



CITY OF BRENHAM, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL  
REPORT

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2007

Prepared by:  
The Finance Department

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

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THE CITY OF BRENHAM

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INTRODUCTORY  
SECTION



February 20, 2008

To the Honorable Mayor, Members of the Governing Council, and Citizens of the City of Brenham:

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. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Brenham for the fiscal year ended September 30, 2007.

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

The City of Brenham's financial statements have been audited by Seidel, Schroeder & Company, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Brenham for the fiscal year ended September 30, 2007 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Brenham's financial statements for the fiscal year ended September 30, 2007, 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.

The independent audit of the financial statements of the City of Brenham also met the requirements of a federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the section of the report titled, "Federal Awards Section".

GAAP require that management 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.



## **Profile of the Government**

The City of Brenham, incorporated in 1858, is located in central part of the state, between Houston and Austin. The City of Brenham currently occupies a land area of approximately ten square miles and serves a population of approximately 14,161. 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 council.

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

The City of Brenham provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities and cultural events. In addition, Sanitation, Gas, Water, Sewer, and Electric operations are provided by the City of Brenham. The City is financially accountable for a legally separate entity, Brenham Community Development Corporation which is reported as a separate component unit within the City of Brenham's financial statements. Additional information on this entity can be found in Note I.A.1. in the notes to the financial statements.

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 appropriation to the government's manager on or before the 15<sup>th</sup> of July each year. The government's manager uses these requests as the starting point for developing a proposed budget. The government's manager then presents this proposed budget to the council for review prior to August 30. The council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City of Brenham's fiscal year. The appropriated budget is prepared by fund and department. Department heads may make transfers of appropriations within a department up to \$2,500. Transfers of appropriations over \$2,500 require the approval of the City Manager or the Assistant City Manager. Transfers of appropriations between departments require the special approval of the governing council. Budget-to-actual comparisons are provided in this report for the general fund, which is presented on page 26 as part of the basic financial statements for the governmental funds.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Brenham operates.

**Local economy.** The City of Brenham currently enjoys a favorable economic environment and local indicators point to continued stability. The region has a varied manufacturing and industrial base that adds to the relative stability of the unemployment rate. Major industries with headquarters or divisions located within the city's boundaries include an ice cream manufacturer, a textile manufacturer, a steel lighting standards manufacturer, a national brand mattress manufacturer, a globally distributed salad dressing manufacturer and two technology related industries – a manufacturer of computer component parts and a manufacturer of electronic components. Also located within the City are a nationally known retail super center and two nationally known home improvement retail stores. Other top employers include the regional home office of a state-wide



insurance provider and Trinity Medical Center, a regional health care facility. The state also has a major economic presence in the area thanks to Blinn College, the oldest junior college in the state, and to a major mental health facility, which together provide employment for nearly 1,800 educators, health care professionals and staff.

The City's downtown area continues to thrive under the Main Street program, with new businesses, restaurants, and specialty shops operating successfully.

The Economic Development Foundation (EDF) works closely with the City to promote growth within the existing business community and to market Brenham's competitive advantage as a location for new businesses. The City had several new companies locate to Brenham as well as some extensive remodeling on an existing major commercial business.

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

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

**Cash management policies and practices.** Cash temporarily idle during the year was invested in federal securities, Texpool and TexSTAR investment pools, and other interest bearing accounts. The maturities of the investments range from less than 60 days to two years, with an average maturity of less than one year. Investment income includes realized increases and decreases in the fair value of investments when they mature. Decreases in fair value during the current year, however, do not necessarily represent trends that will continue, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

**Risk management.** The City has primary coverage under its auto, liability, public official liability, and comprehensive general liability policy that is sufficient to cover any municipal function except those services provided by the Gas and Electric departments. For claims under these two functions, the City has additional insurance coverage for losses of \$5 million per occurrence and \$10 million aggregate occurrence.

The City insures general property damage with a \$5,000 deductible. City-owned vehicles, including five fire trucks, have a \$1,000 deductible. The City purchased a zero deductible plan for workers' compensation coverage in FY07, and the City also purchased certain stop-loss insurance to limit exposure to group health insurance claims. The Risk Management Internal Service Fund, which accounts for these self-insured programs, had ending total net assets of \$377,630 and a change in net assets of (\$425,726) for the year. Revenues, which include payments into the fund by the City and by employees for dependent medical coverage, totaled \$2,029,158. Expenditures for premiums and claims totaled \$2,536,186. In recent years, due to favorable claims history, the City has received equity refunds of premiums for liability and property coverage. Additional information on the City of Brenham's risk management activity can be found in Note IV.A of the notes to the financial statements.

#### **Pension and other post-employment benefits**

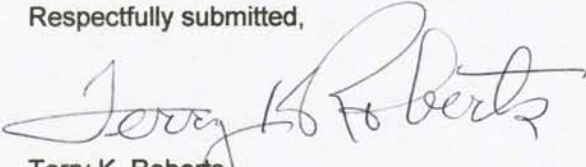
The City of Brenham provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS). The City also provides post-retirement health care for certain retirees. The retiree pays the entire premium for group health coverage and claims are paid through the self-insured medical fund.

Additional information on the City of Brenham's pension arrangements and post-employment benefits can be found in Notes I.D and IV.C in the notes to the financial statements.


## Acknowledgements

The preparation of this report would not have been possible without the dedicated and efficient staff of the Finance Department, and they are to be commended for their exemplary performance. Above all, we would like to express our appreciation to Stacy Hardy, Accounting Manager, Doris Krolczyk, Accounting Supervisor and Debbie Gaffey, Budget Analyst for their significant contributions and countless hours of work to ensure the timely and professional completion of this report. Credit must also be given to the Mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Brenham's finances.

Respectfully submitted,



Terry K. Roberts  
City Manager



Carolyn D. Miller, CPA  
Director of Finance





**CITY OF BRENHAM, TEXAS  
PRINCIPAL OFFICERS  
SEPTEMBER 30, 2007**

**MAYOR**

Milton Y Tate, Jr

**MAYOR PRO-TEM**

Gloria Nix

**CITY COUNCIL**

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

**CITY MANAGER**

Terry K. Roberts

**ASSISTANT CITY MANAGER**

Kyle D Dannhaus

**DIRECTOR OF FINANCE**

Carolyn D Miller, CPA

**ASSISTANT DIRECTOR OF FINANCE**

Ann Finley

THE CITY OF BRENHAM

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FINANCIAL  
SECTION





SEIDEL, SCHROEDER & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brenham, Texas, (the "City") as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brenham, Texas, as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the general fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2008 on our consideration of the City of Brenham, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 9 through 18 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the combining and individual nonmajor fund financial statements, statistical tables and supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of City of Brenham, Texas. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, statistical data and supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Sidel, Smucker & Company*

February 20, 2008  
Brenham, Texas

## Management's Discussion and Analysis

As management of the City of Brenham, we offer readers of the City of Brenham's financial statements this narrative overview and analysis of the financial activities of the City of Brenham for the fiscal year ended September 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-4 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### Financial Highlights (*Amounts Expressed in Thousands*)

- The assets of the City of Brenham exceeded its liabilities at the close of the most recent fiscal year by \$73,133 (net assets). Of this amount, \$12,966 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$2,268.
- As of the close of the current fiscal year, the City of Brenham's governmental funds reported combined ending fund balances of \$12,008, a decrease of \$259 in comparison with the prior year. Approximately \$11,674 is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,251 or 23.4 percent of total general fund expenditures.
- The City of Brenham's total bonded debt decreased by \$1,888 (4.4 percent) during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Brenham's basic financial statements. The City of Brenham's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-wide financial statements.

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Brenham's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements 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, sewer, sanitation, gas and electric distribution operations.

The government-wide financial statements 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 government-wide financial statements can be found on pages 19-21 of this report.

### **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 three categories: governmental funds, proprietary funds, and fiduciary funds.

### **Governmental funds.**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements 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 government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Brenham maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the 2006 capital projects fund, all of which are considered to be major funds. Individual fund balance sheets and statements of revenues, expenditures, and changes in fund balance for the other 17 governmental funds are presented in the supplementary information section.

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.

The basic governmental fund financial statements can be found on pages 22-26 of this report.

### **Proprietary funds.**

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 government-wide financial statements. The City of Brenham uses enterprise funds to account for its water, sewer, sanitation, gas, and electric distribution operations. *Internal service* funds are an accounting device used to accumulate and allocate costs internally among the City of Brenham's various functions. The City of Brenham uses an internal service fund to account for its risk management services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, sanitation, gas, and electric distribution operations, which are considered to be major funds of the City of Brenham. The internal service fund is reported in a separate column in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 27-31 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Brenham's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 32 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-55 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning the City of Brenham's operations. The combining statements referred to earlier in connection with nonmajor governmental funds are presented in this section. Combining and individual fund statements can be found on pages 57-67 of this report. The *statistical section* can be found on pages 89-109 of this report. Information relating to federal and state grant awards begins on page 111 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the primary government of the City of Brenham, assets exceeded liabilities by \$73,133 at the close of the most recent fiscal year.

By far the largest portion of the City of Brenham's net assets (81 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Brenham uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Brenham's investment in its' capital assets is reported net of related debt, it should be noted that 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.

	City of Brenham's Net Assets					
	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006 <sup>(1)</sup>	2007	2006 <sup>(1)</sup>	2007	2006 <sup>(1)</sup>
Current and other assets	\$ 13,919	\$ 14,422	\$ 14,083	\$ 12,724	\$ 28,002	\$ 27,146
Capital assets	46,771	45,641	46,547	48,237	93,318	93,878
Total assets	60,690	60,063	60,630	60,961	121,320	121,024
Long-term debt outstanding	21,006	22,091	18,903	19,768	39,909	41,859
Other liabilities	2,373	2,133	5,904	6,166	8,277	8,299
Total liabilities	23,379	24,224	24,807	25,934	48,186	50,158
Net assets.						
Invested in capital assets, net of related debt	32,212	31,936	27,083	27,483	59,295	59,419
Restricted	334	1,439	539	1,555	873	2,994
Unrestricted	4,764	2,464	8,201	5,989	12,965	8,453
Total net assets	\$ 37,310	\$ 35,839	\$ 35,823	\$ 35,027	\$ 73,133	\$ 70,866

(1) As restated, see Note IV F

An additional portion of the City of Brenham's net assets (1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$12,965 may be used to meet the government's ongoing obligations to citizens and creditors.

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

The government's total net assets increased by \$2,268 during the current fiscal year. This increase represents the degree by which the revenue stream exceeded the ongoing expenditures.

City of Brenham's Changes in Net Assets

	Governmental		Business-type		Total	
	Activities		Activities		2007	2006
	2007	2006	2007	2006		
<b>Revenues:</b>						
Program revenues.						
Charges for services	\$ 787	\$ 757	\$ 38,345	\$ 41,288	\$ 39,132	\$ 42,045
Operating grants and contributions	915	679	-	-	915	679
Capital grants and contributions	1,082	1,121	-	10	1,082	1,131
General revenues.						
Property taxes	4,152	3,505	-	-	4,152	3,505
Sales taxes	3,524	3,291	-	-	3,524	3,291
Other taxes	3,524	2,956	-	-	3,524	2,956
Other	1,422	1,048	591	340	2,013	1,388
<b>Total revenues</b>	<b>15,406</b>	<b>13,357</b>	<b>38,936</b>	<b>41,638</b>	<b>54,342</b>	<b>54,995</b>
<b>Expenses.</b>						
General government	1,888	1,993	-	-	1,888	1,993
Public safety	5,028	4,719	-	-	5,028	4,719
Highway/streets	2,279	1,637	-	-	2,279	1,637
Interest on Long Term Debt	991	709	-	-	991	709
Culture and recreation	3,264	3,048	-	-	3,264	3,048
Health and welfare	580	624	-	-	580	624
Water	-	-	3,164	3,162	3,164	3,162
Sewer	-	-	3,560	3,544	3,560	3,544
Electric	-	-	23,341	25,992	23,341	25,992
Gas	-	-	5,647	6,027	5,647	6,027
Sanitation	-	-	2,331	2,309	2,331	2,309
<b>Total Expenses</b>	<b>14,030</b>	<b>12,730</b>	<b>38,043</b>	<b>41,034</b>	<b>52,073</b>	<b>53,764</b>
Increase in net assets before transfers	1,376	627	893	604	2,269	1,231
Transfers	96	239	(96)	(239)	-	-
<b>Increase in net assets</b>	<b>1,472</b>	<b>866</b>	<b>797</b>	<b>365</b>	<b>2,269</b>	<b>1,231</b>
Net assets - beginning	17,795	16,929	34,913	34,548	52,708	51,477
Restatement of net assets	18,043	-	113	-	18,156	-
<b>Net assets - restated</b>	<b>35,838</b>	<b>16,929</b>	<b>35,026</b>	<b>34,548</b>	<b>70,864</b>	<b>51,477</b>

**Governmental activities.** Governmental activities increased the City of Brenham's net assets by \$1,472. Key elements of this increase are as explained below

Overall, revenues increased \$2,050 (15.3 percent) during the year. This increase is attributable to several factors.

