)</u>	<u>14,018</u>	<u>900,000</u>	<u>1,724,255</u>
Net change in Fund Balances	<u>57</u>	<u>(408,864)</u>	<u>(287,485)</u>	<u>21,865</u>	<u>631,057</u>	<u>(43,370)</u>
Fund balances - beginning	<u>6,886</u>	<u>427,844</u>	<u>451,543</u>	<u>266,747</u>	<u>359,535</u>	<u>1,512,555</u>
Fund balances - ending	<u>\$ 6,943</u>	<u>\$ 18,980</u>	<u>\$ 164,058</u>	<u>\$ 288,612</u>	<u>\$ 990,592</u>	<u>\$ 1,469,185</u>

City of Brenham
Internal Service Funds
Combining Statement of Net Position
September 30, 2017

	Workers' Compensation Fund	Central Fleet Fund	Total
Assets			
Current assets:			
Cash and Cash Equivalents	\$ -	\$ 280,330	\$ 280,330
Inventory at Cost	-	1,969	1,969
Other Current Assets	100	-	100
Restricted Cash	107,473	72	107,545
Total current assets	107,573	282,371	389,944
Noncurrent assets:			
Capital Assets, Net	-	282,342	282,342
Total noncurrent assets	-	282,342	282,342
Total Assets	\$ 107,573	\$ 564,713	\$ 672,286
Liabilities and Fund Balances			
Current liabilities:			
Accounts Payable & Other Current Liabilities	\$ 1,071	\$ 7,367	\$ 8,438
Accrued Interest	-	2,478	2,478
Lease Payable, Current	-	25,914	25,914
Total current liabilities	1,071	35,759	36,830
Noncurrent liabilities:			
Long Term Debt, Net	-	168,786	168,786
Total noncurrent liabilities	-	168,786	168,786
Total Liabilities	1,071	204,545	205,616
Net Position			
Net Investment in Capital Assets	-	87,642	87,642
Unrestricted	106,502	272,526	379,028
Total Net Position	\$ 106,502	\$ 360,168	\$ 466,670

City of Brenham, Texas
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year ended September 30, 2017

	Workers' Compensation Fund	Central Fleet Fund	Total
Operating revenues:			
Charges for Services	\$ 225,919	\$ 83,765	\$ 309,684
Total operating revenues	<u>225,919</u>	<u>83,765</u>	<u>309,684</u>
Operating expenses:			
Supplies	-	20	20
Maintenance	-	25,824	25,824
Contractual Services	139,041	54	139,095
Depreciation	-	28,289	28,289
Miscellaneous	-	4,995	4,995
Total operating expenses	<u>139,041</u>	<u>59,182</u>	<u>198,223</u>
Operating Income (loss)	<u>86,878</u>	<u>24,583</u>	<u>111,461</u>
Nonoperating revenues (expenses):			
Investment Income	968	2,187	3,155
Interest Expense & Fiscal Charges	-	(2,478)	(2,478)
Total non-operating revenue (expenses):	<u>968</u>	<u>(291)</u>	<u>677</u>
Income (loss) before contributions and transfers	87,846	24,292	112,138
Transfers Out	(200,000)	-	(200,000)
Total Transfers Out	<u>(200,000)</u>	<u>-</u>	<u>(200,000)</u>
Change in net position	(112,154)	24,292	(87,862)
Total net position - beginning	218,656	335,876	554,532
Total net position - ending	<u>\$ 106,502</u>	<u>\$ 360,168</u>	<u>\$ 466,670</u>

City of Brenham, Texas
Internal Service Funds
Combining Statement of Cash Flows
For the Year ended September 30, 2017

	Workers' Compensation Fund	Central Fleet Fund	Total
Cash Flows from Operating Activities			
Receipts from/(payments for) interfund services provided	\$ 225,919	\$ 83,765	\$ 309,684
Payments to suppliers	(138,000)	(24,585)	(162,585)
Net cash provided (used) by operating activities	<u>87,919</u>	<u>59,180</u>	<u>147,099</u>
Cash Flows from Non Capital Financing Activities			
Transfers in (out)	(200,000)	-	(200,000)
Net cash provided (used) by non capital financing activities	<u>(200,000)</u>	<u>-</u>	<u>(200,000)</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and Construction of Capital Assets	-	(194,700)	(194,700)
Proceeds from Capital Lease	-	194,700	194,700
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities			
Investment income received	968	2,187	3,155
Net cash provided (used) by investing activities	<u>968</u>	<u>2,187</u>	<u>3,155</u>
Net increase (decrease) in cash and cash equivalents	(111,113)	61,367	(49,746)
Cash and cash equivalents, beginning of the year	218,586	219,035	437,621
Cash and cash equivalents, end of the year	<u>\$ 107,473</u>	<u>\$ 280,402</u>	<u>\$ 387,875</u>
Reconciliation of cash and cash equivalents to statement of net position			
Cash and equivalents	\$ -	\$ 280,330	\$ 280,330
Restricted cash and equivalents	107,473	72	107,545
Cash and cash equivalents, end of year	<u>\$ 107,473</u>	<u>\$ 280,402</u>	<u>\$ 387,875</u>
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income (loss)	\$ 86,878	\$ 24,583	\$ 111,461
Adjustments to reconcile net cash provided (used) by operating activities			
Depreciation	-	28,289	28,289
Changes in assets and liabilities affecting cash provided by operations:			
(Increase) decrease in inventory	-	(747)	(747)
Increase (decrease) in accounts payable and other current liabilities	1,041	7,055	8,096
Net cash provided (used) by operating activities	<u>\$ 87,919</u>	<u>\$ 59,180</u>	<u>\$ 147,099</u>

City of Brenham
Debt Service
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,320,256	\$ 2,320,256	\$ 2,304,789	\$ (15,467)
Investment Income	4,000	4,000	14,208	10,208
Payments from Other Governments	110,200	110,200	-	(110,200)
Payment from Component Unit	571,425	571,425	571,425	-
Total revenues	<u>3,005,881</u>	<u>3,005,881</u>	<u>2,890,422</u>	<u>(115,459)</u>
Expenditures				
Debt Service:				
Interest and Fiscal Charges	787,084	787,084	669,942	117,142
Principal Retirement	4,898,797	4,898,797	4,900,881	(2,084)
Total Expenditures	<u>5,685,881</u>	<u>5,685,881</u>	<u>5,570,823</u>	<u>115,058</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,680,000)</u>	<u>(2,680,000)</u>	<u>(2,680,401)</u>	<u>(401)</u>
Other Financing Sources (Uses)				
Transfer In	2,680,000	2,680,000	2,680,000	-
Total other financing sources and (uses)	<u>2,680,000</u>	<u>2,680,000</u>	<u>2,680,000</u>	<u>-</u>
Net change in fund balance	-	-	(401)	(401)
Fund balance - beginning	<u>227,350</u>	<u>227,350</u>	<u>227,350</u>	<u>-</u>
Fund balance - ending	<u>\$ 227,350</u>	<u>\$ 227,350</u>	<u>\$ 226,949</u>	<u>(\$ 401)</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, 2017

	<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	\$ 575,000	\$ 575,000	\$ 617,291	\$ 42,291
Investment Income	500	500	1,815	1,315
Total revenues	<u>575,500</u>	<u>575,500</u>	<u>619,106</u>	<u>43,606</u>
Expenditures				
Current:				
Culture and Recreation	<u>443,000</u>	<u>443,000</u>	<u>424,703</u>	<u>18,297</u>
Total Expenditures	<u>443,000</u>	<u>443,000</u>	<u>424,703</u>	<u>18,297</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>132,500</u>	<u>132,500</u>	<u>194,403</u>	<u>61,903</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(160,000)</u>	<u>(210,000)</u>	<u>(210,000)</u>	<u>-</u>
Total other financing sources and (uses)	<u>(160,000)</u>	<u>(210,000)</u>	<u>(210,000)</u>	<u>-</u>
Net change in fund balance	<u>(27,500)</u>	<u>(77,500)</u>	<u>(15,597)</u>	<u>61,903</u>
Fund balance - beginning	<u>231,522</u>	<u>231,522</u>	<u>231,522</u>	<u>-</u>
Fund balance - ending	<u>\$ 204,022</u>	<u>\$ 154,022</u>	<u>\$ 215,925</u>	<u>\$ 61,903</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, 2017

	<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	\$ 95,000	\$ 95,000	\$ -
Investment Income	-	-	383	383
Total revenues	<u>95,000</u>	<u>95,000</u>	<u>95,383</u>	<u>383</u>
Expenditures				
Current:				
Culture and Recreation	<u>95,000</u>	<u>163,555</u>	<u>164,168</u>	<u>(613)</u>
Total Expenditures	<u>95,000</u>	<u>163,555</u>	<u>164,168</u>	<u>(613)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(68,555)</u>	<u>(68,785)</u>	<u>(230)</u>
Net change in fund balance	-	(68,555)	(68,785)	(230)
Fund balance - beginning	77,449	77,449	77,449	-
Fund balance - ending	<u>\$ 77,449</u>	<u>\$ 8,894</u>	<u>\$ 8,664</u>	<u>\$ (230)</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ 30	\$ 30	\$ 95	\$ 65
Program Income/Restitution	10,000	10,000	16,725	6,725
Total revenues	<u>10,030</u>	<u>10,030</u>	<u>16,820</u>	<u>6,790</u>
Expenditures				
Current:				
Public Safety	<u>8,000</u>	<u>8,000</u>	<u>18,622</u>	<u>(10,622)</u>
Total Expenditures	<u>8,000</u>	<u>8,000</u>	<u>18,622</u>	<u>(10,622)</u>
Net change in fund balance	2,030	2,030	(1,802)	(3,832)
Fund balance - beginning	20,595	20,595	20,595	-
Fund balance - ending	<u>\$ 22,625</u>	<u>\$ 22,625</u>	<u>\$ 18,793</u>	<u>\$ (3,832)</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$ 65,600	\$ 65,600	\$ 62,697	\$ (2,903)
Investment Income	-	-	837	837
Total revenues	<u>65,600</u>	<u>65,600</u>	<u>63,534</u>	<u>(2,066)</u>
Expenditures				
Current:				
General Government	75,332	75,332	29,606	45,726
Capital Outlay	-	-	37,528	(37,528)
Total Expenditures	<u>75,332</u>	<u>75,332</u>	<u>67,134</u>	<u>8,198</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,732)</u>	<u>(9,732)</u>	<u>(3,600)</u>	<u>6,132</u>
Other Financing Sources (Uses)				
Transfers Out	(25,000)	(25,000)	(36,743)	(11,743)
Total other financing sources and (uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(36,743)</u>	<u>(11,743)</u>
Net change in fund balance	(34,732)	(34,732)	(40,343)	(5,611)
Fund balance - beginning	101,035	101,035	101,035	-
Fund balance - ending	<u>\$ 66,303</u>	<u>\$ 66,303</u>	<u>\$ 60,692</u>	<u>(\$ 5,611)</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ -	\$ -	\$ 57	\$ 57
Total revenues	<u>-</u>	<u>-</u>	<u>57</u>	<u>57</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>57</u>	<u>57</u>
Net change in fund balance	-	-	57	57
Fund balance - beginning	6,886	6,886	6,886	-
Fund balance - ending	<u>\$ 6,886</u>	<u>\$ 6,886</u>	<u>\$ 6,943</u>	<u>\$ 57</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ -	\$ -	\$ 1,103	\$ 1,103
Total revenues	<u>-</u>	<u>-</u>	<u>1,103</u>	<u>1,103</u>
Expenditures				
Capital Outlay	-	1,359,300	1,359,300	-
Total Expenditures	<u>-</u>	<u>1,359,300</u>	<u>1,359,300</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(1,359,300)</u>	<u>(1,358,197)</u>	<u>1,103</u>
Other Financing Sources (Uses)				
Issuance of Capital Lease	-	949,333	949,333	-
Total other financing sources and (uses)	<u>-</u>	<u>949,333</u>	<u>949,333</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>(409,967)</u>	<u>(408,864)</u>	<u>1,103</u>
Fund balance - beginning	<u>427,844</u>	<u>427,844</u>	<u>427,844</u>	<u>-</u>
Fund balance - ending	<u>\$ 427,844</u>	<u>\$ 17,877</u>	<u>\$ 18,980</u>	<u>\$ 1,103</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, 2017