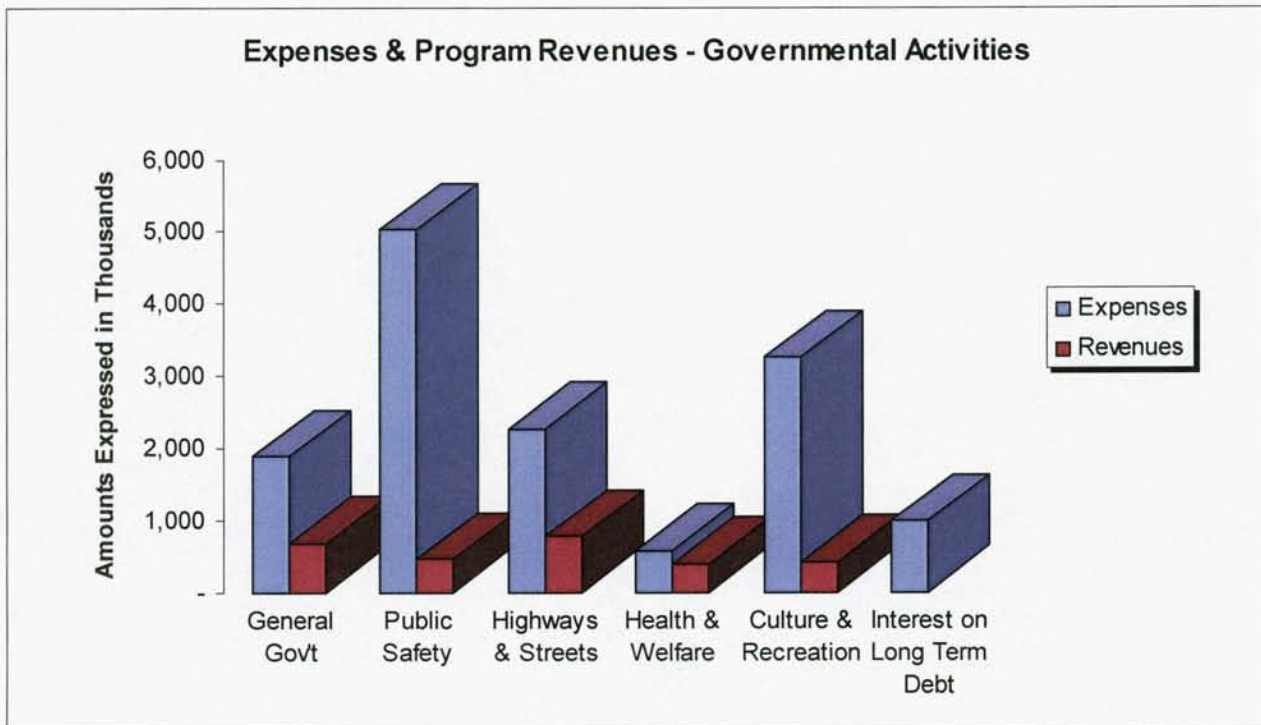
- Operating grants and contributions increased by \$236 (35 percent) during the year. This increase is due to the following grants: C O P S. Law Enforcement Technology Grant for \$124 and Assistance to Firefighters Grant for \$191
- Capital grants and contributions decreased by \$39 (3 percent) during the year which is primarily due to the prior year completion of the Brenham Greenways Streetscape Project which is offset by the two FAA Airport Development Grants for \$722.
- Property taxes increased by \$647 (18.4 percent) during the year resulting from the combination of

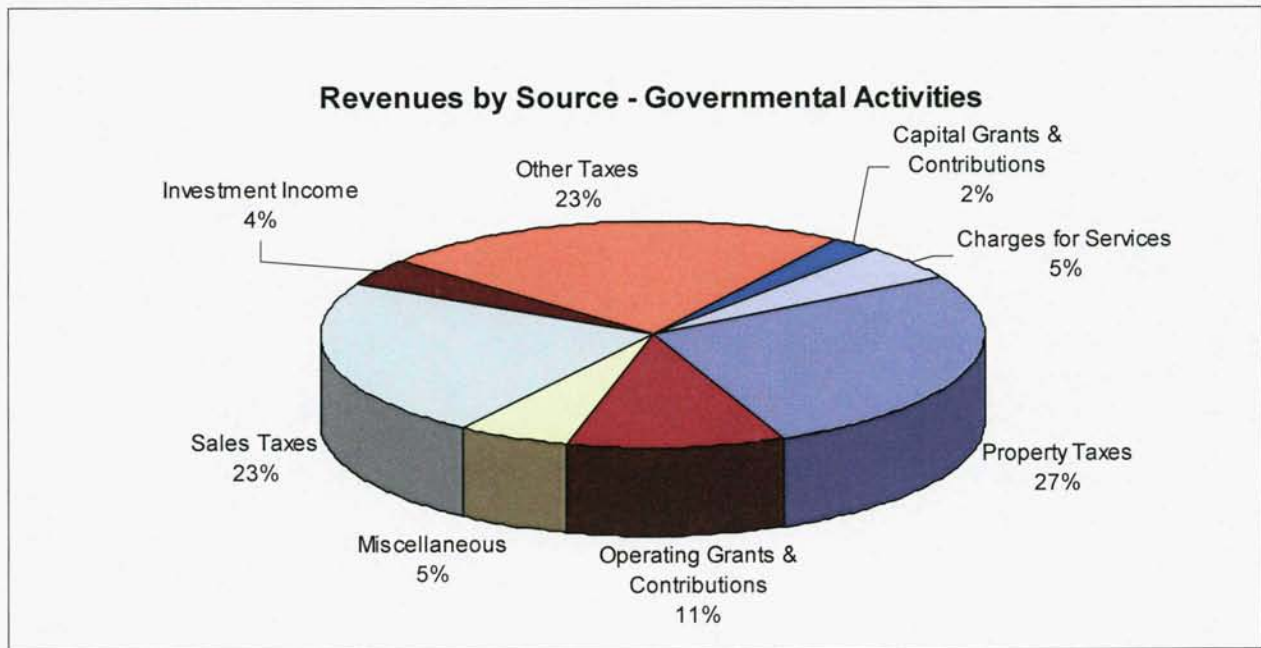


- higher valuations on property (7 percent) coupled with a \$.04 increase in the tax levy for debt service.
- Sales tax revenue increased by \$233 (7.1 percent) during the year. This increase is mainly attributed to having a full year of sales tax receipts for two home improvement stores, coupled with steady economic growth in the city in general.
- Other taxes increased by \$569 (19.2 percent) during the year. Over \$414 of this increase is due to higher franchise tax payments from the utility funds which are calculated at 7 percent of budgeted revenues. Another \$127 is due to the accrual of gross receipts tax from a local cable television business and electrical utility provider.
- Other revenues increased by \$374 (35.7 percent) during the year. Higher investment income over the prior year is the primary reason for this increase.

Overall, expenses increased \$1,300 (10.2 percent) during the year. This increase is attributable to several factors.

- Public safety expenses increased \$309 over the prior year due to public safety equipment purchased pursuant to the law enforcement technology and firefighters grants as previously discussed.
- The expenses for highways/streets increased \$642 as related to the two airport development grants for improvements to the hangar and runway.
- Culture and recreation expenses increased \$216 which can be attributed to capital improvements at the library, skate park, and Fireman's Park.
- The increase in interest on long term debt of \$282 is due to the first annual interest payments on the Series 2006 certificates of obligation.
- General government expenses decreased by \$105 which are primarily due to a traffic study, street survey and engineering services for the Hwy 290 project which were incurred in the prior fiscal year.
- Health and welfare expenses decreased by \$44 which is partly attributable to reduced federal expenditures for the Section 8 housing assistance voucher program offset by higher expenses for animal adoption, shelter and control.





**Business-type activities.** Business-type activities increased the City of Brenham's net assets by \$797. Key elements of this increase are as follows:

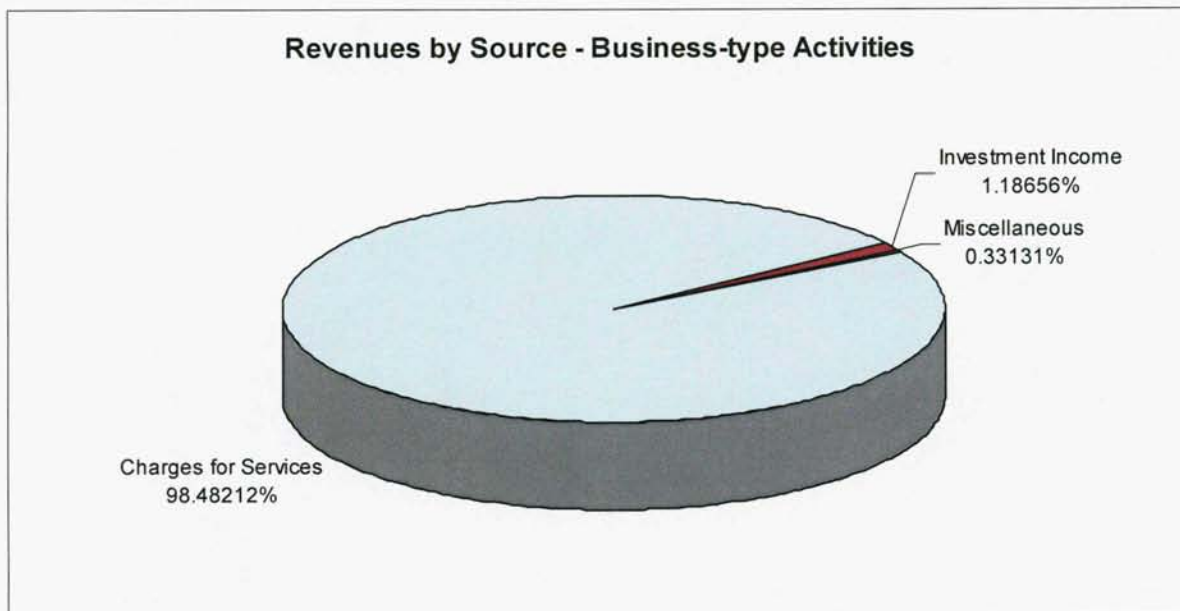
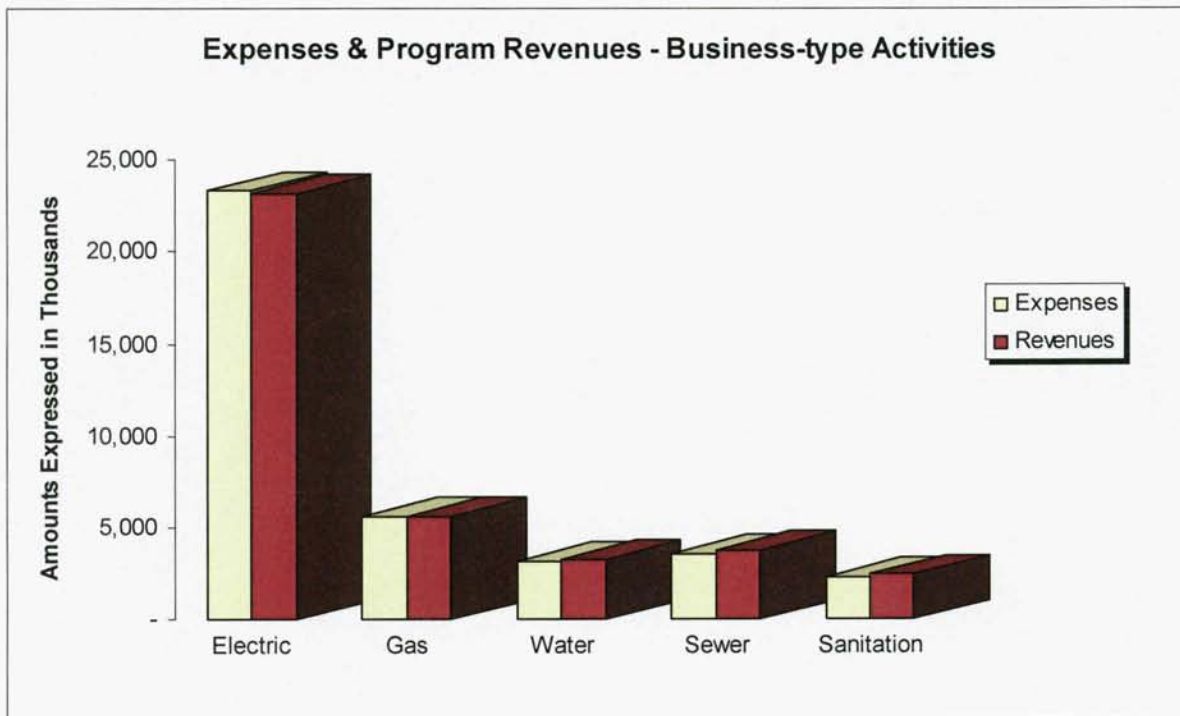
Overall, revenues decreased \$2,701 (6.5 percent) during the year. This decrease is attributable to several factors.

- The charges for services in the Electric and Gas funds decreased \$3,257 and \$128 respectively as a direct result of a reduction in electric and gas source costs which is passed on to utility customers. The average cost per KWH decreased from \$.065 in FY06 to \$.0557 in FY07. Correspondingly the City's average natural gas cost per MCF decreased from \$8.17 in FY06 to \$6.49 in FY07.
- The charges for services in the Water fund decreased by \$463 (12.4 percent) during the year. The rainy weather experienced this year as compared to the drought conditions from the prior year resulted in a decline in water sales for the year of 156,836 gallons or 16.4 percent.
- Charges for services in the Sewer fund were higher by \$864 (29.4 percent) during the year due primarily to a full year of the Council approved rate increase. For FY07, the number of waste haulers has increased resulting in additional revenue of \$164.
- The Sanitation fund charges for services were higher by \$41 (1.7 percent) due mainly from a nearby municipal government returning as a transfer station customer, coupled with a full year of new transfer station rates. Recycling revenue is also higher due to increased prices on cardboard and aluminum cans.
- Other revenues increased by \$252 (74 percent) during the year. This increase is mainly attributable to the one-time proceeds received from Texas Municipal Gas Corporation for a program close-out.

Overall, expenditures decreased \$2,990 (7.3 percent) during the year. This decrease is attributable to several factors.

- As noted in the section above, electric fund and gas fund expenses decreased \$2,650 and \$380, respectively, primarily due to a reduction in electric and gas source costs.





#### Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Brenham's governmental funds reported combined ending fund balances of \$12,008 a decrease of \$259 in comparison with the prior year

The General Fund is the chief operating fund of the City of Brenham. At the end of the current fiscal year, fund balance of the general fund was \$2,251 This represents 23.4 percent of total General Fund expenditures.

The fund balance of the City of Brenham's General Fund increased by \$552 during the current fiscal year due to a significant increase in revenues.

The debt service fund has a total fund balance of \$334, all of which is reserved for the payment of debt. The net increase in fund balance during the current year in the debt service fund was \$133

**Proprietary funds** The City of Brenham's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the electric fund at the end of the year amounted to \$5,727, those of the gas fund were \$542; the water fund \$1,052, the sewer fund \$668 and the sanitation fund \$69 Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Brenham's business-type activities

### **General Fund Budgetary Highlights**

The original revenue budget was \$10,430 and the final amended budget was \$10,480, an increase of \$50 To maintain consistency for accounting and reporting purposes, the airport operations and maintenance activity were moved from a special revenue fund to the general fund, which included \$50 in grant revenues.

The original expenditure budget was \$10,299 and the final amended budget was \$10,425, an increase of \$126 The airport budget amendment as discussed above accounted for \$84 of this increase while the emergency replacement of a generator equaled \$24 A budget amendment approving \$22 for the building security system was also approved

The original budget for transfers out increased by \$280 due to a budget amendment approved by Council: (1) \$150 to initiate funding for Hwy 290 Pass-through financing project, (2) \$94 local match for airport runway extension grant, and the remaining amounts were transferred to special revenue funds.

Year end actual revenues were favorable compared to budget due to higher tax revenues while year end actual expenditures were under budget due to cost savings achieved through vacant budgeted positions, supplies, services and capital outlays.

### **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, 2007 amounts to \$93,317 (net of accumulated depreciation) This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the City of Brenham's investment in capital assets for the current fiscal year was one percent.

Major capital asset events during the current fiscal year included the following:

- The City completed a valuation of land, building and infrastructure in connection with the final implementation of GASB 34 The beginning balances of capital assets have been restated to include these assets not previously reported
- Governmental construction-in-progress included \$929 for airport hangar and runway improvements, \$14 for a drainage project, parks improvements totaling \$39, and construction costs of \$93 for a new public safety facility
- Business-type construction-in-progress includes \$59 for electric relay/recloser projects and \$145 for various water and sewer line additions and improvements.



City of Brenham's Capital Assets  
(net of depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006 <sup>(1)</sup>	2007	2006	2007	2006
Land	\$ 2,105	\$ 1,797	\$ 1,367	\$ 1,400	\$ 3,472	\$ 3,197
Buildings	16,020	16,009	573	598	16,593	16,607
Improvements other than buildings	10,757	10,451	28,856	29,243	39,613	39,694
Furniture, fixtures, and equipment	1,640	2,836	1,093	1,286	2,733	4,122
Vehicles	5,903	4,740	2,707	2,527	8,610	7,267
Infrastructure	37,937	37,937	41,763	41,687	79,700	79,624
Construction in progress	1,075	299	204	31	1,279	330
Impairment	(677)	(677)	0	0	(677)	(677)
Accumulated depreciation	(27,990)	(27,751)	(30,016)	(28,534)	(58,006)	(56,285)
Total	<u>\$ 46,770</u>	<u>\$ 45,641</u>	<u>\$ 46,547</u>	<u>\$ 48,238</u>	<u>\$ 93,317</u>	<u>\$ 93,879</u>

(1) As restated, see Note IV F

Additional information on the City of Brenham's capital assets can be found in note III E on pages 42-43 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Brenham had total bonded debt outstanding, net of unamortized charges, of \$41,014. Of this amount, \$21,327 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 \$19,687 is self-supported debt that is to be repaid from system revenues.

City of Brenham's Outstanding Debt  
General Obligation Bonds and Certificates of Obligation

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
General Obligation Bonds	\$ 1,512	\$ -	\$ 7,133	\$ 3,530	\$ 8,645	\$ 3,530
Certificates of Obligation	19,848	22,278	12,826	17,087	32,674	39,365
Unamortized Credits/Charges	(33)	55	(272)	(48)	(305)	7
Total	<u>\$ 21,327</u>	<u>\$ 22,333</u>	<u>\$ 19,687</u>	<u>\$ 20,569</u>	<u>\$ 41,014</u>	<u>\$ 42,902</u>

The City of Brenham's total bonded debt decreased by \$1,888 (4.4 percent) during the current fiscal year.

During the current year, the government refinanced some of its existing debt to take advantage of favorable interest rates.

- The City issued general obligation refunding bonds to refinance previously outstanding tax-supported debt and self-supported debt that is repaid by system revenues. The result is expected to be a decrease in future debt service payments of \$390.

The City of Brenham maintains a "AAA" rating, by virtue of municipal bond insurance, from Standard & Poor's and Fitch for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 2.5 percent of its total assessed valuation. Additionally, the City's charter allows a rate not exceeding \$1.65 per \$100 valuation for any one year. The tax rate is \$5063 for the year ended September 30, 2007, which is significantly below the \$1.65 allowed by the City's charter.

Additional information about the City's long-term debt can be found in note III H-I on pages 45-49 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for Washington County in September 2007 was 3.9 percent, which is higher than the rate of 3.7 percent one year ago. However, the current rate compares favorably to the state's average unemployment rate of 4.4 percent.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Brenham's budget for the 2007 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$2,251. The City of Brenham's adopted budget for fiscal year 2008 is at a break-even level, so that general fund expenditures do not utilize any fund balance. Although the M&O tax rate was increased from \$3.165 in FY07 to \$3.245 in FY08, the debt service rate was decreased from \$1.898 to \$1.818, respectively. This allowed the City to maintain the same combined tax rate of \$5.063.

No rate increases were necessary in the fiscal year 2008 operating budgets for the enterprise funds. We anticipate implementing a water rate increase in mid 2008 to finance debt service on an upcoming debt issuance for water system improvements.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Brenham's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, P O Box 1059, Brenham, Texas, 77834.

THE CITY OF BRENHAM

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FINANCIAL  
STATEMENTS

**City of Brenham**  
**Statement of Net Assets**  
**For the Year Ended September 30, 2007**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and Equivalents	\$ 2,293,908	\$ 6,163,848	\$ 8,457,756	\$ 39,478
Investments	200,000	384,719	584,719	-
Receivables - Property Tax (net)	164,147	-	164,147	-
Receivables - Sales Tax	618,185	-	618,185	206,062
Receivables - Occupancy Taxes	44,057	-	44,057	-
Receivables - Account (net)	541,365	3,900,129	4,441,494	1,298
Internal Balances	(47,723)	47,723	-	-
Due from Other Governments	257,397	-	257,397	-
Inventory at Cost	46,878	593,399	640,277	-
Notes Receivable, Current	-	42,095	42,095	-
Other Current Assets	43,956	98,001	141,957	-
Restricted Cash	9,211,455	1,454,303	10,665,758	286,689
Restricted Investments	285,378	553,130	838,508	250,078
Capital Assets, Not Being Depreciated	3,180,492	1,570,898	4,751,390	765,365
Other Capital Assets, Net	43,589,588	44,975,890	88,565,478	-
Notes Receivable, Long Term	9,500	559,588	569,088	-
Unamortized Bond Issuance Costs, Net	251,086	286,597	537,683	-
Total assets	<u>60,689,669</u>	<u>60,630,320</u>	<u>121,319,989</u>	<u>1,548,970</u>
<b>LIABILITIES</b>				
Accounts Payable and Other Current Liabilities	566,009	2,771,671	3,337,680	1,553
Other Liabilities	-	48,403	48,403	-
Accrued Interest	123,974	112,607	236,581	-
Self Insurance Claims Payable	169,610	-	169,610	-
Bonds Payable, Current	955,912	-	955,912	-
Lease Payable, Current	242,871	81,540	324,411	-
Revenue Bonds Payable, Current	-	1,119,089	1,119,089	-
Notes Payable, Current - Component Unit	-	-	-	42,095
Settlement Payable, Current	-	9,719	9,719	-
Consumer Deposits	-	1,442,998	1,442,998	-
Compensated Absences, Long Term	187,103	178,056	365,159	-
Rebatable Arbitrage, Long Term	127,131	-	127,131	-
Post Closure Liability	-	140,000	140,000	-
Long Term Debt, Net	21,006,430	18,903,277	39,909,707	559,588
Total liabilities	<u>23,379,040</u>	<u>24,807,360</u>	<u>48,186,400</u>	<u>603,236</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	32,212,469	27,082,608	59,295,077	163,683
Restricted for Debt Service	333,943	538,822	872,765	-
Restricted for Economic Development	-	-	-	517,597
Restricted for Recreation	-	-	-	264,454
Unrestricted	4,764,217	8,201,530	12,965,747	-
Total net assets	<u>\$ 37,310,629</u>	<u>\$ 35,822,960</u>	<u>\$ 73,133,589</u>	<u>\$ 945,734</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, 2007**

Functions/Programs	Program Revenues				Net(Expense) Revenue and Changes in Net Assets			Component Units	
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Total
						Governmental Activities	Business-type Activities		
<b>Primary government:</b>									
<b>Governmental activities:</b>									
General Government	\$ 5,912,073	\$ (4,023,885)	\$ 482,252	\$ 14,723	\$ 200,000	\$ (1,191,213)	\$ -	\$ (1,191,213)	
Public Safety	5,028,102	-	2,321	422,370	46,333	(4,557,078)	-	(4,557,078)	
Highways and Streets	2,279,505	-	13	59,792	722,052	(1,497,648)	-	(1,497,648)	
Health and Welfare	580,118	-	30,290	373,676	-	(176,152)	-	(176,152)	
Culture and Recreation	3,264,409	-	271,842	44,529	113,283	(2,834,755)	-	(2,834,755)	
Interest on Long Term Debt	991,486	-	-	-	-	(991,486)	-	(991,486)	
<b>Total governmental activities</b>	<b>18,055,693</b>	<b>(4,023,885)</b>	<b>786,718</b>	<b>915,090</b>	<b>1,081,668</b>	<b>(11,248,332)</b>	<b>-</b>	<b>(11,248,332)</b>	
<b>Business-type activities:</b>									
Electric	21,057,375	2,284,846	23,184,463	-	-	-	(157,757)	(157,757)	
Gas	5,060,039	586,627	5,639,536	-	-	-	(7,130)	(7,130)	
Sanitation	2,132,174	199,142	2,468,172	-	-	-	136,856	136,856	
Sewer	3,110,551	449,023	3,798,212	-	-	-	238,638	238,638	
Water	2,659,763	504,247	3,254,617	-	-	-	90,607	90,607	
<b>Total business-type activities</b>	<b>34,019,902</b>	<b>4,023,885</b>	<b>38,345,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>301,214</b>	<b>301,214</b>	
<b>Total primary government</b>	<b>\$ 52,075,595</b>	<b>\$ -</b>	<b>\$ 39,131,718</b>	<b>\$ 915,090</b>	<b>\$ 1,081,668</b>	<b>(11,248,332)</b>	<b>301,214</b>	<b>(10,947,118)</b>	
<b>Component units:</b>									
Brenham Community Devel Corp	\$ 163,868	-	-	-	-	-	-	(163,868)	
<b>Total component units</b>	<b>\$ 163,868</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(163,868)</b>	
<b>General revenues:</b>									
Property Taxes	-	-	4,152,080	-	-	4,152,080	-	4,152,080	
Sales Taxes	-	-	3,524,009	-	-	3,524,009	-	3,524,009	
Other Taxes	-	-	3,524,583	-	-	3,524,583	-	3,524,583	
Investment Income not Restricted	-	-	587,125	-	-	587,125	462,286	1,049,411	
Miscellaneous	-	-	55,483	-	-	55,483	267,835	323,318	
Gain (Loss) on Sale of Capital Assets	-	-	9,508	-	-	9,508	(138,624)	(129,116)	
Payments from Component Unit Transfers	-	-	770,877	-	-	770,877	(96,380)	(770,877)	
<b>Total general revenues</b>	<b>-</b>	<b>-</b>	<b>12,720,045</b>	<b>915,090</b>	<b>1,081,668</b>	<b>495,117</b>	<b>495,117</b>	<b>13,215,162</b>	
<b>Change in net assets</b>	<b>-</b>	<b>-</b>	<b>1,471,713</b>	<b>-</b>	<b>-</b>	<b>796,331</b>	<b>-</b>	<b>2,268,044</b>	
<b>Net assets - beginning</b>	<b>-</b>	<b>-</b>	<b>17,795,761</b>	<b>-</b>	<b>-</b>	<b>34,913,176</b>	<b>-</b>	<b>52,708,937</b>	
<b>Restatement of net assets</b>	<b>-</b>	<b>-</b>	<b>18,043,155</b>	<b>-</b>	<b>-</b>	<b>113,453</b>	<b>-</b>	<b>18,156,608</b>	
<b>Net assets - beginning as restated</b>	<b>-</b>	<b>-</b>	<b>35,838,916</b>	<b>-</b>	<b>-</b>	<b>35,026,629</b>	<b>-</b>	<b>70,865,545</b>	
<b>Net assets - ending</b>	<b>-</b>	<b>-</b>	<b>\$ 37,310,629</b>	<b>\$ 35,822,960</b>	<b>\$ 35,822,960</b>	<b>\$ 73,133,589</b>	<b>\$ 945,734</b>	<b>\$ 945,734</b>	

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

**City of Brenham  
Balance Sheet  
Governmental Funds  
For the Year Ended September 30, 2007**

	General Fund	Debt Service Fund	2006 Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and Equivalents	\$ 1,602,513	\$ 7,940	\$ -	\$ 584,216	\$ 2,194,669
Investments	200,000	-	-	-	200,000
Receivables (Net)					
Property Taxes	107,484	56,663	-	-	164,147
Sales Tax	618,185	-	-	-	618,185
Occupancy Tax	-	-	-	44,057	44,057
Accounts	371,191	-	-	21	371,212
Interfund Receivables	106,653	-	-	104,768	211,421
Due from Other Governments	152,381	1,131	-	126,515	280,027
Inventory at Cost	46,878	-	-	-	46,878
Other Current Assets	10,825	-	-	22,531	33,356
Restricted Cash	-	324,872	7,924,285	795,052	9,044,209
Restricted Investments	-	-	-	185,378	185,378
Notes Receivable	9,500	-	-	-	9,500
<b>Total Assets</b>	<u>\$ 3,225,610</u>	<u>\$ 390,606</u>	<u>\$ 7,924,285</u>	<u>\$ 1,862,538</u>	<u>\$ 13,403,039</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts Payable & Other Current	\$ 471,035	\$ -	\$ 12,710	\$ 82,098	\$ 565,843
Interfund Payables	-	-	5,444	110,762	116,206
Deferred Revenue	503,300	56,663	-	25,639	585,602
Other Liabilities	167	-	-	-	167
Rebatable Arbitrage, Long Term	-	-	127,131	-	127,131
<b>Total Liabilities</b>	<u>974,502</u>	<u>56,663</u>	<u>145,285</u>	<u>218,499</u>	<u>1,394,949</u>
<b>Fund Balances:</b>					
Reserved for:					
Debt Service	-	333,943	-	-	333,943
Unreserved, reported in:					
Capital Projects	-	-	7,779,000	943,314	8,722,314
General Fund	2,251,108	-	-	-	2,251,108
Special Revenue Funds	-	-	-	700,725	700,725
<b>Total Fund Balances</b>	<u>2,251,108</u>	<u>333,943</u>	<u>7,779,000</u>	<u>1,644,039</u>	<u>12,008,090</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,225,610</u>	<u>\$ 390,606</u>	<u>\$ 7,924,285</u>	<u>\$ 1,862,538</u>	

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

**City of Brenham**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Assets**  
**For the Year Ended September 30, 2007**

Total fund balances - total governmental funds \$ 12,008,090

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. 46,770,080

Gross capital assets	75,437,779
Accumulated depreciation	(27,990,301)
Impairment Loss	(677,398)
	46,770,080

Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. (22,265,205)

Bonds payable	21,360,472
Less: Unamortized bond issue costs	(251,086)
Less: Issuance discount	(5,667)
Add: Issuance premium	41,518
Less: Unamortized deferred charges	(69,430)
Accrued interest payable	123,974
Capital lease payable	878,321
Compensated absences	187,103
	22,265,205