	<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	\$ 3,340	\$ 2,340
Intergovernmental	-	14,074	14,074	-
Total revenues	<u>1,000</u>	<u>15,074</u>	<u>17,414</u>	<u>2,340</u>
Expenditures				
Capital Outlay	300,000	300,000	165,803	134,197
Total Expenditures	<u>300,000</u>	<u>300,000</u>	<u>165,803</u>	<u>134,197</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(299,000)</u>	<u>(284,926)</u>	<u>(148,389)</u>	<u>136,537</u>
Other Financing Sources (Uses)				
Transfers Out	-	(139,096)	(139,096)	-
Total other financing sources and (uses)	<u>-</u>	<u>(139,096)</u>	<u>(139,096)</u>	<u>-</u>
Net change in fund balance	(299,000)	(424,022)	(287,485)	136,537
Fund balance - beginning	451,543	451,543	451,543	-
Fund balance - ending	<u>\$ 152,543</u>	<u>\$ 27,521</u>	<u>\$ 164,058</u>	<u>\$ 136,537</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 1,750	\$ 1,750
Investment Income	-	-	1,353	1,353
Contributions and Donations	6,000	6,000	5,148	(852)
Payment from Component Unit	428,050	443,050	424,923	(18,127)
Miscellaneous	18,000	18,000	14,000	(4,000)
Total revenues	<u>452,050</u>	<u>467,050</u>	<u>447,174</u>	<u>(19,876)</u>
Expenditures				
Current:				
Culture and Recreation	91,550	118,550	103,327	15,223
Capital Outlay	471,000	471,000	336,000	135,000
Total Expenditures	<u>562,550</u>	<u>589,550</u>	<u>439,327</u>	<u>150,223</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(110,500)</u>	<u>(122,500)</u>	<u>7,847</u>	<u>130,347</u>
Other Financing Sources (Uses)				
Transfers In	-	14,018	14,018	-
Total other financing sources and (uses)	<u>-</u>	<u>14,018</u>	<u>14,018</u>	<u>-</u>
Net change in fund balance	(110,500)	(108,482)	21,865	130,347
Fund balance - beginning	266,747	266,747	266,747	-
Fund balance - ending	<u>\$ 156,247</u>	<u>\$ 158,265</u>	<u>\$ 288,612</u>	<u>\$ 130,347</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ 500	\$ 500	\$ 2,539	\$ 2,039
Total revenues	<u>500</u>	<u>500</u>	<u>2,539</u>	<u>2,039</u>
Expenditures				
Capital Outlay	359,909	359,909	271,482	88,427
Total Expenditures	<u>359,909</u>	<u>359,909</u>	<u>271,482</u>	<u>88,427</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(359,409)</u>	<u>(359,409)</u>	<u>(268,943)</u>	<u>90,466</u>
Other Financing Sources (Uses)				
Transfers In	-	900,000	900,000	-
Total other financing sources and (uses)	<u>-</u>	<u>900,000</u>	<u>900,000</u>	<u>-</u>
Net change in fund balance	(359,409)	540,591	631,057	90,466
Fund balance - beginning	<u>359,535</u>	<u>359,535</u>	<u>359,535</u>	<u>-</u>
Fund balance - ending	<u>\$ 126</u>	<u>\$ 900,126</u>	<u>\$ 990,592</u>	<u>\$ 90,466</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ 12,000	\$ 12,000	\$ 43,070	\$ 31,070
Intergovernmental	2,283,255	2,283,255	2,023,695	(259,560)
Total revenues	<u>2,295,255</u>	<u>2,295,255</u>	<u>2,066,765</u>	<u>(228,490)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,295,255</u>	<u>2,295,255</u>	<u>2,066,765</u>	<u>(228,490)</u>
Other Financing Sources (Uses)				
Transfers Out	(2,680,000)	(2,680,000)	(2,680,000)	-
Total other financing sources and (uses)	<u>(2,680,000)</u>	<u>(2,680,000)</u>	<u>(2,680,000)</u>	<u>-</u>
Net change in fund balance	(384,745)	(384,745)	(613,235)	(228,490)
Fund balance - beginning	5,494,580	5,494,580	5,494,580	-
Fund balance - ending	<u>\$ 5,109,835</u>	<u>\$ 5,109,835</u>	<u>\$ 4,881,345</u>	<u>\$ (228,490)</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,539,631	\$ 1,539,631	\$ 1,609,973	\$ 70,342
Investment Income	2,500	2,500	20,911	18,411
Miscellaneous	959	959	-	(959)
Total revenues	<u>1,543,090</u>	<u>1,543,090</u>	<u>1,630,884</u>	<u>87,794</u>
Expenditures				
Current:				
Economic Development	495,171	527,664	395,418	132,246
Debt Service:				
Interest and Fiscal Charges	37,746	37,746	42,260	(4,514)
Principal Retirement	148,478	148,478	148,477	1
Capital Outlay	297,000	1,225,447	928,447	297,000
Total Expenditures	<u>978,395</u>	<u>1,939,335</u>	<u>1,514,602</u>	<u>424,733</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>564,695</u>	<u>(396,245)</u>	<u>116,282</u>	<u>512,527</u>
Other Financing Sources (Uses)				
Payment to Primary Government	(1,103,475)	(1,103,475)	(1,082,711)	20,764
Issuance of Debt	-	500,000	500,000	-
Total other financing sources and (uses)	<u>(1,103,475)</u>	<u>(603,475)</u>	<u>(582,711)</u>	<u>20,764</u>
Net change in fund balance	(538,780)	(999,720)	(466,429)	533,291
Fund balance - beginning as restated	1,793,123	1,793,123	1,793,123	-
Fund balance - ending	<u>\$ 1,254,343</u>	<u>\$ 793,403</u>	<u>\$ 1,326,694</u>	<u>\$ 533,291</u>

Net change in fund balance - component unit \$ (466,429)

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	928,447
Depreciation Expense	(875)

Debt proceeds provide current financial resources to governmental funds,
but issuing debt increases long term liabilities in the statement of net assets. (500,000)

Bond principal payments are expenditures in the component unit, but they reduce
long term liabilities in the statement of net position. 148,477

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>(33,260)</u>
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Change in net position of component unit \$ 76,360

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions and Donations	\$ 46,500	\$ 114,500	\$ 107,349	\$ (7,151)
Total revenues	<u>46,500</u>	<u>114,500</u>	<u>107,349</u>	<u>(7,151)</u>
Expenditures				
Current:				
Culture and Recreation	1,000	1,000	500	500
General Government	10,000	10,000	14,000	(4,000)
Health and Welfare	1,000	1,000	6,806	(5,806)
Public Safety	15,000	15,000	28,262	(13,262)
Total Expenditures	<u>27,000</u>	<u>27,000</u>	<u>49,568</u>	<u>(22,568)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>19,500</u>	<u>87,500</u>	<u>57,781</u>	<u>(29,719)</u>
Other Financing Sources (Uses)				
Transfers In	-	139,096	139,096	
Transfers Out	-	(22,000)	(22,000)	-
Total other financing sources and (uses)	<u>-</u>	<u>117,096</u>	<u>117,096</u>	<u>-</u>
Net change in fund balance	19,500	204,596	174,877	(29,719)
Fund balance - beginning	80,315	80,315	80,315	-
Fund balance - ending	<u>\$ 99,815</u>	<u>\$ 284,911</u>	<u>\$ 255,192</u>	<u>(\$ 29,719)</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, 2017

	<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)
Miscellaneous	-	-	5,551	5,551
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>5,551</u>	<u>4,551</u>
Expenditures				
Current:				
Public Safety	5,700	5,700	2,972	2,728
Total Expenditures	<u>5,700</u>	<u>5,700</u>	<u>2,972</u>	<u>2,728</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,700)</u>	<u>(4,700)</u>	<u>2,579</u>	<u>7,279</u>
Other Financing Sources (Uses)				
Transfers Out	-	(13,523)	(13,523)	-
Total other financing sources and (uses)	<u>-</u>	<u>(13,523)</u>	<u>(13,523)</u>	<u>-</u>
Net change in fund balance	(4,700)	(18,223)	(10,944)	7,279
Fund balance - beginning	10,944	10,944	10,944	-
Fund balance - ending	<u>\$ 6,244</u>	<u>(\$ 7,279)</u>	<u>-</u>	<u>\$ 7,279</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current:				
Culture & Recreation	\$ -	\$ 15,000	\$ 11,325	\$ 3,675
General Government	-	-	15,364	(15,364)
Capital Outlay	<u>805,998</u>	<u>790,998</u>	<u>663,634</u>	<u>127,364</u>
Total Expenditures	<u>805,998</u>	<u>805,998</u>	<u>690,323</u>	<u>115,675</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(805,998)</u>	<u>(805,998)</u>	<u>(690,323)</u>	<u>115,675</u>
Other Financing Sources (Uses)				
Transfers In	-	744,980	744,980	-
Total other financing sources and (uses)	<u>-</u>	<u>744,980</u>	<u>744,980</u>	<u>-</u>
Net change in fund balance	(805,998)	(61,018)	54,657	115,675
Fund balance - beginning	841,729	841,729	841,729	-
Fund balance - ending	<u>\$ 35,731</u>	<u>\$ 780,711</u>	<u>\$ 896,386</u>	<u>\$ 115,675</u>