Internal service funds are used by management to charge the costs of risk management services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 234,692

Due from Other Governments is decreased by their portion of capital lease escrow funds. (22,631)

Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds. 585,603

Net assets of governmental activities \$ 37,310,629

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, 2007

	General Fund	Debt Service Fund	2006 Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 9,267,533	\$ 1,542,971	\$ -	\$ 371,468	\$ 11,181,972
Licenses and Permits	54,487	-	-	-	54,487
Intergovernmental	226,213	-	-	1,421,988	1,648,201
Charges for Services	331,603	-	-	37,258	368,861
Fines and Forfeitures	363,253	-	-	-	363,253
Investment Income	138,959	49,068	353,812	30,497	572,336
Payment from Component Unit	200,000	460,877	-	110,000	770,877
Contributions and Donations	25	-	-	124,583	124,608
Miscellaneous	62,347	-	-	23,058	85,405
<b>Total revenues</b>	<u>10,644,420</u>	<u>2,052,916</u>	<u>353,812</u>	<u>2,118,852</u>	<u>15,170,000</u>
<b>Expenditures</b>					
Current:					
Culture and Recreation	2,171,648	-	-	439,365	2,611,013
General Government	1,244,538	-	-	138,562	1,383,100
Health and Welfare	282,809	-	-	279,770	562,579
Highways and Streets	1,153,897	-	-	-	1,153,897
Public Safety	4,334,950	-	-	299,104	4,634,054
Debt service:					
Interest & Fiscal Charges	5,837	932,322	-	-	938,159
Principal Retirement	43,388	1,027,437	-	-	1,070,825
Issuance Costs	-	21,072	-	-	21,072
Capital Outlay	401,800	-	1,528,384	1,566,939	3,497,123
<b>Total expenditures</b>	<u>9,638,867</u>	<u>1,980,831</u>	<u>1,528,384</u>	<u>2,723,740</u>	<u>15,871,822</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>1,005,553</u>	<u>72,085</u>	<u>(1,174,572)</u>	<u>(604,888)</u>	<u>(701,822)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	87,880	37,912	-	597,995	723,787
Transfers Out	(541,350)	-	-	(307,034)	(848,384)
Refunding bonds issued	-	1,524,321	-	-	1,524,321
Payment to refunded bond escrow agent	-	(1,501,306)	-	-	(1,501,306)
Proceeds from Capital Lease	-	-	-	544,300	544,300
<b>Total other financing sources and (uses)</b>	<u>(453,470)</u>	<u>60,927</u>	<u>-</u>	<u>835,261</u>	<u>442,718</u>
<b>Net change in Fund Balances</b>	552,083	133,012	(1,174,572)	230,373	(259,104)
<b>Fund balances - beginning</b>	<u>1,699,025</u>	<u>200,931</u>	<u>8,953,572</u>	<u>1,413,666</u>	<u>12,267,194</u>
<b>Fund balances - ending</b>	<u>\$ 2,251,108</u>	<u>\$ 333,943</u>	<u>\$ 7,779,000</u>	<u>\$ 1,644,039</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, 2007**

Net change in fund balances - total governmental funds \$ (259,104)

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

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. 1,281,327

Capital outlay	3,497,124
Depreciation expense	(2,421,130)
Donation of capital asset	200,000
Proceeds from sale	(4,175)
Gain on disposal	9,508
	1,281,327

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. 16,905

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net assets. Bond principal payments are expenditures in the governmental funds, but they reduce long term liabilities in the statement of net assets. 1,240,929

Debt issued:	
General Obligation Refunding Bonds	(1,524,321)
Unamortized bond issue costs on refunding debt	19,605
Repayments:	
To Paying Agent:	
For certificate principal	1,501,306
To bond, certificate, and note holders	1,070,825
Reallocation to Proprietary Funds	175,000
Amortization of bond premiums, discounts, & charges	(1,486)
	1,240,929

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability (544,300)

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. (29,257)

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. (213,670)

For government wide reporting, bond issue costs are deferred and amortized. (21,117)

Change in net assets of governmental activities \$ 1,471,713

**City of Brenham**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended September 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 8,932,416	\$ 8,932,416	\$ 9,267,533	\$ 335,117
Licenses and Permits	60,625	60,625	54,487	(6,138)
Intergovernmental	240,400	270,400	226,213	(44,187)
Charges for Services	362,450	362,450	331,603	(30,847)
Fines and Forfeitures	370,300	370,300	363,253	(7,047)
Investment Income	70,000	70,000	138,959	68,959
Payment from Component Unit	200,000	200,000	200,000	-
Contributions and Donations	65,500	65,500	25	(65,475)
Miscellaneous	128,500	148,500	62,347	(86,153)
<b>Total revenues</b>	<u>10,430,191</u>	<u>10,480,191</u>	<u>10,644,420</u>	<u>164,229</u>
<b>Expenditures</b>				
Current:				
Culture and Recreation	2,324,756	2,324,756	2,171,648	153,108
General Government	1,407,939	1,403,664	1,244,538	159,126
Health and Welfare	294,832	294,832	282,809	12,023
Highways and Streets	1,149,886	1,279,256	1,153,897	125,359
Public Safety	4,518,773	4,497,409	4,334,950	162,459
	<u>9,696,186</u>	<u>9,799,917</u>	<u>9,187,842</u>	<u>612,075</u>
Debt Service:				
Interest and Fiscal Charges	5,837	5,837	5,837	-
Principal	43,388	43,388	43,388	-
	<u>49,225</u>	<u>49,225</u>	<u>49,225</u>	<u>-</u>
Capital Outlay	553,578	576,250	401,800	174,450
<b>Total Expenditures</b>	<u>10,298,989</u>	<u>10,425,392</u>	<u>9,638,867</u>	<u>786,525</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>131,202</u>	<u>54,799</u>	<u>1,005,553</u>	<u>950,754</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	39,380	39,380	87,880	48,500
Transfers Out	(100,430)	(380,435)	(541,350)	(160,915)
<b>Total other financing sources and (uses)</b>	<u>(61,050)</u>	<u>(341,055)</u>	<u>(453,470)</u>	<u>(112,415)</u>
<b>Net change in fund balance</b>	70,152	(286,256)	552,083	838,340
<b>Fund balance - beginning</b>	1,699,025	1,699,025	1,699,025	
<b>Fund balance - ending</b>	<u>\$ 1,769,177</u>	<u>\$ 1,412,769</u>	<u>\$ 2,251,108</u>	<u>\$ 838,340</u>

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

City of Brenham, Texas  
Statement of Net Assets  
Proprietary Funds  
For the Year Ended September 30, 2007

Assets	Business-type Activities - Enterprise Funds						Gov Activities Internal Service
	Electric Fund	Gas Fund	Water Fund	Sewer Fund	Sanitation Fund	Total Proprietary	
<b>Current assets:</b>							
Cash and Equivalents	\$ 4,273,212	\$ 385,766	\$ 654,074	\$ 408,348	\$ 442,448	\$ 6,163,848	\$ 99,239
Investments	384,719	-	-	-	-	384,719	-
Receivables - Accounts, Net	2,575,101	315,775	372,855	427,280	209,118	3,900,129	170,154
Inventory at Cost	324,931	95,260	152,737	20,471	-	593,399	-
Other Current Assets	44,702	-	31,255	-	22,045	98,002	10,600
Notes Receivable, Net	42,095	-	-	-	-	42,095	-
Restricted Cash	1,268,610	36,130	14,211	171,481	-	1,454,302	167,247
Restricted Investments	200,000	-	-	-	317,000	553,130	100,000
Total current assets	9,113,370	832,931	1,225,132	1,027,580	990,611	13,189,624	547,240
<b>Noncurrent assets:</b>							
Capital Assets, Net	6,771,324	1,886,214	14,728,619	21,900,795	1,259,835	46,546,787	-
Unamortized Bond Issuance Cost	-	-	88,027	198,570	-	286,597	-
Notes Receivable, Long Term	559,588	-	-	-	-	559,588	-
Total noncurrent assets	7,330,912	1,886,214	14,816,646	22,099,365	1,259,835	47,392,972	-
Total assets	16,444,282	2,719,145	16,041,778	23,126,945	2,250,446	60,582,596	547,240
<b>Liabilities</b>							
<b>Current liabilities:</b>							
Accounts Payable & Other Current Liabilities	\$ 2,326,776	\$ 199,016	\$ 84,727	\$ 34,091	\$ 127,061	\$ 2,771,671	\$ 798
Other Liabilities	-	-	2,353	46,050	-	48,403	-
Accrued Interest	-	129	35,146	74,062	3,270	112,607	-
Interfund Payable	95,215	-	-	-	-	95,215	-
Self Insurance Claims Payable	-	-	-	-	-	-	168,822
Lease Payable, Current	-	6,633	-	-	74,907	81,540	-
Revenue Bonds Payable, Current	-	-	537,025	582,064	-	1,119,089	-
Settlement Payable, Current	-	-	9,719	-	-	9,719	-
Consumer Deposits	1,442,998	-	-	-	-	1,442,998	-
Total current liabilities	3,864,989	205,778	668,970	736,267	205,238	5,681,242	169,610
<b>Non current liabilities:</b>							
Compensated Absences	81,006	19,176	27,373	33,448	17,052	178,055	-
Post-closure Liability	-	-	-	-	140,000	140,000	-
Long Term Debt, Net	-	29,497	5,715,667	12,851,891	306,222	18,903,277	-
Total noncurrent liabilities	81,006	48,673	5,743,040	12,885,339	463,274	19,221,332	-
Total liabilities	3,945,995	254,451	6,412,010	13,621,606	668,512	24,902,574	169,610
<b>Net Assets</b>							
Invested in Capital Assets, Net of Related Debt	6,771,324	1,886,214	8,563,954	8,665,410	1,195,706	27,082,608	-
Restricted for Debt Service	-	36,130	14,211	171,481	317,000	538,822	-
Unrestricted	5,726,963	542,350	1,051,603	668,448	69,228	8,058,592	377,630
Total net assets	\$ 12,498,287	\$ 2,464,694	\$ 9,629,768	\$ 9,505,339	\$ 1,581,934	\$ 35,680,022	\$ 377,630

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

Net Assets of business-type activities

142,938  
\$ 35,822,960

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



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City of Brenham, Texas  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**

For the Year ended September 30, 2007

Business-type Activities - Enterprise Funds

	Electric Fund	Gas Fund	Water Fund	Sewer Fund	Sanitation Fund	Total Proprietary	Gov Activities Internal Service
<b>Operating revenues:</b>							
Charges for Services	\$ 23,184,426	\$ 5,639,523	\$ 3,254,601	\$ 3,798,195	\$ 2,468,161	\$ 38,344,906	\$ 2,029,158
Total Operating	<u>23,184,426</u>	<u>5,639,523</u>	<u>3,254,601</u>	<u>3,798,195</u>	<u>2,468,161</u>	<u>38,344,906</u>	<u>2,029,158</u>
<b>Operating expenses:</b>							
Cost of Sales and Services	17,361,797	3,987,901	193,168	-	-	21,542,866	-
Salaries	630,373	277,461	531,565	543,045	401,950	2,384,394	-
Supplies	207,878	59,113	263,256	129,884	233,374	893,505	-
Maintenance	385,288	45,372	247,985	135,370	57,022	871,037	-
Contractual Services	239,862	17,589	243,292	578,749	1,266,837	2,346,329	2,536,186
Capitalized Costs-Contr	(89,597)	-	(23,617)	(27,471)	-	(140,685)	-
Administrative Costs	2,284,846	586,627	504,247	449,023	199,142	4,023,885	-
Depreciation	388,849	182,367	560,343	804,288	78,669	2,014,516	-
Gross Revenue Tax	1,757,000	442,274	231,000	247,100	55,280	2,732,654	-
Miscellaneous	72,741	18,132	33,008	28,263	9,622	161,766	-
Total operating expenses	<u>23,239,037</u>	<u>5,616,836</u>	<u>2,784,247</u>	<u>2,888,251</u>	<u>2,301,896</u>	<u>36,830,267</u>	<u>2,536,186</u>
Operating Income (loss)	<u>(54,611)</u>	<u>22,687</u>	<u>470,354</u>	<u>909,944</u>	<u>166,265</u>	<u>1,514,639</u>	<u>(507,028)</u>
<b>Nonoperating revenues (expenses):</b>							
Investment Income	371,955	15,316	39,769	4,090	19,076	450,206	26,868
Interest Expense & Fiscal Charges	(14,662)	(129)	(337,893)	(627,482)	(4,375)	(984,541)	-
Miscellaneous, Net	15,401	246,196	1,825	(3,500)	3,163	263,085	8,457
Gain/Loss on Capital Assets	(1,420)	-	(89,278)	(47,925)	-	(138,624)	-
Total non operating revenue (expenses)	<u>371,274</u>	<u>261,383</u>	<u>(385,577)</u>	<u>(674,817)</u>	<u>17,864</u>	<u>(409,873)</u>	<u>35,325</u>
Income (loss) before contributions and transfers	316,663	284,070	84,777	235,127	184,129	1,104,766	(471,703)
Transfers In	-	-	-	2,399,099	-	2,399,099	45,977
Transfers Out	(2,465,944)	(9,845)	(9,845)	(9,845)	-	(2,495,479)	-
Total Transfers In/(Out)	<u>(2,465,944)</u>	<u>(9,845)</u>	<u>(9,845)</u>	<u>2,389,254</u>	<u>-</u>	<u>(96,380)</u>	<u>45,977</u>
Change in net assets	(2,149,281)	274,225	74,932	2,624,381	184,129	1,008,386	(425,726)
Total net assets - beginning	14,534,115	2,190,469	9,554,836	6,880,958	1,397,805	31,357,183	803,356
Restatement of net assets	113,453	-	-	-	-	-	-
Total net assets - restated	<u>14,647,568</u>	<u>2,190,469</u>	<u>9,554,836</u>	<u>6,880,958</u>	<u>1,397,805</u>	<u>31,357,183</u>	<u>803,356</u>
Total net assets - ending	<u>\$ 12,498,287</u>	<u>\$ 2,464,694</u>	<u>\$ 9,629,768</u>	<u>\$ 9,505,339</u>	<u>\$ 1,581,934</u>	<u>\$ 31,357,183</u>	<u>\$ 377,630</u>

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

Change in net assets of business-type activities

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

(212,055)  
\$ 796,331

City of Brenham, Texas  
Statement of Cash Flows  
Proprietary Funds

For the Year Ended September 30, 2007

	Electric Fund	Gas Fund	Water Fund	Sewer Fund	Sanitation Fund	Total Proprietary	Gov Activities Internal Service
<b>Cash Flows from Operating Activities</b>							
Receipts from customers and users	\$ 23,776,863	\$ 5,648,369	\$ 3,349,933	\$ 3,757,452	\$ 2,424,794	\$ 38,957,411	\$ -
Receipts from interfund services provided	-	-	-	-	-	-	2,093,267
Payments to suppliers	(22,552,845)	(5,034,154)	(1,867,575)	(1,531,558)	(1,802,263)	(32,788,395)	(2,539,268)
Payments to employees	(641,324)	(281,963)	(538,238)	(558,780)	(407,878)	(2,428,183)	-
Net cash provided (used) by operating activities	582,694	332,252	944,120	1,667,114	214,653	3,740,833	(448,001)
<b>Cash Flows from NonCapital Financing Activities</b>							
Transfers in (out)	(2,465,944)	(9,845)	(9,845)	2,389,254	-	(96,380)	45,977
Advances from (to) other proprietary funds	2,399,099	-	-	(2,399,099)	-	-	-
Principal paid on settlement debt	-	-	(15,896)	(4,750)	-	(20,646)	-
Interest paid on consumer deposits	(14,662)	-	-	-	-	(14,662)	-
Interest and fees paid on settlement debt	-	-	(1,104)	-	-	(1,104)	-
Net cash provided (used) by noncapital financing activities	(81,507)	(9,845)	(26,845)	(14,595)	-	(132,792)	45,977
<b>Cash Flows from Capital and Related Financing Activities</b>							
Acquisition and construction of capital assets	(176,006)	-	(149,246)	(70,863)	(78,475)	(474,590)	-
Retirement of Refunded Bonds	-	-	(1,145,181)	(2,672,615)	-	(3,817,796)	-
Proceeds from Issuance of Bonds	-	-	1,148,187	2,854,560	-	4,002,747	-
Proceeds from Capital Lease	-	36,130	-	-	317,000	353,130	-
Proceeds from sale of capital assets	-	-	292	292	-	584	-
Principal paid on bonds and capital leases	-	-	(522,025)	(571,241)	(74,258)	(1,167,524)	-
Interest and fees paid on bonds and capital leases	-	-	(303,652)	(617,221)	(6,257)	(927,130)	-
Net cash provided (used) by capital and related financing activities	(176,006)	36,130	(971,625)	(1,077,088)	158,010	(2,030,579)	-
<b>Cash Flows from Investing Activities</b>							
Purchase of investments	-	(36,130)	-	-	(317,000)	(353,130)	-
Proceeds from sale and maturities of investments	3,268,322	-	161,137	-	-	3,429,459	438,156
Collections on loans	40,046	-	-	-	-	40,046	-
Investment income received	248,223	15,317	35,324	4,398	19,077	322,339	17,472
Net cash provided (used) by investing activities	3,556,591	(20,813)	196,461	4,398	(287,923)	3,438,714	455,628
Net increase (decrease) in cash and cash equivalents	3,881,772	337,724	142,111	579,829	74,740	5,016,176	55,604
Cash and cash equivalents, beginning of year	1,660,050	48,042	526,174	-	367,708	2,601,974	210,882
Cash and cash equivalents, end of year	\$ 5,541,822	\$ 385,766	\$ 668,285	\$ 579,829	\$ 442,448	\$ 7,618,150	\$ 266,486
Reconciliation of cash and cash equivalents to statement of net assets							
Cash and equivalents	\$ 4,273,212	\$ 385,766	\$ 654,074	\$ 408,348	\$ 442,448	\$ 6,163,848	\$ 99,239
Restricted cash and equivalents	1,268,610	-	14,211	171,481	-	1,454,302	167,247
Cash and cash equivalents, end of year	\$ 5,541,822	\$ 385,766	\$ 668,285	\$ 579,829	\$ 442,448	\$ 7,618,150	\$ 266,486

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

Operating income (loss)	\$	(54,611)	\$	22,687	\$	470,354	\$	909,944	\$	166,265	\$	1,514,639	\$	(507,028)
Adjustments to reconcile net cash provided (used) by operating activities														
Depreciation		388,849		182,367		560,343		804,288		78,669		2,014,516		-
Provision for uncollectible accounts		59,412		21,371		34,516		32,775		7,675		155,749		-
Other income (expense)		15,401		246,196		1,825		-		3,163		266,585		8,458
Changes in assets and liabilities affecting cash provided by operations:														
(Increase) decrease in accounts receivable		95,932		(12,525)		58,991		(73,518)		(54,205)		14,675		55,651
(Increase) decrease in inventory		(92,508)		(18,186)		(4,723)		1,071		-		(114,346)		-
(Increase) decrease in intergovernmental receivables		218,226		-		-		-		-		218,226		-
Increase (decrease) in intergovernmental payables		95,215		-		-		-		-		95,215		(2,565)
Increase (decrease) in self insurance claims liability		-		-		-		-		-		-		(517)
(Increase) decrease in other assets		77,954		-		-		-		-		77,954		-
Increase (decrease) in accounts payable and other current liabilities		(318,476)		(105,156)		(170,513)		8,289		19,014		(566,842)		-
Increase (decrease) in salaries & benefits payable		(13,985)		(3,257)		(6,722)		(10,900)		(6,749)		(41,613)		-
Increase (decrease) in compensated absences		3,034		(1,245)		49		(4,835)		821		(2,176)		-
Increase (decrease) in consumer deposits		108,251		-		-		-		-		108,251		-
Net cash provided (used) by operating activities	\$	582,694	\$	332,252	\$	944,120	\$	1,667,114	\$	214,653	\$	3,740,833	\$	(446,001)

**Noncash investing, capital and financing activities**

Increase (decrease) in fair value of investments	\$	140,278	\$	-	\$	5,271	\$	-	\$	-	\$	145,548	\$	718
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**City of Brenham**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Year Ended September 30, 2007**

	<u>Deferred Compensation Agency Fund</u>
<b>Assets</b>	
Investments	\$ 1,906,758
Participant Loans	<u>31,967</u>
Total Assets	<u>1,938,725</u>
<b>Liabilities</b>	
	<u>-</u>
<b>Net Assets</b>	
Held in trust for pension benefits and other purposes	<u>\$ 1,938,725</u>

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

THE CITY OF BRENHAM

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NOTES TO FINANCIAL  
STATEMENTS

**City of Brenham**  
**Notes to the Financial Statements**  
**September 30, 2007**

**I. Summary of significant accounting policies**

**A. Reporting entity**

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

**1 Discretely presented component unit**

The Brenham Community Development Corporation (BCDC) is a legally separate entity from the City and is governed by a board appointed by City Council. The BCDC was formed to oversee revenues and expenditures of a special three-eighth cent sales tax for economic development and community recreational development. The City is financially accountable for the BCDC because the City's council approves the BCDC budget and the City Manager serves as its Chief Executive Officer. For financial reporting purposes, the BCDC is reported as a governmental fund. The Corporation does not issue separate financial statements.

**B. Government-wide and fund financial statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns with composite columns for non-major funds in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary 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 *2006 Capital Projects Fund* accounts for the resources used to construct, renovate, improve and equip a police station including land acquisition and right of way; acquisition of two fire trucks and related equipment; construct and equip a fire substation including land acquisition and right of way. The resources for these improvements are derived from the proceeds of certificates of obligation.

The government reports the following major proprietary funds.

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

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

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

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

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

Additionally, the government reports the following fund types.

The *Risk Management Internal Service Fund* provides self-insured health insurance risk management services and a zero deductible plan for workers' compensation to other funds of the City on a cost reimbursement basis. This fund is presented in summary form as part of the proprietary fund financial statements. The financial statements of the internal service fund are included in the governmental activities column when presented at the government-wide level.

The *Deferred Compensation Plan Fiduciary Fund* is used to account for assets held by the City in a trustee capacity for an IRS Section 457 Deferred Compensation program that is available to all city employees. This fund is not reflected in the government-wide financial statements because the resources of the fund are not available to support the City's own programs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting

Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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, sewer, electric, gas, and sanitation funds and of the government's internal service fund are charges to customers for sales and services. The gas, electric, and water funds include in their operating revenue the recovery of source costs from customers. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, operating and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

## **D Assets, liabilities, and net assets or equity**

### **1 Deposits and investments**

The City's cash and equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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 are reported at fair value, as determined by quoted market prices. Interest earnings and changes in fair value are included in investment income. The City invests in no form of joint venture with other entities.

### **2. Receivables and payables**

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

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

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



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

### **3. Inventories and prepaid items**

All inventories are valued at the lower of cost or market, using the first-in/first-out (FIFO) method. Inventories are recognized as expenditures of governmental funds and as expenses in proprietary funds when used, in accordance with the consumption method of accounting.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### **4. Restricted assets**

Certain resources are set aside for the repayment of outstanding bond debt. Unexpended resources from proceeds of bond issuances have also been set aside. These amounts are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

### **5. Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure is defined by the government as long-lived and stationary in nature and includes streets, curbs, gutters, drainage systems, airport runways and taxiways, utility lines and utility plants. Infrastructure assets have an initial cost of more than \$50,000 and an estimated useful life of 40 – 50 years. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$15,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

In fiscal year 2003, the City implemented GASB 34, and elected to delay retroactive reporting of governmental infrastructure assets until fiscal year 2007, with the exception of airport infrastructure, which is included in the beginning balances. Thus, during fiscal year 2003 through 2006, the City capitalized only the major infrastructure networks completed since the implementation of GASB 34. During fiscal year 2007, the City completed a valuation of both land and infrastructure and all assets are being reported. Beginning balances for land, buildings, and infrastructure have been increased \$153,193, \$407,796, and \$30,474,076 respectively with related accumulated depreciation being increased by \$13,119,107.

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

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

### **6. Compensated absences**

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

### **7 Long-term obligations**

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

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

### **8. Fund equity**

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

### **9. Post Closure Care Cost**

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

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. The City estimates post closure costs of \$140,000 and has reported that amount as a liability at September 30, 2007. If additional post closure care requirements are determined due to changes in technology or applicable laws or regulations, the estimate of post closure care costs may change.

The City operates a waste transfer station for which it has demonstrated financial assurance of \$59,394 by meeting the financial assurance test. Estimated closure cost is \$15,000.

## **10. Proprietary Fund Capitalized Cost**

During the year the enterprise funds perform various jobs which are ultimately capitalized. The financial statement line item "Capitalized Costs–Contra" removes the salaries and vehicle expenses from the operating statement, allowing the costs to be capitalized.

## **11 Post-employment benefits**

The City provides the availability of post-retirement health care for certain retirees. Retirees and covered spouses whose sum of age and years of service was equal to or greater than 75 at the time of retirement may purchase group health until they and their covered spouses reach Medicare eligibility. Currently, eight retirees meet those eligibility requirements and have elected to receive this benefit. The retiree pays the entire premium for group health coverage and claims are paid through the self-insured medical fund.

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

## **12. Implementation of Accounting Standards**

For fiscal year 2007, the City implemented GASB Statement No. 44, Economic Condition Reporting: The Statistical Section – an amendment of NCGA Statement 1 ("GASB 44"). GASB 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical section information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB statement No. 34. GASB 44 establishes the objective of the statistical section and the five categories of information it contains – financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information. The statistical section tables are prepared in accordance with this statement and can be found in the statistical section.

## **II. Stewardship, compliance, and accountability**

### **A. Budgetary information**

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

The departmental budget is the basic unit of measurement for the City's budget. Five director positions report to the City Manager and oversee the individual departmental budgets within their area of responsibility. These positions include the Director of Public Works, Director of Public Utilities, Director of Finance, Chief of Police and Fire Chief.

### **1 Basis of accounting**

All budgets are prepared and adopted on a basis consistent with generally accepted accounting principles which is the same basis of accounting used for financial reporting in these financial statements.

## **2. Budgeted funds**

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

- a. Budgets for certain grants, established as special revenue funds, which are created pursuant to the terms of the related grant documents.
- b. Budgets for funds set up to receive special donations or assessments for specific purposes, which are established as special revenue funds.
- c. Budgets for certain major capital improvements that are set up as capital projects funds. Annual budgets are not adopted because these projects span more than one fiscal year.

For the year ended September 30, 2007, annual appropriated budgets were adopted by passage of a budget ordinance for the General Fund, Electric Fund, Gas Fund, Water Fund, Sewer Fund, Sanitation Fund and the Debt Service Fund. Non major governmental funds for which budgets were adopted include the Hotel-Motel Occupancy Tax Fund, Airport Capital Improvements Fund, Parks Capital Improvements Fund, Main Street Programs, and Municipal Court Special Revenue 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 legal level of budgetary control is the departmental budget; therefore, expenditures may not legally exceed budget appropriations at the department level. Each director, with approval of the City Manager, may reclassify items within a departmental budget without approval of the City Council; however, to increase the total appropriations of a department requires a budget amendment enacted by City ordinance.

## **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 work session of a meeting of the City Council. The proposed ordinance amending the budget is then presented during a formal session at two subsequent meetings of the Council.

## **5. Encumbrances**

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

## **B. Compliance with finance related legal and contractual provisions**

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

## **C. Deficit fund balances or net asset balances**

No fund had a deficit fund balance at year end.

**D Excess of expenditures over appropriations**

For fiscal year end September 30, 2007, all expenditures of the General Fund were within appropriations.

**III. Detailed notes on all funds**

**A. Deposits and investments**

As of September 30, 2007, the government had the following investments.

Investment Type	Rating	Fair Value	Less than 1	1 - 2	2 - 3	3 - 5
			Yr			
U.S. Federal Agency Notes and bonds - Component unit	AAA	\$ 250,078	\$ 250,078	\$ -	\$ -	\$ -
U.S. Federal Agency Notes and bonds	AAA	884,719	499,719	385,000	-	-
U.S. Treasury Notes	AAA	538,508	538,508	-	-	-
Total primary government		\$ 1,423,227	\$ 1,038,227	\$ 385,000	\$ -	\$ -

The City had an investment in a State Money Pool (TexPool) which had a balance of \$6,317,033 which was included in cash and cash equivalents at September 30, 2007. Its fair value approximates carrying value. It had a maturity of less than 60 days and was rated AAAM by Standard & Poor's. Authorized investments for TexPool funds include government securities, repurchase and reverse repurchase agreements, certificates of deposit, money market mutual funds and commercial paper.

The City also had an investment in TexSTAR, a public funds investment pool, which had a balance of \$12,479,307 and was included in cash and cash equivalents at September 30, 2007. Its fair value approximates carrying value. It had a maturity of less than 60 days and was rated AAAM by Standard and Poor's. Authorized investments for TexSTAR funds include government securities, repurchase and reverse repurchase agreements, and money market mutual funds.