City of Brenham
Fire Department Grants Fund *(included as part of the General Fund)*
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2017

	<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	\$ 2,682	\$ 1,682
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>2,682</u>	<u>1,682</u>
Expenditures				
Current:				
Public Safety	1,000	1,000	2,682	(1,682)
Total Expenditures	<u>1,000</u>	<u>1,000</u>	<u>2,682</u>	<u>(1,682)</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, 2017

	<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	\$ 15,000	\$ 17,179	\$ 2,179
Total revenues	<u>15,000</u>	<u>15,000</u>	<u>17,179</u>	<u>2,179</u>
Expenditures				
Current:				
Public Safety	15,000	15,000	17,179	(2,179)
Total Expenditures	<u>15,000</u>	<u>15,000</u>	<u>17,179</u>	<u>(2,179)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Grant Revenues	\$ 3,475	\$ 3,475	\$ 3,421	\$ (54)
Total revenues	<u>3,475</u>	<u>3,475</u>	<u>3,421</u>	<u>(54)</u>
Expenditures				
Current:				
Public Safety	3,250	3,250	3,793	(543)
Total Expenditures	<u>3,250</u>	<u>3,250</u>	<u>3,793</u>	<u>(543)</u>
Net change in fund balance	225	225	(372)	(597)
Fund balance - beginning	1,495	1,495	1,495	-
Fund balance - ending	<u>\$ 1,720</u>	<u>\$ 1,720</u>	<u>\$ 1,123</u>	<u>\$ (597)</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Grant Revenues	\$ 2,600	\$ 2,600	\$ 2,639	\$ 39
Total revenues	<u>2,600</u>	<u>2,600</u>	<u>2,639</u>	<u>39</u>
Expenditures				
Current:				
Public Safety	2,600	2,600	2,639	(39)
Total Expenditures	<u>2,600</u>	<u>2,600</u>	<u>2,639</u>	<u>(39)</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Grant Revenues	\$ -	\$ 155,430	\$ 155,430	\$ -
Total revenues	<u>-</u>	<u>155,430</u>	<u>155,430</u>	<u>-</u>
Expenditures				
Current:				
Culture and Recreation	-	25,612	25,612	-
General Government	-	36,861	36,861	-
Highways and Streets	-	202,746	202,746	-
Public Safety	-	45,513	45,513	-
Capital Outlay	-	194,513	194,513	-
Total Expenditures	<u>-</u>	<u>505,245</u>	<u>505,245</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(349,815)</u>	<u>(349,815)</u>	<u>-</u>
Other Financing Sources (Uses)				
Insurance Proceeds	-	84,261	84,261	-
Total other financing sources and (uses)	<u>-</u>	<u>84,261</u>	<u>84,261</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>(265,554)</u>	<u>(265,554)</u>	<u>-</u>
Fund balance - beginning	<u>(254,340)</u>	<u>(254,340)</u>	<u>(254,340)</u>	<u>-</u>
Fund balance - ending	<u>\$ (254,340)</u>	<u>(\$ 519,894)</u>	<u>(\$ 519,894)</u>	<u>-</u>

City of Brenham
Tourism and Marketing Fund *(included as part of the General Fund)*
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$ 20,000	\$ 20,000	\$ 18,677	\$ (1,323)
Contributions and Donations	-	-	91	91
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>18,768</u>	<u>(1,232)</u>
Expenditures				
Current:				
Culture and Recreation	173,000	173,000	81,997	91,003
Total Expenditures	<u>173,000</u>	<u>173,000</u>	<u>81,997</u>	<u>91,003</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(153,000)</u>	<u>(153,000)</u>	<u>(63,229)</u>	<u>89,771</u>
Other Financing Sources (Uses)				
Transfers In	92,000	92,000	92,000	-
Total other financing sources and (uses)	<u>92,000</u>	<u>92,000</u>	<u>92,000</u>	<u>-</u>
Net change in fund balance	(61,000)	(61,000)	28,771	89,771
Fund balance - beginning	77,071	77,071	77,071	-
Fund balance - ending	<u>\$ 16,071</u>	<u>\$ 16,071</u>	<u>\$ 105,842</u>	<u>\$ 89,771</u>

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

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

GOVERNMENT-WIDE EXPENSES BY FUNCTION
Last 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
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
2017	6,432,612	7,331,321	2,625,793	596,689	4,650,211	454,218	20,829,632	2,529,600	3,646,400	2,865,017	2,950,325

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
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
2017	38,001,247	687,647	108,482	14,488,852	347,866	417,268	116,775	1,082,711	55,250,848

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
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
2017	5,702,493	6,216,890	1,157,773	404,891	3,713,527	5,598,030	3,311,645	26,105,249

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
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
2017	231,891	6,073,868	(6,040,017)	265,741

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
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
2017	14,455,002	157,128	2,561,978	650,916	713,986	1,614,629	20,153,639

(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

FISCAL YEAR	PRINCIPAL	INTEREST AND FISCAL CHARGES	TOTAL DEBT SERVICE	TOTAL GENERAL GOVERNMENTAL EXPENDITURES	RATIO OF DEBT SERVICE TO GENERAL GOVERNMENTAL EXPENDITURES
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
2017	4,900,881	669,942	5,570,823	26,105,249	21.34

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
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
2017	1,198,049,873	262	36,587,495	132	10,744,562	10	44,803	4	20,000	408	47,396,860

REVENUES BY SOURCE - BUSINESS TYPE ACTIVITIES
Last Ten Fiscal Years

CITY OF BRENHAM

FISCAL YEAR	ELECTRIC	GAS	WATER	WASTEWATER	SANITATION	TOTAL REVENUES
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
2017	22,112,796	2,757,889	4,360,072	3,788,837	3,451,489	36,471,083

ELECTRIC CUSTOMERS, CONSUMPTION AND SALES
Last Ten Fiscal Years

CITY OF BRENHAM

	FISCAL YEAR									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Number of customers										
Residential	5,758	5,716	5,664	5,646	5,642	5,450	5,357	5,337	5,273	5,184
Commercial	1,039	1,026	1,009	1,010	1,000	1,132	1,178	1,154	1,146	1,165
Large commercial	293	295	296	292	301	309	317	308	303	294
Industrial	22	22	22	21	21	21	21	23	23	22
Street lights	1,289	1,279	1,275	1,272	1,263	1,257	1,248	1,238	1,228	1,218
Security lights	198	191	183	179	178	176	165	175	176	177
Total	8,599	8,529	8,449	8,420	8,405	8,345	8,286	8,235	8,150	8,060
Consumption (in KWH)										
Residential	75,567,271	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
Commercial	16,079,296	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
Large commercial	63,090,388	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
Industrial	114,554,616	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
Street lights	1,484,904	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
Security lights	325,440	316,320	306,048	299,040	298,608	295,488	296,472	289,440	278,448	276,192
Total	271,101,915	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
Sales (1)										
Residential	\$ 7,127,420	\$ 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
Commercial	1,549,655	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
Large commercial	4,967,627	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
Industrial	7,912,478	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
Street lights	87,779	84,296	98,223	104,046	98,050	95,163	101,171	95,651	106,217	92,907
Security lights	45,731	44,409	43,006	42,021	41,920	41,522	41,660	40,639	39,090	38,696
Total	\$21,690,690	\$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
Annual average consumption per customer (in KWH)										
Residential	13,124	13,033	13,650	13,879	13,350	13,918	15,034	14,365	14,041	14,138
Commercial	15,476	15,584	16,004	16,312	15,150	13,782	14,291	14,181	14,255	14,651
Large commercial	215,326	210,298	210,607	217,969	213,933	212,408	215,920	211,061	211,393	221,642
Industrial	5,207,028	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
Street lights	1,152	1,152	1,152	1,152	1,152	1,152	1,152	1,152	1,152	1,152
Security lights	1,644	1,656	1,672	1,671	1,678	1,684	1,797	1,654	1,582	1,562
Monthly average bill per customer										
Residential	\$ 103	\$ 100	\$ 116	\$ 123	\$ 115	\$ 117	\$ 132	\$ 123	\$ 128	\$ 127
Commercial	124	122	138	147	133	120	129	125	134	134
Large commercial	1,413	1,343	1,524	1,652	1,559	1,515	1,629	1,532	1,665	1,695
Industrial	29,972	27,268	32,908	41,312	37,771	35,840	38,428	30,657	33,777	38,392
Street lights	6	5	6	7	6	6	7	6	7	6
Security lights	19	19	20	20	20	20	21	19	19	18
Average price per KWH purchased										
Average price per KWH purchased	\$ 0.0561	\$ 0.0535	\$ 0.0611	\$ 0.0718	\$ 0.0632	\$ 0.0613	\$ 0.0656	\$ 0.0637	\$ 0.0626	\$ 0.0691
Average price per KWH sold	\$ 0.0800	\$ 0.0780	\$ 0.0882	\$ 0.0917	\$ 0.0877	\$ 0.0858	\$ 0.0909	\$ 0.0879	\$ 0.0938	\$ 0.0896
% line loss										
% line loss	4.84%	5.73%	5.29%	4.74%	5.12%	5.71%	5.83%	5.83%	5.14%	5.32%