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

*Credit risk.* Generally, the City's investing activities are managed under the custody of the City's finance director. Investing is performed in accordance with the investment policies adopted by the city council complying with state statutes and the City charter.

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

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

At year end, the government's carrying amount of deposits for the primary government and BCDC component unit was \$645,811 and the bank balances totaled \$1,233,426. Of the bank balances, \$131,063 was covered by federal depository insurance. Of the remaining balance, \$1,102,363 was collateralized with securities held by the pledging financial institution's trust department or agent in the government's name.

**B. Receivables - Account**

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



**Governmental Funds**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Interest	\$ 2,589	\$ -	\$ 2,589
Accounts	238,321	21	238,342
Assessments	<u>134,281</u>	<u>-</u>	<u>134,281</u>
	375,191	21	375,212
Less Allowance for Uncollectibles	<u>(4,000)</u>	<u>-</u>	<u>(4,000)</u>
Accounts Receivable, Net	<u>\$ 371,191</u>	<u>\$ 21</u>	<u>\$ 371,212</u>

**Proprietary Funds**

	<u>Electric Fund</u>	<u>Gas Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
Interest	\$ 6,341	\$ -	\$ -	\$ -	\$ -	\$ 6,341
Accounts	2,603,761	320,775	392,855	445,280	214,118	3,976,789
Assessments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	2,610,102	320,775	392,855	445,280	214,118	3,983,129
Less Allowance for Uncollectibles	<u>(35,000)</u>	<u>(5,000)</u>	<u>(20,000)</u>	<u>(18,000)</u>	<u>(5,000)</u>	<u>(83,000)</u>
Accounts Receivable, Net	<u>\$ 2,575,102</u>	<u>\$ 315,775</u>	<u>\$ 372,855</u>	<u>\$ 427,280</u>	<u>\$ 209,118</u>	<u>\$ 3,900,129</u>

**Internal Service Fund**

	<u>Total</u>
Interest	\$ 115
Accounts	170,039
Assessments	<u>-</u>
	170,154
Less Allowance for Uncollectibles	<u>-</u>
Accounts Receivable, Net	<u>\$ 170,154</u>

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Delinquent property taxes receivable (General)	\$107,484	\$ -	\$107,484
Delinquent property taxes receivable (Debt Svc.)	56,663	-	56,663
Lien assessments and pending seizures (General)	255,181	-	255,181
Receivable from Washington County	140,635	-	140,635
Grant draw-downs received but not earned	<u>-</u>	<u>25,639</u>	<u>25,639</u>
Total deferred/unearned revenue, governmental funds	<u>\$559,963</u>	<u>\$25,639</u>	<u>\$585,602</u>
Balances not expected to be collected within one year	\$362,801	\$ -	\$362,801

### C. Receivables – Property Taxes

The following information relates to property taxes receivable for the year ended September 30, 2007

Original Certified Tax Roll	\$797,156,826
Approved Rate (Per \$100 Valuation)	<u>0 5063</u>
Original Levy	4,036,005
Supplements	<u>58,457</u>
Adjusted Levy	<u>\$ 4,094,462</u>
Collections on Current Tax Roll	4,020,713
Total Collections/Refunds/Adjustments	4,089,261
Property Taxes Receivable	\$ 164,147

### D Notes Receivable

Notes receivable at September 30, 2007 consisted of the following

#### Governmental Activities - General Fund

Various notes receivable owed to the City of Brenham by third parties, fully secured by real estate. \$ 9,500

#### 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%, unsecured \$ 601,683

### E. Capital assets

Capital asset activity for the year ended September 30, 2007 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance (1)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 1,797,052	\$ 307,970	\$ -	\$ 2,105,022
Construction in Progress	<u>299,204</u>	<u>1,030,072</u>	<u>(253,806)</u>	<u>1,075,470</u>
Total Not Being Depreciated	<u>\$ 2,096,256</u>	<u>1,338,042</u>	<u>(253,806)</u>	<u>3,180,492</u>
Capital Assets, Being Depreciated:				
Buildings	16,009,240	318,789	(307,970)	16,020,059
Improvements Other Than Buildings	10,451,423	329,382	(23,670)	10,757,135
Furniture, Fixtures and Equipment	2,835,957	308,276	(1,635,024)	1,509,209
Machinery	-	130,869	-	130,869
Vehicles	4,740,007	1,782,797	(619,578)	5,903,226
Infrastructure	<u>37,936,788</u>	<u>-</u>	<u>-</u>	<u>37,936,788</u>
Total Being Depreciated	<u>71,973,415</u>	<u>2,870,113</u>	<u>(2,586,242)</u>	<u>72,257,286</u>
Less Impairment	(677,397)	-	-	(677,397)
Less Accumulated Depreciation	<u>(27,750,885)</u>	<u>(2,421,130)</u>	<u>2,181,714</u>	<u>(27,990,301)</u>
Total Being Depreciated, Net	<u>43,545,133</u>	<u>448,983</u>	<u>(404,528)</u>	<u>43,589,588</u>
Capital Assets, Net	<u>\$ 45,641,389</u>	<u>\$ 1,787,025</u>	<u>\$ (658,334)</u>	<u>\$ 46,770,080</u>

(1) As restated, see note IV F

<u>Business-type Activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 1,399,554	\$ 618	\$ (33,606)	\$ 1,366,566
Construction in Progress	31,238	204,332	(31,238)	204,332
Total Not Being Depreciated	<u>1,430,792</u>	<u>204,950</u>	<u>(64,844)</u>	<u>1,570,898</u>
<b>Capital Assets, Being Depreciated:</b>				
Buildings	598,234	-	(25,108)	573,126
Improvements Other Than Buildings	29,242,693	4,253	(390,511)	28,856,435
Furniture, Fixtures and Equipment	1,286,215	65,913	(259,189)	1,092,939
Vehicles	2,527,467	186,262	(7,006)	2,706,723
Infrastructure	41,686,995	86,825	(11,177)	41,762,643
Total Being Depreciated	75,341,604	343,253	(692,991)	74,991,866
Less Accumulated Depreciation	(28,534,515)	(2,014,516)	533,055	(30,015,976)
Total Being Depreciated, Net	<u>46,807,089</u>	<u>(1,671,263)</u>	<u>(159,936)</u>	<u>44,975,890</u>
Capital Assets, Net	<u>\$ 48,237,881</u>	<u>\$ (1,466,313)</u>	<u>\$ (224,780)</u>	<u>\$ 46,546,788</u>

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

<u>Governmental Activities</u>		
Culture and Recreation		\$ 599,548
General Government		464,704
Health and Welfare		9,668
Highways and Streets		1,093,840
Public Safety		253,370
Total Governmental Activities		<u>\$ 2,421,130</u>
<u>Business-type Activities</u>		
Electric		\$ 388,849
Gas		182,367
Water		560,343
Sewer		804,288
Sanitation		78,669
Total Business-type Activities		<u>\$2,014,516</u>

As of September 30, 2007, capital assets of the component unit consist of land (not being depreciated) with a balance of \$739,430. The Construction in Progress has a balance of \$25,935 which is engineering for wastewater system improvements.

## F Contractual commitments

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

A joint gas purchase contract to purchase natural gas at a price equal to an agreed index, less a discount, under a balancing and supply agreement. The contract will expire in 2026. Also, a contract with a supplier to provide natural gas at a rate based on inside FERC Gas Market report index plus \$0.35 per MMBTU. This contract will expire November 1, 2010. For the year ending September 30, 2007, \$3,987,901 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 2033. The amount paid under this contract for the year ending September 30, 2007 was \$193,168.

A contract with a supplier to provide electric power and energy, expiring June 25, 2016, 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, 2007 was \$17,309,730.

A contract with a landfill in Austin for solid waste disposal expiring May 1, 2009 and automatically renews for an additional two year term. The amount paid under this contract for the year ending September 30, 2007 was \$218,870

The City has active construction projects in the 2006 Capital Projects Fund for the year ending September 30, 2007 related to the new public safety facility

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Architect	\$ 114,700	\$ 255,300
Project Management	49,181	91,819
Construction Manager	-	18,000
	<u>\$ 163,881</u>	<u>\$ 365,119</u>

**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, 2007 the balances were as follows.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Electric Fund	\$ 95,215
	Other Govt'l Funds	11,438
Parks Special Revenue	Other Govt'l Funds	\$ 104,768

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. During 2007, the City transferred \$175,000 of unspent proceeds from the 2002 Certificates of Obligations (included in Other Governmental Funds) from the governmental activities to the business-type activities. This is reflected in Note H Long-term debt as a reallocation. The City also made a one-time transfer of \$2,399,099 from the Electric Fund to the Sewer Fund as a final settlement of an interfund receivable (payable) between these funds.

The following schedule reports transfers and payments within the reporting entity as of September 30, 2007

Transfers From:	Transfers To:				Business Type Activities	Net Transfers From
	Governmental Activities					
	General	Debt Service	Other Govt'l	Internal Service	Sewer	
<b>Governmental Activities</b>						
<b>Major Funds</b>						
General			495,373	45,977		541,350
Other Govt'l	48,500	37,912	45,623			132,035
<b>Business-type Activities</b>						
<b>Major Funds</b>						
Electric	9,845		57,000		2,399,099	2,465,944
Gas	9,845					9,845
Water	9,845					9,845
Sewer	9,845					9,845
<b>Total Transfers To</b>	<u>\$ 87,880</u>	<u>\$ 37,912</u>	<u>\$ 597,996</u>	<u>\$ 45,977</u>	<u>\$ 2,399,099</u>	<u>\$ 3,168,864</u>

Payments from the Brenham Community Development Corporation (BCDC) component unit consist of debt service payments on the Series 98 bonds which were issued in part to fund construction of a business center and recreational facilities. Funding for the construction of these facilities are provided by a 3/8 cent sales tax collected and administered by the BCDC. Additionally, the BCDC provides an operating subsidy to the General Fund to help cover the cost of operating the BlueBell Aquatic Center. During the year, BCDC provided funding for parks improvement projects totaling \$110,000. Specific projects include Skate Park \$10,000, Carousel \$40,000 and Finke Pavilion \$60,000. The following schedule shows payments from the component unit for the year ended September 30, 2007.

Payments From:	Payments to:			Total Payments from
	Component Unit	Governmental Activities:		
		General	Debt Service	Other Gov't'l
Brenham Community Development Corp	\$ 200,000	\$ 460,877	\$ 110,000	\$ 770,877
<b>Total Payments To:</b>	<b>\$ 200,000</b>	<b>\$ 460,877</b>	<b>\$ 110,000</b>	<b>\$ 770,877</b>

### H. Long-term debt

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2007.

	Balance 9/30/2006	Refinancing/ Reallocation	Additions	FY07 Retirements	Balance 9/30/2007	Due Within One Year	Long Term
<b>Governmental Activities</b>							
1998 COB General	\$ 6,130,000			\$ (400,000)	\$ 5,730,000	\$ 420,000	\$ 5,310,000
2001 COB General	4,285,492	(1,425,357)		(160,817)	2,699,319	166,315	2,533,004
2002 COB General	2,862,750	(175,000)		(113,547)	2,574,203	117,724	2,456,479
2006 COB General	9,000,000			(155,000)	8,845,000	245,000	8,600,000
2007 GOB Ref General	0	1,524,321		(12,371)	1,511,950	6,873	1,505,077
	<u>22,278,242</u>	<u>(76,036)</u>		<u>(841,734)</u>	<u>21,360,472</u>	<u>955,912</u>	<u>20,404,560</u>
Unamort Bond Premium	61,847	(22,047)		1,717	41,517	NA	41,517
Unamort Bond Discount	(6,024)			357	(5,667)	NA	(5,667)
Ref Deferred Charges		(73,156)		3,726	(69,430)	NA	(69,430)
<b>Sub Total Bonds Payable</b>	<b>22,334,065</b>	<b>(171,239)</b>		<b>(835,934)</b>	<b>21,326,892</b>	<b>955,912</b>	<b>20,370,980</b>
Lease Payable Furniture	123,896			(39,957)	83,939	41,284	42,655
Lease Payable Phone System General Fund	139,155			(43,388)	95,767	45,532	50,235
Chase Equip Lease	288,810			(52,039)	236,771	54,131	182,639
Chase New World Lease			417,300	(82,455)	334,845	78,606	256,238
Chase Vehicle/Equip Lease			127,000		127,000	23,317	103,683
Lse Payable 02 Fire Truck	45,882			(45,882)			0
<b>Sub Total Leases Payable</b>	<b>597,743</b>		<b>544,300</b>	<b>(263,722)</b>	<b>878,321</b>	<b>242,871</b>	<b>635,451</b>
Compensated Absences	177,880		9,223		187,103		187,103
<b>Total Governmental</b>	<b>\$ 23,109,687</b>	<b>\$ (171,239)</b>	<b>\$ 553,523</b>	<b>\$ (1,099,656)</b>	<b>\$ 22,392,316</b>	<b>\$ 1,198,783</b>	<b>\$ 21,193,533</b>

**Business Type Activities**

2001 COB - Water Impr	\$ 3,376,252	\$ (1,127,738)	\$ (127,238)	\$ 2,121,277	\$ 131,587	\$ 1,989,690	
2001 GOB Ref (Water)	3,530,000		(385,000)	3,145,000	400,000	2,745,000	
2001 COB Sewer Impr	7,898,256	(2,631,906)	(296,946)	4,969,404	307,098	4,662,306	
2002 COB -Sewer Impr	5,812,250	175,000	(251,453)	5,735,797	262,276	5,473,521	
2007 GOB Ref Water		1,206,038	(9,788)	1,196,250	5,438	1,190,812	
2007 GOB Ref Sewer		2,814,642	(22,842)	2,791,800	12,690	2,779,110	
	<u>20,616,758</u>	<u>436,036</u>	<u>(1,093,266)</u>	<u>19,959,528</u>	<u>1,119,089</u>	<u>18,840,439</u>	
Unamort Bond Discount-Sewer	(12,231)		725	(11,507)	NA	(11,507)	
Unamort Bond Premium-Water	56,741	(17,443)	(6,450)	32,849	NA	32,849	
Unamort Bond PremiumSewer	122,249	(40,709)	(4,878)	76,662	NA	76,662	
07 Ref Deferred Chrg-Water		(57,881)	2,948	(54,933)	NA	(54,933)	
07 Ref Deferred Chrg-Sewer		(135,082)	6,881	(128,201)	NA	(128,201)	
01 Ref Deferred Chrg-Water	(214,896)		27,145	(187,751)	NA	(187,751)	
<b>Sub Total Bonds Payable</b>	<u>20,568,621</u>	<u>184,920</u>	<u>(1,066,895)</u>	<u>19,686,646</u>	<u>1,119,089</u>	<u>18,567,557</u>	
Compensated Absences	180,232		(2,176)	178,056		178,056	
Chase Equip Lease	80,190	353,130	(16,061)	417,259	81,540	335,719	
Grinder Lse Payable-Sanit	58,197		(58,197)				
Reno Settlement Water	25,614		(15,896)	9,719	9,719		
<b>Total Proprietary</b>	<u>\$ 20,912,854</u>	<u>\$ 184,920</u>	<u>\$ 353,130</u>	<u>\$ (1,159,225)</u>	<u>\$ 20,291,680</u>	<u>\$ 1,210,348</u>	<u>\$ 19,081,332</u>