(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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<u>Number of customers</u>										
Residential	3,887	3,865	3,852	3,815	3,808	3,733	3,686	3,653	3,611	3,562
Small commercial	322	317	313	315	310	348	363	368	350	357
Large commercial	121	124	124	125	128	129	129	126	125	122
Governmental	71	70	71	70	69	68	65	64	63	63
Industrial	2	1	1	1	1	1	1	1	2	3
Total	4,403	4,377	4,361	4,326	4,316	4,279	4,244	4,212	4,151	4,106
<u>Consumption (in mcf)</u>										
Residential	71,927	83,976	119,324	137,391	91,677	81,402	100,773	133,709	93,011	97,885
Small commercial	23,211	22,912	27,077	30,292	22,104	20,938	24,741	27,617	20,183	22,379
Large commercial	140,705	139,009	148,644	165,196	153,111	152,527	152,773	153,974	135,470	149,571
Governmental	33,157	38,062	46,253	52,724	48,692	42,938	40,885	46,813	41,174	42,332
Industrial	134,228	61,681	52,852	88,727	87,072	71,218	75,391	81,232	131,013	210,244
Total	403,228	345,640	394,150	474,330	402,656	369,023	394,563	443,345	420,851	522,411
<u>Sales (1)</u>										
Residential	\$ 886,782	\$ 883,250	\$ 1,186,117	\$ 1,496,320	\$ 965,455	\$ 831,794	\$ 1,095,738	\$ 1,430,671	\$ 1,036,495	\$ 1,386,177
Small commercial	173,663	154,151	201,897	264,724	176,043	154,636	215,979	253,361	181,313	280,878
Large commercial	794,476	686,663	878,697	1,179,110	975,201	847,219	1,077,654	1,141,328	964,811	1,656,716
Governmental	207,630	200,458	284,028	388,039	311,526	242,614	293,843	351,882	295,795	465,583
Industrial	665,030	261,689	287,067	573,525	508,802	355,647	489,495	542,846	884,593	2,254,059
Total	\$ 2,727,581	\$ 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
<u>Annual average consumption per customer (in mcf)</u>										
Residential	19	22	31	36	24	22	27	37	26	27
Small commercial	72	72	87	96	71	60	68	75	58	63
Large commercial	1,163	1,121	1,199	1,322	1,196	1,182	1,184	1,222	1,084	1,223
Governmental	467	544	651	753	706	631	629	731	654	676
Industrial	67,114	61,681	52,852	88,727	87,072	71,218	75,391	81,232	65,507	70,081
<u>Monthly average bill per customer</u>										
Residential	\$ 19	\$ 19	\$ 26	\$ 33	\$ 21	\$ 19	\$ 25	\$ 33	\$ 24	\$ 32
Small commercial	45	41	54	70	47	37	50	57	43	66
Large commercial	547	461	591	786	635	547	696	755	643	1,129
Governmental	244	239	333	462	376	297	377	458	391	619
Industrial	27,710	21,807	23,922	47,794	42,400	29,637	40,791	45,237	36,858	62,613
Average price per mcf purchased	\$ 3.4300	\$ 2.4100	\$ 3.4900	\$ 4.6500	\$ 3.9000	\$ 3.1400	\$ 4.4400	\$ 5.2824	\$ 4.8929	\$ 8.3838
Average price per mcf sold	\$ 6.7600	\$ 6.3300	\$ 7.2000	\$ 8.2300	\$ 7.2900	\$ 6.5900	\$ 8.0400	\$ 8.3910	\$ 7.9910	\$ 11.5683
% line loss (gain)	2.07%	1.14%	3.27%	1.36%	0.93%	1.47%	1.47%	2.72%	0.85%	0.04%

(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

2017			2008		
NAME	ELECTRIC BILLINGS	PERCENTAGE OF TOTAL CITY ELECTRIC CHARGES	NAME	ELECTRIC BILLINGS	PERCENTAGE OF TOTAL CITY ELECTRIC CHARGES
Blue Bell Creameries	\$ 2,756,049	12.71%	Blue Bell Creameries	\$ 3,475,249	13.35%
Blinn College	976,404	4.50%	Mount Vernon Mills, Inc.	1,643,838	6.31%
City of Brenham	967,999	4.46%	City of Brenham	1,255,108	4.82%
Valmont/ALS	893,467	4.12%	Blinn College	1,153,848	4.43%
StanPac USA	676,378	3.11%	Valmont/ALS	1,025,129	3.94%
Brenham I.S.D.	675,288	2.24%	Brenham I.S.D.	755,207	2.90%
Brenham State Supported Living Center	486,654	3.12%	Brenham State Supported Living Center	570,019	2.19%
Scott & White Hospital - Brenham	419,628	1.93%	Scott & White Hospital - Brenham	409,341	1.57%
Brenham Wholesale Grocery	315,528	1.45%	Brenham Wholesale Grocery	377,828	1.45%
Germania Insurance	294,931	1.36%	Germania Insurance	301,428	1.16%
Total	\$ 8,462,326	39.01%	Total	\$ 10,966,995	42.13%
2017 Total Electric Charges	\$21,690,690		2008 Total Electric Charges	\$26,033,404	

TEN LARGEST GAS CUSTOMERS
Current Year and Nine Years Ago

CITY OF BRENHAM

2017			2008		
<u>NAME</u>	<u>GAS BILLINGS</u>	<u>PERCENTAGE OF TOTAL CITY GAS CHARGES</u>	<u>NAME</u>	<u>GAS BILLINGS</u>	<u>PERCENTAGE OF TOTAL CITY GAS CHARGES</u>
Valmont/ALS Texas Galvanizing	\$ 495,783	18.18%	Mount Vernon Mills, Inc.	\$ 1,512,941	25.03%
Blue Bell Creameries	325,882	11.95%	Blue Bell Creameries	811,580	13.43%
Blinn College	136,706	5.01%	Blinn College	370,032	6.12%
Longwood Elastomers	141,793	5.20%	Longwood Elastomers	299,705	4.96%
Scott & White Hospital - Brenham	63,148	2.32%	Valmont/ALS	297,886	4.93%
Brenham State Supported Living Center	40,918	1.50%	Scott & White Hospital - Brenham	150,510	2.49%
Brenham I.S.D.	39,007	1.43%	Brenham Housing Authority	124,302	2.06%
Brenham Housing Authority	33,768	1.24%	Brenham I.S.D.	76,309	1.26%
City of Brenham	27,848	1.02%	City of Brenham	45,879	0.76%
Germania Insurance	15,027	0.55%	Germania Insurance	36,640	0.61%
Total	\$ 1,319,880	48.39%	Total	\$ 3,725,785	61.65%
2017 Total Gas Charges	\$ 2,727,581		2008 Total Gas Charges	\$ 6,043,413	

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

CITY OF BRENHAM

	FISCAL YEAR		
	2017	2016	(DEC)/INC
<u>Number of customers</u>			
Residential	5,951	5,880	71
Commercial	1,106	1,087	19
Meter on Fire Hydrant	3	3	-
Sprinkler	633	619	14
Total	7,693	7,589	104
<u>Consumption (in gallons)</u>			
Residential	381,134,200	349,219,700	31,914,500
Commercial	287,841,900	266,465,800	21,376,100
Meter on Fire Hydrant	427,000	98,600	328,400
Sprinkler	164,155,600	122,336,000	41,819,600
Total	833,558,700	738,120,100	95,438,600
<u>Sales (in dollars)</u>			
Residential	\$ 2,088,440	\$ 1,947,254	\$ 141,186
Commercial	1,236,651	1,154,754	81,897
Meter on Fire Hydrant	3,297	1,045	2,252
Sprinkler	915,453	671,529	243,924
Total	\$ 4,243,841	\$ 3,774,582	\$ 469,259
<u>Annual average consumption per customer</u>			
Residential (in gallons)	64,045	59,391	4,654
Commercial	260,255	245,139	15,116
Meter on Fire Hydrant	142,333	32,867	109,467
Sprinkler	259,330	197,635	61,695
<u>Monthly average bill per customer</u>			
Residential	\$ 29	\$ 28	\$ 2
Commercial	93	89	5
Meter on Fire Hydrant	92	29	63
Sprinkler	121	90	30
<u>Average price per 1,000 gallons purchased</u>			
Average price per 1,000 gallons purchased	\$ 0.335	\$ 0.333	\$ 0.002
Average price per 1,000 gallons sold	\$ 5.091	\$ 5.114	\$ (0.023)
% line loss (gain)	5.33% *	8.71% *	-3.38%

*36,929,500 and 37,688,900 gallons respectively unbilled, metered City water usage

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

CITY OF BRENHAM

	FISCAL YEAR		
	2017	2016	(DEC)/INC
<u>Number of customers</u>			
Residential	5,890	5,824	66
Commercial	965	951	14
Industrial	5	6	(1)
Oak Hill Acres Flow Meter	1	1	-
Total	6,861	6,782	79
<u>Sales (in dollars)</u>			
Residential	\$ 1,970,725	\$ 1,910,380	\$ 60,345
Commercial	1,031,137	971,302	59,835
Industrial	559,489	404,984	154,505
Oak Hill Acres Flow Meter	43,639	55,713	(12,074)
Total	\$ 3,604,990	\$ 3,342,379	\$ 262,611
<u>Monthly average bill per customer</u>			
Residential	\$ 28	\$ 27	\$ 1
Commercial	89	85	4
Industrial	9,325	5,625	3,700
Oak Hill Acres Flow Meter	3,637	4,643	(1,006)

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

CITY OF BRENHAM

	FISCAL YEAR		
	2017	2016	(DEC)/INC
<u>Number of customers</u>			
Residential	5,488	5,448	40
Residential - Rural	3	5	(2)
Commercial	564	555	9
Total	6,055	6,008	47
<u>Sales (in dollars)</u>			
Residential	\$ 917,819	\$ 914,586	\$ 3,233
Residential - Rural	791	1,147	(356)
Commercial	879,141	929,087	(49,946)
Total	\$ 1,797,751	\$ 1,844,820	\$ (47,069)
<u>Monthly average bill per customer</u>			
Residential	\$ 14	\$ 14	\$ (0)
Residential - Rural	22	19	3
Commercial	130	140	(10)

CITY OF BRENHAM, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT NUMBER	PROGRAM AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT 09/30/16	FEDERAL/ STATE FUNDS RECEIVED	FEDERAL/ STATE EXPENDITURES	NET OTHER TRANSACTIONS	ACCRUED OR (DEFERRED) REVENUE AT 09/30/17
U.S. DEPARTMENT OF JUSTICE								
Bulletproof Vest Partnership 2014 Grant	16.607		\$ 4,825	\$ 1,120	\$ (1,120)	\$ -	\$ -	\$ -
Bulletproof Vest Partnership 2016 Grant	16.607		2,639	-	-	2,639	-	2,639
Bulletproof Vest Partnership 2017 Grant	16.607		2,172	-	-	-	-	-
			<u>\$ 9,636</u>	<u>\$ 1,120</u>	<u>\$ (1,120)</u>	<u>\$ 2,639</u>	<u>\$ -</u>	<u>\$ 2,639</u>
U.S. DEPARTMENT OF TRANSPORTATION								
Texas Department of Transportation								
Selective Traffic Enforcement Program-2016 Speed	20.600		\$ 53,541	\$ 1,878	\$ (1,878)	-	-	-
Selective Traffic Enforcement Program-2017 Speed	20.600		27,675	-	(7,427)	12,180	-	4,753
Selective Traffic Enforcement Program-2018 Speed	20.600		33,471	-	-	-	-	-
			<u>\$ 114,687</u>	<u>\$ 1,878</u>	<u>\$ (9,305)</u>	<u>\$ 12,180</u>	<u>\$ -</u>	<u>\$ 4,753</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT								
Texas Department of Agriculture								
Texas Community Development Block Grant Program		Contract #7216059	\$ 275,000	\$ -	\$ (25,928)	\$ 45,080	\$ -	\$ 19,152
			<u>\$ 275,000</u>	<u>\$ -</u>	<u>\$ (25,928)</u>	<u>\$ 45,080</u>	<u>\$ -</u>	<u>\$ 19,152</u>
U.S. DEPARTMENT OF HOMELAND SECURITY								
Texas Department of Public Safety								
FEMA Public Assistance Grant - DR 4272 - Severe Storms and Flooding	97.036	PA-06-TX-4272-PW-00295	\$ 47,971	\$ -	(38,258)	\$ 38,258	\$ -	\$ -
FEMA Public Assistance Grant - DR 4272 - Severe Storms and Flooding	97.036	PA-06-TX-4272-PW-00690	47,502	-	(35,627)	35,627	-	-
FEMA Public Assistance Grant - DR 4272 - Severe Storms and Flooding	97.036	PA-06-TX-4272-PW-00691	37,389	-	(28,042)	28,042	-	-
FEMA Public Assistance Grant - DR 4272 - Severe Storms and Flooding	97.036	PA-06-TX-4272-PW-00799	69,501	-	(52,126)	52,126	-	-
FEMA Public Assistance Grant - DR 4272 - Severe Storms and Flooding	97.036	PA-06-TX-4272-PW-00585	436,976	-	-	18,750	-	18,750
FEMA Public Assistance Grant - DR 4269 - Severe Storms and Flooding	97.036	PA-06-TX-4269-PW-00465	71,338	-	-	53,504	-	53,504
			<u>\$ 710,678</u>	<u>\$ -</u>	<u>\$ (154,052)</u>	<u>\$ 226,306</u>	<u>\$ -</u>	<u>\$ 72,254</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	-	-	27,415	-	27,415
Routine Airport Maintenance Program (RAMP)		M1817 BREN	50,000	-	-	-	-	-
			<u>\$ 150,000</u>	<u>\$ 28,297</u>	<u>\$ (28,297)</u>	<u>\$ 27,415</u>	<u>\$ -</u>	<u>\$ 27,415</u>
Texas Office of the Governor - Criminal Justice Division								
Body-Worn Camera Program		Contract #3034201	\$ 19,985	\$ 12,957	\$ (12,957)	\$ -	\$ -	\$ -
			<u>\$ 19,985</u>	<u>\$ 12,957</u>	<u>\$ (12,957)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Texas Parks and Wildlife Commission								
Local Park Grant Program		Project #54-000173	\$ 35,000	\$ 33,250	\$ (35,000)	\$ 1,750	\$ -	\$ -
			<u>\$ 35,000</u>	<u>\$ 33,250</u>	<u>\$ (35,000)</u>	<u>\$ 1,750</u>	<u>\$ -</u>	<u>\$ -</u>
Texas State Library and Archives Commission								
Library Cooperation Grant Program	45.310	479-16007	\$ 8,800	\$ 6,310	\$ (6,310)	\$ -	\$ -	\$ -
"Play On" Special Projects Grant Program	45.310	478-17017	16,350	11,278	(16,350)	5,072	-	-
Library Small Business and Workforce Development Hub Program	45.310	479-17005	15,500	6,499	(15,500)	9,001	-	-
Texas Workforce Commission Libraries and Literacy Grant	45.310	481-17035	1,294	-	(1,294)	1,294	-	-
			<u>\$ 41,944</u>	<u>\$ 24,087</u>	<u>\$ (39,454)</u>	<u>\$ 15,367</u>	<u>\$ -</u>	<u>\$ -</u>
Texas Commission on the Arts								
Arts Respond Performance Support Grant			\$ 280	\$ -	\$ (280)	\$ 280	\$ -	\$ -
Arts Respond Performance Support Grant			200	-	(200)	200	-	-
			<u>\$ 480</u>	<u>\$ -</u>	<u>\$ (480)</u>	<u>\$ 480</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL FEDERAL AND STATE CASH AWARDS			<u>\$ 1,357,410</u>	<u>\$ 101,589</u>	<u>\$ (306,593)</u>	<u>\$ 331,217</u>	<u>\$ -</u>	<u>\$ 126,213</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.

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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>
<p>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.</p>	1-4
<p>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.</p>	5-11
<p>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.</p>	12-16
<p>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.</p>	17-18
<p>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.</p>	19-21

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports of the relevant year.

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NET POSITION BY COMPONENT

CITY OF BRENHAM

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

TABLE 1

Description	FISCAL YEAR									
	2017	2016	2015	2014	2013	2012 (2)	2011	2010	2009 (1)	2008
Governmental activities:										
Net investment in capital assets	\$ 45,068,187	\$ 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
Restricted	325,399	313,000	459,504	633,409	256,528	266,119	307,292	537,786	391,469	470,187
Unrestricted	(1,745,046)	(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
Subtotal governmental activities net position	43,648,540	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
Business-type activities:										
Net investment in capital assets	40,363,022	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
Restricted	-	-	-	-	-	-	-	-	-	809
Unrestricted	12,270,757	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
Subtotal business-type activities net position	52,633,779	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
Primary government:										
Net investment in capital assets	85,431,209	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
Restricted	325,399	313,000	459,504	633,409	256,528	266,119	307,292	537,786	391,469	470,996
Unrestricted	10,525,711	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
Total primary government net position (3)	\$ 96,282,319	\$ 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
Component unit:										
Net investment in capital assets	\$ 1,677,517	\$ 1,101,468	\$ 1,023,730	\$ 964,912	\$ 904,031	\$ 850,007	\$ 838,450	\$ 867,353	\$ 135,227	\$ 223,467
Restricted	958,498	1,556,849	1,489,966	1,393,356	986,165	903,879	1,353,823	551,160	1,110,691	890,106
Total component unit net position (3)	\$ 2,636,015	\$ 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

(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 BRENHAM

TABLE 2

	FISCAL YEAR									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Program expenses										
Governmental activities:										
General government	\$ 6,432,612	\$ 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
Public safety	7,331,321	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
Highways and streets	2,625,793	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
Health and welfare	596,689	347,948	314,352	316,672	318,672	285,870	288,699	299,216	271,509	545,485
Culture and recreation	4,650,211	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
Debt service	454,218	503,446	837,928	880,199	916,548	887,431	938,663	855,569	918,260	952,463
Total government activities program expenses	22,090,844	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
Business-type activities:										
Electric	20,829,632	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
Gas	2,529,600	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
Sanitation	2,950,325	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
Wastewater	2,865,017	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
Water	3,646,400	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
Total business-type activities program expenses	32,820,974	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
Total primary government expenses	54,911,818	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
Program revenues										
Governmental activities:										
Charges for services:										
General government	959,452	1,083,616	945,154	714,188	675,909	936,160	934,808	866,090	782,976	652,831
Public safety	15,818	8,712	14,743	8,878	4,959	5,971	6,258	8,548	5,446	6,138
Highways and streets	92,516	81,727	63,084	68,300	56,920	51,616	51,666	51,996	44,094	38,284
Health and welfare	54,062	38,218	34,647	31,492	30,004	29,507	32,452	35,606	47,472	37,566
Culture and recreation	408,316	379,925	351,860	343,989	353,510	340,739	364,696	387,113	348,065	275,555
Operating grants and contributions	616,771	596,344	553,618	817,748	574,798	628,127	626,870	865,607	469,206	678,485
Capital grants and contributions	63,402	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
Total governmental activities program revenues	2,210,337	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
Business-type activities:										
Charges for services:										
Electric	22,112,796	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
Gas	2,757,889	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
Sanitation	3,451,489	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
Wastewater	3,788,837	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
Water	4,360,072	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
Operating grants and contributions	70,876	-	-	6,461	-	7,435	16,622	-	8,316	5,000
Capital grants and contributions	45,080	391,496	292,732	280,501	325,463	117,427	599,799	229,089	115,539	240,481
Total business-type activities program revenues	36,587,039	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
Total primary government program revenues	38,797,376	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
Net (expense)/revenue										
Governmental activities	(19,880,507)	(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)
Business-type activities	3,766,065	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
Total primary government net expense	(16,114,442)	(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)