**Component Unit Governmental Activities**

Note Payable-BCDC to City Elec Fund	\$ 641,730	\$	\$	(40,046)	\$ 601,683	\$ 42,095	\$ 559,588
<b>Total Governmental BCDC</b>	<u>\$ 641,730</u>	<u>\$</u>	<u>\$</u>	<u>(40,046)</u>	<u>\$ 601,683</u>	<u>\$ 42,095</u>	<u>\$ 559,588</u>

The annual debt service requirements to maturity for all outstanding debt as of September 30, 2007 follows:

FISCAL YEAR ENDING	PRIMARY GOVERNMENT							
	GENERAL OBLIGATION		SETTLEMENT PAYABLE		CERTIFICATES OF OBLIGATION		TOTAL REQUIREMENTS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2008	\$ 425,000	\$ 351,250	\$ 9,719	\$ 198	\$ 1,650,000	\$ 1,422,440	\$ 2,084,719	\$ 1,773,888
2009	440,000	334,253	-	-	1,715,000	1,358,122	2,155,000	1,692,375
2010	460,000	316,655	-	-	1,825,000	1,290,559	2,285,000	1,607,214
2011	475,000	298,258	-	-	1,950,000	1,214,967	2,425,000	1,513,225
2012	495,000	278,698	-	-	2,025,000	1,134,080	2,520,000	1,412,778
2013-2017	1,130,000	1,125,432	-	-	12,470,000	4,232,125	13,600,000	5,357,557
2018-2022	5,220,000	517,703	-	-	7,600,000	1,686,488	12,820,000	2,204,191
2023-2027	-	-	-	-	3,440,000	309,685	3,440,000	309,685
	<u>\$ 8,645,000</u>	<u>\$ 3,222,249</u>	<u>\$ 9,719</u>	<u>\$ 198</u>	<u>\$ 32,675,000</u>	<u>\$ 12,648,466</u>	<u>\$ 41,329,719</u>	<u>\$ 15,870,913</u>



Debt outstanding at September 30, 2007 for the primary government is comprised of the following

\$9,050,000, 1998 Certificates of Obligation due in annual installments of \$375,000 to \$640,000 through August 15, 2018; interest rates 3.85%-4 6%	\$ 5,730,000
\$16,590,000, 2001 Combination Tax and Utility System Revenue Certificates of Obligation due in annual installments of \$185,000 to \$1,770,000 through August 15, 2020; interest rates 3.5%-5.375%	9,790,000
\$3,965,000, 2001 General Obligation Refunding Bonds due in annual installments of \$80,000 to \$485,000 through August 15, 2014; interest rates 3.0-4.5%	3,145,000
\$9,245,000, 2002 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$105,000 to \$700,000 through August 15, 2023; interest rates 3.0%-4 7%, callable August 15, 2012	8,310,000
\$9,000,000, 2006 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$155,000 to \$740,000 through August 15, 2026; interest rate 3.940%	8,845,000
\$5,545,000, 2007 General Obligation Refunding Bonds due in annual installments of \$25,000 to \$1,760,000 through August 15, 2021, interest rate 3.990%	5,500,000
Settlement agreement dated 3/26/97 payable to an individual \$17,000 annually in equal monthly installments for eleven years; discounted at a rate of 6%	9,719
\$200,000 lease payable dated November, 2003 due in annual payments of \$44,070, Including interest, through November, 2008 (Furniture)	83,939
\$249,924 lease payable dated October 1, 2004 due in annual payments of \$54,000, Including interest, through October, 2009 (Telephone System)	95,766
\$369,000 lease payable dated December 28, 2005 due in annual payments of \$82,934, Including interest, through December, 2010 (Street Sweeper, Trash Hauler, Flat Roller, Dump Truck)	300,900
\$417,300 lease payable dated January 18, 2007 due in annual payments of \$92,703, Including interest, through August, 2011 (New World Software)	334,845
\$480,130 lease payable dated August 30, 2007 due in annual payments of \$108,700, Including interest, through August, 2012 (FY08 Vehicles and Equipment)	480,130
Compensated Absences for accrued vacation	365,159
	<u>\$42,990,458</u>
Unamortized Bond Premium	151,028
Unamortized Bond Discount	-17,174
Deferred Charges on Bonds	-440,315
	<u><u>\$42,683,997</u></u>

Debt outstanding for Brenham Community Development Corporation Component Unit at September 30, 2007 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	<u>\$ 601,683</u>
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FISCAL YEAR ENDNG 9/30	COMPONENT UNIT NOTES PAYABLE	
	PRINCIPAL	INTEREST
2008	\$ 42,096	\$ 29,128
2009	44,249	26,974
2010	46,513	24,711
2011	48,893	22,331
2012	51,394	19,829
2013	54,023	17,200
2014	56,787	14,436
2015	59,693	11,531
2016	62,747	8,477
2017	65,957	5,267
2018	69,331	1,892
	<u>\$ 601,683</u>	<u>\$ 181,776</u>

### Prior Year Refundings

In 2001 the City issued \$3,965,000 of general obligation refunding bonds to provide resources to purchase U S government securities that were placed in an irrevocable trust fund for the purpose of providing for all future debt service payments on \$3,615,000 of outstanding Series 1994 bonds maturing in 2007 and later. As a result, the refunded bonds are considered to be defeased and the liability has been removed from long-term debt. At September 30, 2007, the outstanding principal on the defeased debt was \$2,960,000

### Advance Refunding of Debt

On March 13, 2007, the City issued \$5,545,000 of general obligation refunding bonds to provide resources to refund a portion of its Combination Tax and Revenue Certificates of Obligation, Series 2001 in advance of their maturities. Resources provided were used to purchase federal securities that were placed in an irrevocable trust for the purpose of generating resources for the redemption on August 15, 2011 for certificates maturing 2018 through 2021. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental and business-type activities columns of the Statement of Net Assets. The reacquisition price exceeded the net carrying value of the old debt by \$247,261. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 15 years by \$389,871 and resulted in an economic gain of \$290,788. The amount of in-substance defeased debt which remains outstanding at September 30, 2007 as a result of this refunding is \$5,185,000

### I. Capital Leases

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

The assets acquired through the capital leases are as follows.

<u>Asset Class</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Vehicles/Large Equipment	\$ 259,827	\$ 80,190
Furniture, Fixtures, Equipment	660,705	-
Less: Accumulated Depreciation	(361,896)	(11,360)
Total Net Asset	<u>\$ 558,636</u>	<u>\$ 68,830</u>

The total future minimum lease payments and the net present value of these minimum payments as of September 30, 2007 were as follows.

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2008	\$ 278,126	\$ 99,507
2009	278,126	99,507
2010	187,976	99,508
2011	191,666	92,672
2012	<u>28,751</u>	<u>79,947</u>
Total Minimum Lease Payments	964,645	\$ 471,141
Less: Amount Representing Interest	(86,324)	(53,882)
Present Value of Minimum Payments	<u>\$ 878,321</u>	<u>\$ 417,259</u>

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

#### **J Rebatable Arbitrage**

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

The 2006 Capital Projects Fund had a liability for rebatable arbitrage earnings in the amount of \$127,131 at September 30, 2007 This amount was netted against interest earnings from investments.

#### **K. Restricted cash and investments:**

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital Projects	\$ 8,595,641	\$ -
Customer Deposits	-	1,468,611
Debt Service	324,872	-
Hotel/Motel Tax	79,981	-
Public Safety Equipment	22,231	-
Revenue bond construction account	-	185,692
Capital Leases	185,378	353,130
Section 8 Community Development	21,483	-
Worker's compensation and health insurance account	267,247	-
	<u>\$ 9,496,833</u>	<u>\$ 2,007,433</u>

#### L. Restricted net assets.

The balances of the restricted net asset accounts in the governmental and enterprise funds were as follows.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit</u>
NET ASSETS				
Restricted for Debt Service	\$ 333,943	\$ 538,822	\$ 872,765	\$ -
Restricted for Economic Development				517,597
Restricted for Recreation	-	-	-	264,454
Total net assets	<u>\$ 333,943</u>	<u>\$ 538,822</u>	<u>\$ 872,765</u>	<u>\$ 782,051</u>

#### IV Other information

##### A. Risk Management

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

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

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. To prevent incurring unexpected losses, the City has obtained excess insurance coverage in the event abnormally large claims occur. Incurred but not reported claims (IBNR) in the amount of \$156,959 at September 30, 2007 are included as liabilities, styled "self-insurance claims payable", based upon previous experience with similar claims and information obtained from the excess carrier. Interfund premiums are based upon the insured funds' historical claims experience and are recorded as quasi-external interfund transactions in the Proprietary Fund statements. For the year ended September 30, 2007, the various funds paid into the risk management internal service fund \$1,573,705 of premiums. Net assets as of September 30, 2007 totaled \$377,630. Changes in the balances of claims liabilities for the year ended September 30 are as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Unpaid Claims, Beginning of Year	\$ 172,620	\$ 98,776	\$ 145,050
Claims Incurred (including IBNR)	2,119,927	1,574,044	999,266
Payments on Claims	(2,123,725)	(1,500,200)	(1,045,540)
Other, net	0	0	0
Unpaid Claims, End of Year	<u>\$ 168,822</u>	<u>\$ 172,620</u>	<u>\$ 98,776</u>

## **B. Contingent liabilities**

The City, in 1999, signed a compromise agreement in settlement of a claim for breach of contract to maintain certain creek drainage. As part of the agreement, the City is to make payments totaling \$147,500, from 2000 through 2009. However, these payments are contingent upon the claimants' performance of certain conditions. Since it cannot be determined if such future performance is reasonably probable, no additional liability for this amount has been accrued. Payments for which the City may be required to pay total \$109,500 as of September 30, 2007.

In 2003, the City of Brenham was awarded a \$400,000 grant from the Office of Rural and Community Affairs for housing infrastructure assets related to "The Overlook of Brenham-Phase One subdivision project." The project was for the development of a subdivision of 50 new residential single family housing units, of which at least 51% will be owned and occupied by low to moderate income persons. The City of Brenham contracted with Brenham Quality Housing L.P. to act as the developer of the subdivision. Special grant provisions require repayment of expended funds in the event that the agreement is not met. The City's contract with the developer requires repayment of contract funds if the developer does not fulfill its responsibilities, and such agreement minimizes the City's financial exposure.

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, 2007 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. Deferred compensation plans and retirement**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditor of the City in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

## 1 Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 821 administered by TMRS, an agent multiple-employer public employee retirement system.

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

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

## 2. Contributions

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

The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2006 valuation is effective for rates beginning January 2008).

### Actuarial Assumptions

Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	25 Years – Open Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7%
Projected Salary Increases	None
Includes Inflation At	3.5%
Cost of Living Adjustments	None



### 3. Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/06	12/31/05	12/31/04	12/31/03	12/31/02
Actuarial Value of Assets	\$16,432,198	\$15,889,979	\$14,815,141	\$13,582,509	\$11,933,120
Actuarial Accrued Liability	21,170,662	20,112,571	\$17,671,154	\$16,434,774	\$14,298,870
Percentage Funded	77.6%	79%	83.8%	82.6%	83.5%
Unfunded (Over-funded) Actuarial					
Accrued Liability (UAAL)	\$4,738,464	\$4,222,592	\$2,856,013	\$2,852,265	\$2,365,750
Annual Covered Payroll	\$7,489,073	\$7,113,531	\$7,716,375	\$7,335,905	\$7,098,358
UAAL as a Percentage of Covered					
Payroll	63.3%	59.4%	37.0%	38.9%	33.3%
Net Pension Obligation (NPO),					
Beginning of Period	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Pension Cost:					
Annual Required Contribution (ARC)	\$704,369	\$552,841	\$560,752	\$543,826	\$524,132
Interest on NPO	-	-	-	-	-
Adjustment to the ARC	-	-	-	-	-
	704,369	552,841	560,752	543,826	524,132
Contributions Made	704,369	552,841	560,752	543,826	524,132
Increase in NPO	-	-	-	-	-
NPO at the end of the period	\$ -	\$ -	\$ -	\$ -	\$ -

#### D. Subsequent Events

On October 31, 2007, the City purchased a parcel of land in the Southwest Industrial Park at FM 389 and Longwood Drive in Brenham. This 4.5 acre site was purchased from the Economic Development Foundation of Brenham at a total cost of \$64,087 and will be the location of the City's new public safety facility. The construction of this facility is anticipated to begin in the spring of 2008, with final completion estimated for early 2009.

A joint meeting of the City and the County was held on February 12, 2008, to discuss and approve an interlocal agreement to share costs related to the US 290 Pass-Through Financing Project. Under this agreement, the City and County are responsible for 50% each of the annual debt service for the \$15 million required local project contribution, NET of the annual payment to the City from TxDOT. The bonds are anticipated to be issued in 2010 or later with the repayments from TxDOT occurring during the years 2012 through 2017. The estimated annual shortfall of approximately \$500,000 per year is the combined responsibility for both the City and the County for a period of 9 years. The repayment schedule is based on TxDOT's minimum required payment under the contract. The payment will be almost \$3 million annually based on the current level of traffic on US 290.

In October 2007, the City and Brenham Housing Authority entered into an inter-local agreement whereby Brenham Housing Authority will manage and administer the Section 8 Housing Program. This program was previously administered by Brazos Valley Council of Governments.

## E. Future Implementation of New Accounting Principles

The Governmental Accounting Standards Board issued Statement No 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension Plans ("GASB 45"), which will be effective for the City in fiscal year 2008. This statement establishes uniform financial reporting standards for postemployment benefit other than pension plans. The effect of this statement cannot be determined at this time.