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

CITY OF BRENHAM

TABLE 2

	FISCAL YEAR									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General revenues and other changes in net position										
Governmental activities:										
Property taxes	6,124,393	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
Sales taxes	4,829,919	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
Other taxes	3,534,540	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
Investment income not restricted	141,978	88,759	9,398	3,947	7,125	6,817	18,501	12,790	181,281	460,201
Miscellaneous	317,353	367,506	121,500	128,809	102,935	150,630	143,988	105,935	120,375	208,690
Gain (loss) on sale of capital assets	96,816	296,006	107,318	75,275	67,395	53,693	12,771	7,879	5,482	37,643
Payments from component Unit	1,082,711	1,063,682	910,301	828,247	1,099,836	791,218	219,526	850,941	931,773	927,717
Transfers	2,993,087	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
Total government activities	19,120,797	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
Business-type activities:										
Investment income not restricted	205,888	143,036	78,002	74,935	84,013	87,517	95,798	50,841	129,159	348,525
Miscellaneous	99,915	102,257	67,076	55,515	91,658	70,555	21,046	44,971	192,729	126,353
Gain (loss) on sale of capital assets	19,959	59,949	647,069	-	-	-	-	-	-	-
Payments from component Unit	-	-	-	-	-	11,956	-	-	-	-
Transfers	(2,993,087)	(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)
Total business-type activities	(2,667,325)	(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
Total primary government general revenues and other changes in net position	16,453,472	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
Change in net position										
Governmental activities, as previously reported	(759,710)	2,065,187	4,034,424	4,422,842	(233,840)	1,271,326	(776,474)	(820,515)	1,725,968	2,004,305
Restatement in capital assets (1)	-	-	-	-	-	-	-	110,028	-	-
Restatement in post employment benefits (3)	-	-	-	-	-	166,964	-	-	-	-
Governmental activities, restated	(759,710)	2,065,187	4,034,424	4,422,842	(233,840)	1,438,290	(776,474)	(710,487)	1,725,968	2,004,305
Business-type activities, as previously reported	1,098,740	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
Restatement in charges for services (2)	-	-	-	-	-	-	-	556,324	-	-
Restatement in post employment benefits (3)	-	-	-	-	-	120,846	-	-	-	-
Business-type activities, restated	1,098,740	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
Total primary government change in net position	\$ 339,030	\$ 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
Component unit										
Program expenses	\$ 471,813	\$ 353,281	\$ 1,269,991	\$ 245,479	\$ 236,449	\$ 1,107,871	\$ 269,757	\$ 205,065	\$ 190,761	\$ 191,425
Program revenues	-	-	-	-	-	-	-	-	-	-
Brenham Community Development Corporation	-	-	-	-	-	-	-	-	-	-
Net expenses	(471,813)	(353,281)	(1,269,991)	(245,479)	(236,449)	(1,107,871)	(269,757)	(205,065)	(190,761)	(191,425)
General revenues and other changes in net position										
Component unit activities:										
Sales taxes	1,609,973	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
Investment income not restricted	20,911	10,267	956	282	1,120	1,434	1,645	2,365	7,088	24,727
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 to primary government	(1,082,711)	(1,063,682)	(910,301)	(828,247)	(1,099,836)	(803,174)	(219,526)	(850,941)	(931,773)	(927,717)
Total component unit activities	548,173	497,902	1,425,419	713,551	372,759	669,484	1,043,517	377,660	323,106	359,264
Component unit change in position	\$ 76,360	\$ 144,621	\$ 155,428	\$ 468,072	\$ 136,310	\$ (438,387)	\$ 773,760	\$ 172,595	\$ 132,345	\$ 167,839

(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									
	2017	2016	2015	2014	2013	2012 (2)	2011 (1)	2010	2009	2008
General fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved								2,764,850	2,764,850	2,687,654
Nonspendable	178,818	187,362	180,105	188,412	212,530	256,443	204,230	-	-	-
Restricted	449,993	239,510	10,713	801,061	74,074	103,959	103,052	-	-	-
Committed	2,952	6,952	6,952	10,304	10,304	-	-	-	-	-
Assigned	-	-	169,114	-	-	-	-	-	-	-
Unassigned	4,626,478	4,437,291	4,376,760	3,861,506	3,609,690	3,505,058	3,529,369	-	-	-
Total general fund	<u>\$ 5,258,241</u>	<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>
All other governmental funds:										
Reserved, reported in:										
Debt service fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	481,884	337,949	418,335
Unreserved reported in:										
Special revenue funds	-	-	-	-	-	-	-	1,829,883	1,400,880	1,126,499
Capital projects funds	-	-	-	-	-	-	-	77,479	699,191	7,787,965
Restricted	5,961,589	7,454,047	9,986,870	12,808,565	5,613,677	1,793,596	5,600,913	-	-	-
Committed	256,303	48,016	193,699	525,451	12,000	15,689	111,424	-	-	-
Assigned	663,661	163,023	1,273,106	8,158	169,134	523,677	394,896	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 6,881,553</u>	<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>

(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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Taxes	\$ 14,455,002	\$ 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
Licenses and permits	157,128	146,329	121,076	76,379	59,826	72,425	64,465	76,999	61,989	58,260
Intergovernmental	2,561,978	3,910,222	5,046,207	4,260,002	3,595,065	545,942	696,256	1,817,216	1,462,232	769,904
Charges for services	650,916	612,693	563,123	517,114	512,012	509,278	558,484	603,568	571,177	458,378
Fines and forfeitures	713,986	833,046	723,181	573,355	549,460	782,276	766,908	668,762	594,840	493,664
Investment income	140,882	87,852	9,320	3,884	6,948	6,604	18,259	12,428	179,685	457,112
Payment from component unit	1,082,711	1,063,682	910,301	828,247	1,099,836	791,218	970,989	850,941	931,773	927,717
Contributions and donations	112,588	1,141,823	505,658	2,248,498	68,724	127,206	111,254	174,272	39,833	176,900
Miscellaneous	278,448	407,717	203,891	141,911	160,959	203,888	115,930	111,418	149,984	151,892
Total revenues	20,153,639	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
Expenditures										
Current:										
Culture and recreation	3,713,527	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
General government	5,702,493	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
Health and welfare	404,891	314,999	292,948	305,008	302,547	280,468	278,258	281,388	262,880	535,818
Highways and streets	1,157,773	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
Public safety	6,216,890	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
Debt service:										
Interest & fiscal charges	669,942	747,578	974,276	926,007	964,850	967,466	932,687	818,939	816,482	929,359
Principal retirement	4,900,881	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
Issuance costs	27,207	-	-	95,731	51,489	15,550	331,409	800	132,893	1,069
Capital outlay	3,311,645	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
Total expenditures	26,105,249	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
Excess (deficiency) of revenues over(under) expenditures	(5,951,610)	(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)
Other financing sources (uses)										
Transfers in	7,112,944	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
Transfers out	(3,979,857)	(3,419,711)	(6,470,544)	(1,669,767)	(314,213)	(344,681)	(218,417)	(1,012,739)	(945,544)	(882,148)
Payment to Component Unit	-	-	-	-	-	-	(751,463)	-	-	-
Issuance of debt	1,129,719	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	-
Premium on debt issued	157,735	-	259,994	71,819	-	-	-	-	194,962	-
Payment to refunded bond escrow agent	-	-	(5,338,791)	(1,490,242)	-	-	(3,004,387)	-	(6,004,364)	-
Proceeds from capital lease	949,333	-	-	-	-	-	-	645,621	131,933	-
Miscellaneous	185,329	280,157	19,309	91,357	56,853	53,081	40,074	21,665	19,339	93,476
Total other financing sources (uses)	5,555,203	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
Net change in fund balance	\$ (396,407)	\$ (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
Debt service as a percentage of non-capital expenditures	24.44%	25.23%	25.72%	19.76%	14.59%	11.70%	9.11%	11.81%	12.82%	15.92%

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
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
2017	4,829,919	6,090,543	2,779,897	712,291	42,352	-	14,455,002

(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
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
2017	694,511,449	377,327,701	340,215,520	1,412,054,670	214,004,797	1,198,049,873	0.50700

(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)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<u>Sales subject to sales tax</u>										
Retail trade	\$ 221,611,161	\$ 213,161,211	\$ 207,491,024	\$ 200,166,319	\$ 192,880,386	\$ 185,845,076	\$ 184,434,383	\$ 185,958,779	\$ 184,899,069	\$ 176,374,582
Accommodation/food services	43,746,925	44,905,531	42,372,818	39,733,063	38,172,199	36,330,789	36,309,229	35,547,090	34,609,238	31,635,974
Wholesale trade	21,480,857	21,844,310	25,121,744	24,694,123	16,762,409	13,616,793	12,950,217	13,395,632	16,490,784	16,316,965
Admin/support/waste mgmt/remediation services	13,189,549	13,238,812	12,408,950	11,908,900	10,380,780	6,229,057	5,148,773	5,420,141	7,191,225	6,385,434
Manufacturing	12,761,420	16,204,464	20,485,742	20,879,179	18,536,084	15,277,547	14,031,339	15,744,268	25,038,093	16,522,060
Information	9,868,409	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
Other services	8,463,630	8,047,282	8,631,759	8,411,007	8,397,832	7,852,686	8,254,664	7,646,118	7,642,688	7,529,497
Construction	7,097,652	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
Real estate/rental/leasing	4,262,226	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
Educational services	2,863,648	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
Professional/scientific/technical services	2,545,393	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
Mining/quarrying/oil/gas extraction	1,514,948	5,776,452	3,784,238	9,957,614	6,728,368	2,999,333	3,152,929	4,229,845	9,146,075	7,752,965
Arts/entertainment/recreation	1,292,977	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
Finance/insurance	720,158	941,719	709,837	981,444	2,056,713	1,905,231	2,399,368	2,649,199	1,399,762	1,074,663
Transportation/warehousing	296,728	307,391	304,802	284,374	306,194	246,296	223,081	225,203	273,397	111,957
Health care/social assistance	154,464	123,081	125,376	125,304	134,722	114,402	47,212	37,369	52,738	34,638
Agriculture/forestry/fishing hunting	50,316	89,881	75,721	73,717	195,546	171,394	136,705	116,141	163,971	367,864
All industries (2)	\$ 357,986,685	\$ 360,281,691	\$ 354,351,702	\$ 343,937,445	\$ 321,297,875	\$ 295,952,623	\$ 291,297,972	\$ 297,373,449	\$ 314,645,173	\$ 293,550,391
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 2017 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							
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
2017	0.31500	0.19200	0.50700	1.13500	0.06010	0.52710	2.22920	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

2017			2008		
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	\$ 49,136,704	4.10%	Blue Bell Creameries	\$ 35,448,749	4.03%
Valmont/ALS	24,125,400	2.01%	Wal-Mart Stores Texas LLC #4109	15,710,540	1.70%
Sealy Texas Management, Inc.	13,925,000	1.16%	Mount Vernon Mills, Inc.	15,184,480	1.73%
Germania Farm Mutual Aid Association	13,326,490	1.11%	Valmont/ALS - Abated	14,913,700	1.79%
Lowe's Home Centers, Inc. #2521	9,266,850	0.61%	RR Donnelley Company	13,559,240	1.28%
Sabra Texas Holdings, LP	8,000,000	0.67%	Valmont/ALS	11,878,130	1.33%
Wal-Mart Real Estate Business Trust	7,727,210	0.64%	Lowe's Home Centers, Inc. #2521	11,662,590	1.35%
MIC, LLC (East)	7,665,910	0.77%	Magnetic Instruments	11,270,200	1.22%
PI Components Corporation	7,554,980	0.64%	Germania Farm Mutual Aid Association	10,715,830	1.54%
MIC Group, LLC (West)	7,292,340	0.63%	Sealy Mattress Company	8,047,120	0.91%
Total	\$ 148,020,884	12.36%		\$ 148,390,579	16.87%

(1) Data is from Washington County Appraisal District.

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

CITY OF BRENHAM

TABLE 10

Fiscal Year	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
2008	\$ 4,492,217	\$ 4,424,623	98.50%	\$ 63,777	\$ 4,488,400	99.92%
2009	4,738,702	4,666,545	98.48%	68,630	4,735,175	99.93%
2010	4,951,561	4,866,421	98.28%	77,890	4,944,312	99.85%
2011	4,918,749	4,840,737	98.41%	71,489	4,912,225	99.87%
2012	5,408,534	5,320,079	98.36%	76,302	5,396,381	99.78%
2013	5,591,044	5,507,178	98.50%	68,479	5,575,657	99.72%
2014	6,092,705	6,001,567	98.50%	57,034	6,058,601	99.44%
2015	5,424,094	5,347,550	98.59%	37,766	5,385,316	99.29%
2016	5,615,844	5,544,254	98.73%	21,894	5,566,148	99.12%
2017	6,076,054	5,987,208	98.54%	-	5,987,208	98.54%

PRINCIPAL SALES TAX PAYERS BY INDUSTRY (1)
 Calendar Years 2016 and 2007 (2)

CITY OF BRENHAM

TABLE 11

2016				2007			
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	\$ 221,611,161	61.90%	414	Retail trade	\$ 176,374,582	60.08%	388
Accommodation/food services	43,746,925	12.22%	92	Accommodation/food services	31,635,974	10.78%	79
Wholesale trade	21,480,857	6.00%	55	Manufacturing	16,522,060	5.63%	98
Admin/support/waste mgmt/remediation services	13,189,549	3.68%	107	Wholesale trade	16,316,965	5.56%	41
Manufacturing	12,761,420	3.56%	37	Mining/quarrying/oil/gas extraction	7,752,965	2.64%	55
Information	9,868,409	2.76%	9	Other services	7,529,497	2.56%	59
Other services	8,463,630	2.36%	110	Information	6,743,249	2.30%	17
Construction	7,097,652	1.98%	92	Admin/support/waste mgmt/remediation services	6,385,434	2.18%	79
Real estate/rental/leasing	4,262,226	1.19%	13	Real estate/rental/leasing	5,840,137	1.99%	85
Educational services	2,863,648	0.80%	4	Construction	5,313,078	1.81%	12
Professional/scientific/technical services	2,545,393	0.71%	67	Professional/scientific/technical services	2,202,976	0.75%	9
Mining/quarrying/oil/gas extraction	1,514,948	0.42%	12	Educational services	1,815,152	0.62%	5
Arts/entertainment/recreation	1,292,977	0.36%	18	Finance/insurance	1,074,663	0.37%	24
Finance/insurance	720,158	0.20%	13	Arts/entertainment/recreation	664,880	0.23%	13
Transportation/warehousing	296,728	0.08%	8	Agriculture/forestry/fishing hunting	367,864	0.13%	6
Health care/social assistance	154,464	0.04%	12	Transportation/warehousing	111,957	0.04%	10
Agriculture/forestry/fishing hunting	50,316	0.01%	12	Health care/social assistance	34,638	0.01%	6
All industries (3)	<u>\$ 357,986,685</u>	<u>100.00%</u>	<u>1,093</u>	All industries (3)	<u>\$ 293,550,391</u>	<u>100.00%</u>	<u>999</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 2017 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 (2)	Per Capita (2)
	Certificates of Obligation	General Obligation Refunding	Revenue Bonds	Limited Tax Notes	Capital Leases/Notes Payable	Certificates of Obligation	General Obligation Refunding	Capital Leases			
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	7.45%	3,378
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	7.01%	3,259
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	6.54%	3,150
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	6.15%	3,085
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	5.25%	2,584
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	4.64%	2,204
2017	11,736,175	7,491,466	-	185,000	1,391,825	2,319,976	11,931,755	1,030,835	36,087,032	4.40%	2,110

(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	Limited Tax Notes	Gross Bonded Debt	Less Debt Service Funds Available	Net Bonded Debt	Taxable Assessed Value	Ratio of Net Bonded Debt to Assessed Values	Net Bonded Debt Per Capita (1)
2008	\$31,025,001	\$8,220,001	\$ -	\$39,245,002	\$ 418,335	\$ 38,826,667	\$ 879,817,843	4.41%	\$ 2,588
2009	26,700,001	16,645,000	-	43,345,001	337,949	19,053,674	945,811,445	2.01%	1,248
2010	25,300,001	15,670,001	-	40,970,002	481,884	40,488,118	982,776,938	4.12%	2,576
2011	14,482,841	23,438,820	665,873	38,587,534	245,654	38,341,880	975,919,507	3.93%	2,376
2012	13,618,992	21,658,246	1,594,036	36,871,274	199,181	36,672,093	997,362,133	3.68%	2,278
2013	14,540,034	19,822,669	1,322,198	35,684,901	185,850	35,499,051	1,029,480,016	3.45%	2,178
2014	18,050,891	17,456,503	1,045,360	36,552,755	554,803	35,997,952	1,080,568,292	3.33%	2,190
2015	17,253,697	19,446,724	763,522	37,463,943	405,888	37,058,055	1,102,575,469	3.36%	2,202
2016	16,428,284	17,000,591	481,685	33,910,559	227,350	33,683,209	1,188,742,237	2.83%	1,983
2017	14,056,151	19,423,221	185,000	33,664,372	226,949	33,437,423	1,198,049,873	2.79%	1,955

(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	2016 TAX ROLL TAXABLE VALUE	PERCENTAGE APPLICABLE TO CITY OF BRENHAM (1)	CITY OF BRENHAM'S SHARE OF DEBT
City of Brenham	<u>\$ 33,664,372</u>	<u>\$ 1,198,049,873</u>	100.00%	<u>\$ 33,664,372</u>
Total direct debt	<u>33,664,372</u>	<u>1,198,049,873</u>		<u>33,664,372</u>
Brenham I. S. D.	28,978,374	2,195,603,849	54.57%	15,812,296
Washington County	2,945,000	2,621,650,104	45.70%	1,345,815
Blinn College	<u>-</u>	<u>2,649,771,965</u>	0.00%	<u>-</u>
Total overlapping debt	<u>31,923,374</u>	<u>7,467,025,918</u>		<u>17,158,111</u>
Total direct and overlapping debt	<u>\$ 65,587,746</u>	<u>\$ 8,665,075,791</u>		<u>\$ 50,822,483</u>

Ratio of direct and consolidated overlapping funded debt to taxable assessed valuation 0.59%

Per capita consolidated overlapping tax supported debt (based on population of 17,100) \$2,972

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Taxable assessed valuations	\$ 1,198,049,873	\$ 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
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	0.31500	0.29500	0.28900	0.35790	0.34200	0.34200	0.34200	0.34200	0.34200	0.32450
Debt limit per \$100 valuation	1.33500	1.35500	1.36100	1.29210	1.30800	1.30800	1.30800	1.30800	1.30800	1.32550
Debt limit	15,993,966	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
Total net debt applicable to limit	5,570,823	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
Legal debt margin	\$ 10,423,143	\$ 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
Total net debt applicable to the limit as a percentage of debt limit	34.83%	33.91%	36.90%	28.76%	20.16%	20.18%	20.46%	16.40%	17.94%	17.55%

PLEGGED REVENUE COVERAGE
Last Ten Fiscal Years

CITY OF BRENHAM

TABLE 16

Electric Fund (1)							Water Fund (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 (4)						Principal	Interest (4)	
2008	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	2008	\$ 3,719,245	\$ 3,088,309	\$ 630,936	\$ 537,025	\$ 281,166	0.77
2009	-	-	-	-	-	N/A	2009	4,606,941	2,835,706	1,771,235	569,498	426,689	1.78
2010	-	-	-	-	-	N/A	2010	3,898,316	2,509,163	1,389,153	629,780	492,080	1.24
2011	-	-	-	-	-	N/A	2011	5,122,167	2,969,660	2,152,507	690,634	430,063	1.92
2012	-	-	-	-	-	N/A	2012	4,413,080	2,819,979	1,593,101	600,229	481,901	1.47
2013	-	-	-	-	-	N/A	2013	4,326,320	2,877,823	1,448,497	613,738	472,594	1.33
2014	-	-	-	-	-	N/A	2014	3,974,875	3,146,191	828,684	703,854	399,330	0.75
2015	-	-	-	-	-	N/A	2015	3,759,869	2,945,350	814,519	479,962	335,835	1.00
2016	-	-	-	-	-	N/A	2016	3,890,641	3,321,499	569,142	498,938	316,657	0.70
2017	22,112,796	20,707,959	1,404,837	78,471	59,930	10.15	2017	4,360,072	3,313,948	1,046,124	569,737	213,059	1.34

Wastewater Fund - Self-Supporting Debt (3)							Total Electric, Water, and Wastewater Funds						
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 (4)						Principal	Interest (4)	
2008	\$ 4,119,856	\$ 3,191,900	\$ 927,956	\$ 582,064	\$ 592,494	0.79	2008	\$ 7,839,101	\$ 6,280,209	\$ 1,558,892	\$ 1,119,089	\$ 873,660	0.78
2009	4,045,839	2,639,477	1,406,362	633,196	552,701	1.19	2009	8,652,780	5,475,183	3,177,597	1,202,694	979,390	1.46
2010	3,552,059	2,406,199	1,145,860	667,545	497,324	0.98	2010	7,450,375	4,915,362	2,535,013	1,297,325	989,404	1.11
2011	3,717,881	2,396,120	1,321,761	790,302	375,458	1.13	2011	8,840,048	5,365,780	3,474,268	1,480,936	805,522	1.52
2012	3,647,921	2,353,385	1,294,536	856,283	271,196	1.15	2012	8,061,001	5,173,364	2,887,637	1,456,512	753,097	1.31
2013	3,584,026	2,509,164	1,074,862	888,133	249,074	0.95	2013	7,910,346	5,386,987	2,523,359	1,501,871	721,668	1.13
2014	3,586,878	2,549,655	1,037,223	925,835	214,615	0.91	2014	7,561,753	5,695,846	1,865,907	1,629,689	613,945	0.83
2015	3,413,850	2,470,332	943,518	1,021,313	258,364	0.74	2015	7,173,719	5,415,682	1,758,037	1,501,275	594,199	0.84
2016	3,483,098	2,479,197	1,003,901	1,049,163	228,023	0.79	2016	7,373,739	5,800,696	1,573,043	1,548,101	544,680	0.75
2017	3,788,837	2,576,299	1,212,538	1,077,818	193,625	0.95	2017	30,261,705	26,598,206	3,663,499	1,726,026	466,614	1.67

(1) Electric fund-supported debt includes 2016 certificates of obligation.

(2) 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.

(3) Wastewater fund-supported debt includes 2001 and 2002 certificates of obligation and 2007, 2009, 2010, 2011, and 2014 general obligation refunding bonds.

(4) 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)
2008	15,049	\$ 632,825	\$ 42,051	3.8
2009	15,270	626,925	41,056	5.3
2010	15,716	665,730	42,360	5.9
2011	16,139	732,291	45,374	6.0
2012	16,095	748,144	46,483	4.8
2013	16,298	784,749	48,150	4.9
2014	16,434	824,592	50,176	4.0
2015	16,831	828,354	49,216	5.0
2016	16,989	806,468	47,470	5.5
2017	17,100	819,801	47,940	3.8

(1) Population data for 2008 to 2009 and 2011 to 2016 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 2017 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 2008 to 2016 are projections for Washington County provided by the Bureau of Economic Analysis. Year 2017 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 2008 to 2017 are for Washington County.

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

CITY OF BRENHAM

TABLE 18

2017			2008		
Employer (1)	Employees	Percentage of Total City Employment	Employer	Employees	Percentage of Total City Employment
Brenham State Supported Living Center	1,051	15.27%	Blinn College	900	13.50%
Brenham I.S.D.	693	10.07%	Brenham State Supported Living Center	880	13.20%
Blue Bell Creameries	575	8.35%	Blue Bell Creameries	786	11.79%
Blinn College	475	6.90%	Brenham I.S.D.	719	10.78%
Wal-Mart Supercenter	385	5.59%	Wal-Mart Supercenter	380	5.70%
Tempur Sealy International	341	4.95%	Germania Insurance	324	4.86%
Germania Insurance	336	4.88%	Mount Vernon Mills	305	4.57%
Scott & White Hospital - Brenham	300	4.36%	Trinity Medical Center	285	4.27%
City of Brenham	284	4.13%	City of Brenham	240	3.60%
Washington County	236	3.43%	Sealy Mattress Company	211	3.16%
Total	4,676	67.93%	Total	5,030	75.45%
Employment (2)	6,884		Employment	6,667	

(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 2017 is an estimate based on Washington County employment estimates reported by the U.S. Bureau of Labor Statistics for 2016. 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

<u>Function/program</u>	FISCAL YEAR									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Administration	4.57	5.07	5.90	6.00	6.00	5.00	6.28	8.08	8.08	7.00
Development Services	5.83	5.50	4.50	4.50	4.10	1.00	1.00	-	-	-
Human Resources	2.50	2.50	2.43	2.00	2.00	2.80	2.80	-	-	-
Main Street	1.25	1.00	1.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00
Engineering Services	2.00	2.00	-	-	-	-	-	-	-	-
Maintenance	8.47	8.47	8.47	7.97	7.50	8.00	8.00	8.00	8.00	8.38
Finance	9.00	8.87	9.27	9.27	9.08	8.08	9.39	10.39	10.45	10.00
Purchasing/Warehouse	3.47	3.47	3.47	4.44	3.47	3.47	-	-	-	-
Streets	15.73	15.25	16.75	16.75	16.46	16.46	16.90	16.90	16.90	17.50
Parks	16.67	16.67	15.42	15.42	17.62	18.62	21.06	21.06	27.38	20.10
Library	6.47	6.47	5.99	5.99	5.99	7.41	8.14	8.14	8.03	8.92
Community Programs/Marketing	3.93	2.93	3.18	1.94	2.19	4.66	4.74	4.74	-	-
Aquatic Center	16.15	15.40	15.40	15.15	14.90	13.92	15.04	15.04	15.04	20.19
City Communications	0.25	0.25	0.25	-	-	-	-	-	-	-
Communications	-	-	-	17.17	17.17	16.92	17.16	17.16	13.13	14.17
Police	41.00	40.50	41.50	40.50	38.50	38.00	38.00	37.00	34.00	34.00
Fire	19.25	16.25	16.25	16.25	15.25	15.00	15.00	15.00	12.13	12.00
Animal Shelter/Control	4.72	4.00	4.00	4.00	4.00	4.00	4.00	3.00	4.00	4.40
Municipal Court	5.00	5.35	4.60	4.80	4.80	4.80	4.60	4.60	4.75	4.60
Public Works	2.00	2.13	1.50	1.50	1.90	5.50	6.00	6.00	6.00	6.14
Information Technology	5.18	5.18	5.00	5.00	5.00	6.00	5.00	5.00	5.00	4.50
Utility Customer Service	6.00	6.00	6.00	5.60	7.20	9.00	10.00	10.00	10.00	10.00
Public Utilities	10.50	10.50	12.00	11.00	8.00	7.50	7.00	7.00	7.00	6.00
Electric	11.00	11.00	12.00	12.00	12.00	12.00	13.00	12.00	12.00	11.00
Gas	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Water Treatment	7.50	7.50	7.50	6.50	6.50	6.50	6.50	6.50	7.00	7.00
Water Construction	4.00	4.00	5.00	5.00	5.00	5.00	5.00	5.50	5.50	5.50
Wastewater Construction	3.00	4.00	4.00	5.00	5.00	5.00	5.00	5.50	5.50	5.50
Wastewater Treatment	4.50	3.50	4.50	4.50	4.50	4.50	4.50	4.50	5.50	7.00
Transfer Station	4.25	3.25	2.75	2.75	2.75	2.75	2.75	2.75	3.08	3.08
Collection Station	2.25	2.25	3.25	3.25	3.25	2.83	2.83	2.83	1.39	1.08
Recycling Center	3.22	2.75	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	2.75	3.59	4.03
Public Information	-	-	-	-	-	-	-	2.00	2.00	2.00
Total	237.41	229.76	231.88	245.25	241.13	245.72	251.69	250.69	244.70	243.34

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Recreation/Parks										
Number of athletic tournaments	31	27	28	32	42	45	41	36	33	31
Aquatic Center										
Number of Visitors	70,861	68,036	60,685	66,434	67,353	65,703	68,997	67,000	67,526	73,506
Number of Annual Passes	101	133	89	99	131	132	87	97	145	143
Number of Monthly Passes	949	1,053	916	960	910	991	1,156	962	930	927
Number of Summer Passes	82	103	77	78	76	80	84	-	-	-
Streets										
Road maintenance in linear feet	8,712	3,942	5,525	10,794	5,178	8,796	16,430	33,958	11,186	9,376
Library										
Circulation	90,813	60,629	61,689	57,949	62,782	63,737	73,288	75,174	73,700	70,174
Communications (1)										
Number of Incoming Calls	-	-	-	633,648	644,070	683,380	759,065	712,766	749,499	682,254
Number of 9-1-1 Calls	-	-	-	45,515	38,540	36,332	34,924	30,388	30,594	30,001
Police										
Traffic Citations	2,335	4,633	5,436	4,372	4,425	4,081	5,240	6,230	8,036	6,445
Traffic Warning Tickets Issued	3,037	4,231	5,854	5,694	4,964	4,964	9,740	7,493	4,274	3,426
Mileage on Police units	452,743	442,850	448,691	466,688	419,124	443,909	401,630	422,313	382,597	296,882
Fire (2)										
Fire Responses	666	598	661	568	547	547	570	429	352	376
Rescues	51	52	83	58	36	36	18	17	52	36
Animal Control/Shelter/Adoption (3)										
Number of Incoming Animals	1,568	1,177	1,240	1,419	1,645	1,906	1,611	1,760	1,455	1,723
Animals Adopted	501	334	279	284	256	263	336	343	300	385
Municipal Court										
Traffic dispositions	3,246	4,378	3,978	2,517	2,880	5,186	4,270	5,703	5,582	4,444
Other dispositions	1,844	1,934	1,680	1,959	2,132	4,302	2,458	1,527	1,603	1,647
Public Works										
Building Inspection Visits	2,682	2,011	1,878	2,315	1,901	1,621	1,835	1,956	1,818	1,936
Electric										
kWh delivered	271,101,915	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
Customers served	8,599	8,529	8,449	8,420	8,405	8,345	8,286	8,235	8,150	8,060
Gas										
mcf delivered	403,228	345,640	394,150	474,330	402,656	369,023	394,563	443,345	420,851	522,411
Customers served	4,403	4,377	4,361	4,326	4,316	4,279	4,244	4,212	4,151	4,106
Water										
Gallons delivered	833,558,700	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
Customers served	7,693	7,589	7,503	7,398	7,345	7,271	7,164	7,077	6,946	6,816
Wastewater										
Effluent plant gallons processed	694,743,800	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
Commercial/industrial gallons processed	307,907,691	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
Customers served	6,861	6,782	6,705	6,633	6,614	6,536	6,434	6,373	6,284	6,198
Sanitation										
Customers served	6,055	6,008	5,946	5,873	5,858	5,812	5,728	5,610	5,468	5,299

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Recreation/Parks										
Park acreage	191	191	191	191	191	191	191	150	150	150
Parks	8	8	8	8	8	8	8	7	7	7
Amphitheatres	1	1	1	1	1	1	1	-	-	-
Aquatic centers	1	1	1	1	1	1	1	1	1	1
Baseball fields	7	7	7	7	8	8	8	8	8	8
Softball fields	9	9	9	9	9	9	9	9	9	9
Pickleball courts	4	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	45	44	43	43	43	43	40
Fire										
Fire stations	1	1	1	1	1	1	1	1	1	1
Fire trucks	6	6	6	6	6	6	5	5	5	5
Animal control/shelter/adoption										
Shelters	1	1	1	1	1	1	1	1	1	1
Electric										
Miles of electric mains	122	121	120	119	118	118	118	118	118	118
Gas										
Miles of gas mains	128	126	124	122	121	118	118	116	115	115
Water										
Miles of water mains	167	165	155	154	153	153	153	149	148	145
Wastewater										
Miles of wastewater mains	145	144	143	141	141	138	138	137	137	136
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



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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 2, 2018.

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
March 2, 2018