## F Restatements

The net assets of the City's governmental activities, business-type activities, General Fund, Electric Fund, Water Fund, and Sewer Fund as previously reported, as of September 30, 2006, have been restated to give effect to the following:

### 1 Land, Infrastructure & Buildings

During fiscal year 2007, the City completed a valuation of land, infrastructure and buildings in connection with the final implementation of GASB 34. The beginning balances of capital assets, accumulated depreciation, total assets and net assets reported in the government-wide financial statements have been restated to include land and infrastructure not previously reported.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Restatements</u>	<u>Restated Beginning Balance</u>
<b>Infrastructure restatement:</b>			
<b>Capital Assets, Not Being Depreciated:</b>			
Land	\$ 1,643,859	\$ 153,193	\$ 1,797,052
Construction in Progress	299,204	-	299,204
Total Not Being Depreciated	<u>1,943,063</u>	<u>\$ 153,193</u>	<u>\$ 2,096,256</u>
<b>Capital Assets, Being Depreciated:</b>			
Buildings	15,601,444	407,796	16,009,240
Improvements Other Than Buildings	10,451,423	-	10,451,423
Furniture, Fixtures and Equipment	2,835,957	-	2,835,957
Machinery	-	-	-
Vehicles	4,740,007	-	4,740,007
Infrastructure	7,462,712	30,474,076	37,936,788
Total Being Depreciated	<u>41,091,543</u>	<u>30,881,872</u>	<u>71,973,415</u>
Less Impairment	(677,397)	-	(677,397)
Less Accumulated Depreciation	<u>(14,631,778)</u>	<u>(13,119,107)</u>	<u>(27,750,885)</u>
Total Being Depreciated, Net	<u>25,782,368</u>	<u>17,762,765</u>	<u>43,545,133</u>
Capital Assets, Net	<u>\$ 27,725,431</u>	<u>\$ 17,915,958</u>	<u>\$ 45,641,389</u>

Since these restatements relate to various prior years, the effect of the restatement on the September 30, 2006 change in net assets could not be determined.

### 2. Deferred Revenue

The City's General Fund receives franchise tax revenue in lieu of property taxes from certain television cable companies and utility providers. In the prior year, accrued franchise taxes and deferred revenue of \$127,197 were not recorded. In the government-wide financial statement, revenue deferred under modified accrual is recognized as revenue under full accrual. As such, beginning net assets have been increased by this amount.

### 3 Prepaid Expense

The beginning net assets are being restated as a result of a correction to the previously reported value of Electric Fund operating expenses. During the year ending September 30, 2007, the City identified that a portion of the monthly LCRA source cost billings should have been accounted for as an increase in prepaid expense rather than as an expense. Each month, a portion of the City's

monthly LCRA billing is deposited into an Energy Services Account (ESA) which is a prepaid expense account administered by LCRA. The balance of the City's ESA at October 1, 2006 was \$113,453. An adjustment was made to set up this amount as a prepaid expense and restate beginning fund balance in the Electric Fund.

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

	<u>Electric Fund</u>
Fund Balance/Net assets as previously reported	\$ 14,534,115
3 Prepaid Expense	<u>113,453</u>
Beginning fund balance/Net assets as restated	<u>\$ 14,647,568</u>

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Beginning fund balance/Net assets as originally reported	\$ 17,795,761	\$ 34,913,176	\$ 52,708,937
1 Land, Infrastructure & Buildings	17,915,958	-	17,915,958
2. Deferred Revenue	127,197	-	127,197
3 Prepaid Expense	<u>-</u>	<u>113,453</u>	<u>113,453</u>
Beginning Net assets as restated	<u>\$ 35,838,916</u>	<u>\$ 35,026,629</u>	<u>\$ 70,865,545</u>

The effect of these changes on operations for the year ending September 30, 2006 is as follows.

	<u>General Fund</u>	<u>Electric Fund</u>
Net Change on fund balance/Net assets as previously reported	\$ 441,270	\$ 707,670
2. Deferred Revenue	-	-
3 Prepaid Expense	-	26,220
Net Change on Fund Balance/Net assets as restated	<u>\$ 441,270</u>	<u>\$ 733,890</u>

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THE CITY OF BRENHAM

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SUPPLEMENTARY  
INFORMATION

## **Nonmajor Governmental Funds**

### **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 Fund**

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

#### **Community Development Section 8 Grant**

This fund is used to account for Federal grant revenues provided through the Department of Housing and Urban Development for the development of environmental and economic opportunities, principally for persons of low and moderate income

#### **Main Street/Community Development Fund**

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

#### **Emergency Management Grants Fund**

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

#### **Police Department Grants Fund**

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

#### **Motorcycle/PD Equipment Fund**

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

#### **Police Training Fund**

This fund is used to account for revenues specifically designated for police training

#### **PD Criminal Law Enforcement Fund**

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

#### **Donations Fund**

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

#### **Courts Technology/Security Fund**

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

#### **Fire Department Grants Fund**

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

#### **Parks Special Revenue Fund**

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

#### **US 290 Pass Thru Finance Fund**

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



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## **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.

### **2002 Capital Projects Fund**

This fund is used to account for proceeds and expenditures for the approved 2002 Bond projects.

### **Texas Capital (Vulcan St.) Fund**

This fund is used to account for grant proceeds used for the Vulcan Street project.

### **Capital Leases Fund**

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

**City of Brenham**  
**Combining Balance Sheet**  
**Other Governmental Funds**  
**For the Year Ended September 30, 2007**

	Special Revenue Funds	Nonmajor Capital Projects Funds	Total Other Governmental Funds
<b>Assets</b>			
Cash and Equivalents	\$ 453,785	\$ 130,431	\$ 584,216
Receivables (Net)			
Occupancy Tax	44,057	-	44,057
Accounts	21	-	21
Interfund Receivables	104,768	-	104,768
Due from Other Governments	126,515	-	126,515
Other Current Assets	-	22,531	22,531
Restricted Cash	123,696	671,356	795,052
Restricted Investments	-	185,378	185,378
<b>Total Assets</b>	<u>\$ 852,842</u>	<u>\$ 1,009,696</u>	<u>\$ 1,862,538</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts Payable & Other Current	\$ 21,710	\$ 60,388	\$ 82,098
Interfund Payables	104,768	5,994	110,762
Deferred Revenue	25,639	-	25,639
<b>Total Liabilities</b>	<u>152,117</u>	<u>66,382</u>	<u>218,499</u>
<b>Fund Balances:</b>			
<b>Unreserved, reported in:</b>			
Capital Projects	-	943,314	943,314
Special Revenue Funds	700,725	-	700,725
<b>Total Fund Balances</b>	<u>700,725</u>	<u>943,314</u>	<u>1,644,039</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 852,842</u>	<u>\$ 1,009,696</u>	<u>\$ 1,862,538</u>

**City of Brenham**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Other Governmental Funds**  
**For the Year Ended September 30, 2007**

	<b>Special Revenue Funds</b>	<b>Nonmajor Capital Projects Funds</b>	<b>Total Other Governmental Funds</b>
<b>Revenues</b>			
Taxes	\$ 371,468	\$ -	\$ 371,468
Intergovernmental	699,936	722,052	1,421,988
Charges for Services	37,258	-	37,258
Investment Income	6,883	23,614	30,497
Payment from Component Unit	110,000	-	110,000
Contributions and Donations	124,583	-	124,583
Miscellaneous	11,224	11,834	23,058
<b>Total revenues</b>	<u>1,361,352</u>	<u>757,500</u>	<u>2,118,852</u>
<b>Expenditures</b>			
Current:			
Culture and Recreation	439,365	-	439,365
General Government	24,397	114,165	138,562
Health and Welfare	279,770	-	279,770
Public Safety	299,104	-	299,104
Capital Outlay	115,094	1,451,845	1,566,939
<b>Total expenditures</b>	<u>1,157,730</u>	<u>1,566,010</u>	<u>2,723,740</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>203,622</u>	<u>(808,510)</u>	<u>(604,888)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	366,163	231,832	597,995
Transfers Out	(68,500)	(238,534)	(307,034)
Proceeds from Capital Lease	-	544,300	544,300
<b>Total other financing sources and (uses)</b>	<u>297,663</u>	<u>537,598</u>	<u>835,261</u>
<b>Net change in Fund Balances</b>	<u>501,285</u>	<u>(270,912)</u>	<u>230,373</u>
<b>Fund balances - beginning</b>	<u>199,440</u>	<u>1,214,226</u>	<u>1,413,666</u>
<b>Fund balances - ending</b>	<u>\$ 700,725</u>	<u>\$ 943,314</u>	<u>\$ 1,644,039</u>

**City of Brenham**  
**Combining Balance Sheet**  
**Other Governmental Funds Special Revenue Funds**  
**For the Year Ended September 30, 2007**

	Hotel/Motel Tax Fund	Community Development Sec. 8 Fund	Main Street/ Comm. Dev. Fund	Emergency Mgmt. Grants Fund	Police Dept. Grants Fund	Motorcycle/ PD Equipment Fund	Police Training Fund
<b>Assets</b>							
Cash and Equivalents	\$ 14,448	\$ -	\$ 46,723	\$ 25,631	\$ -	\$ 13,573	\$ 8,404
Receivables (Net)							
Occupancy Tax	44,057			-	-	-	-
Accounts	-	21	-	-	-	-	-
Interfund Receivables							
Due from Other Governments		-		1,000	124,278	1,237	
Restricted Cash	79,981	21,483		-	-	-	
<b>Total Assets</b>	<u>\$ 138,486</u>	<u>\$ 21,504</u>	<u>\$ 46,723</u>	<u>\$ 26,631</u>	<u>\$ 124,278</u>	<u>\$ 14,810</u>	<u>\$ 8,404</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts Payable & Other Current	\$ -	\$ 1,215	\$ 619	\$ -	\$ 19,510	\$ -	\$ -
Interfund Payables		-			104,768		
Deferred Revenue		20,289		-	-	-	
<b>Total Liabilities</b>	<u>-</u>	<u>21,504</u>	<u>619</u>	<u>-</u>	<u>124,278</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>							
Unreserved, reported in:							
Special Revenue Funds	138,486	-	46,104	26,631	-	14,810	8,404
<b>Total Fund Balances</b>	<u>138,486</u>	<u>-</u>	<u>46,104</u>	<u>26,631</u>	<u>-</u>	<u>14,810</u>	<u>8,404</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 138,486</u>	<u>\$ 21,504</u>	<u>\$ 46,723</u>	<u>\$ 26,631</u>	<u>\$ 124,278</u>	<u>\$ 14,810</u>	<u>\$ 8,404</u>

City of Brenham  
Combining Balance Sheet  
Other Governmental Funds Special Revenue Funds  
For the Year Ended September 30, 2007

	PD Crim. Law Enforcement Fund	Donations Fund	Courts Tech./Security Fund	Fire Dept. Grants Fund	Parks Special Revenue Fund	US 290 Pass- Thru Finance Fund	Total Special Revenue Funds
<b>Assets</b>							
Cash and Equivalents	\$ 195	\$ 8,786	\$ 73,472	\$ -	\$ 112,553	\$ 150,000	\$ 453,785
Receivables (Net)							44,057
Occupancy Tax		-					21
Accounts		-			-		104,768
Interfund Receivables	-				104,768		126,515
Due from Other Governments							123,696
Restricted Cash	22,232						
<b>Total Assets</b>	<b>\$ 22,427</b>	<b>\$ 8,786</b>	<b>\$ 73,472</b>		<b>\$ 217,321</b>	<b>\$ 150,000</b>	<b>\$ 852,842</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts Payable & Other Current	\$ -		\$ 366	\$ -	\$ -	\$ -	\$ 21,710
Interfund Payables							104,768
Deferred Revenue	5,350						25,639
<b>Total Liabilities</b>	<b>5,350</b>		<b>366</b>				<b>152,117</b>
<b>Fund Balances:</b>							
Unreserved, reported in:							
Special Revenue Funds	17,077	8,786	73,106	-	217,321	150,000	700,725
<b>Total Fund Balances</b>	<b>17,077</b>	<b>8,786</b>	<b>73,106</b>		<b>217,321</b>	<b>150,000</b>	<b>700,725</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 22,427</b>	<b>\$ 8,786</b>	<b>\$ 73,472</b>	<b>\$ -</b>	<b>\$ 217,321</b>	<b>\$ 150,000</b>	<b>\$ 852,842</b>

**City of Brenham**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Other Governmental Funds Special Revenue Funds**  
**For the Year Ended September 30, 2007**

	Hotel/Motel Tax Fund	Community Development Sec. 8 Fund	Main Street/ Comm. Dev. Fund	Emergency Mgmt. Grants Fund	Police Dept. Grants Fund	Motorcycle/ PD Equipment Fund	Police Training Fund
<b>Revenues</b>							
Taxes	\$ 371,468						
Intergovernmental		336,260		17,183	126,165	1,238	2,708
Charges for Services							
Investment Income	6,070						63
Payment from Component Unit							
Contributions and Donations			12,404				
Miscellaneous			1,249				
<b>Total revenues</b>	<u>377,538</u>	<u>336,260</u>	<u>13,653</u>	<u>17,183</u>	<u>126,165</u>	<u>1,238</u>	<u>2,771</u>
<b>Expenditures</b>							
Current:							
Culture and Recreation	357,772		76,493				
General Government							
Health and Welfare		279,770					
Public Safety					126,165	1,633	
Capital Outlay			1,097				
<b>Total expenditures</b>	<u>357,772</u>	<u>279,770</u>	<u>77,590</u>		<u>126,165</u>	<u>1,633</u>	
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>19,766</u>	<u>56,490.00</u>	<u>(63,937)</u>	<u>17,183</u>		<u>(395)</u>	<u>2,771</u>
<b>Other Financing Sources (Uses)</b>							
Transfers In			92,000			15,205	
Transfers Out	(68,500)						
<b>Total other financing sources and (uses)</b>	<u>(68,500)</u>		<u>92,000</u>			<u>15,205</u>	
<b>Net change in Fund Balances</b>	<u>(48,734)</u>	<u>56,490</u>	<u>28,063</u>	<u>17,183</u>		<u>14,810</u>	<u>2,771</u>
<b>Fund balances beginning</b>	<u>187,220</u>	<u>(56,490)</u>	<u>18,041</u>	<u>9,448</u>			<u>5,633</u>
<b>Fund balances ending</b>	<u>\$ 138,486</u>		<u>\$ 46,104</u>	<u>\$ 26,631</u>		<u>\$ 14,810</u>	<u>\$ 8,404</u>



City of Brenham  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Other Governmental Funds Special Revenue Funds**  
For the Year Ended September 30, 2007

	PD Crim. Law Enforcement Fund	Donations Fund	Courts Tech./Security Fund	Fire Dept. Grants Fund	Parks Special Revenue Fund	US 290 Pass- Thru Finance Fund	Total Special Revenue Funds
<b>Revenues</b>							
Taxes	\$	\$	\$	\$	\$	\$	\$ 371,468
Intergovernmental				191,382	25,000		699,936
Charges for Services			37,258				37,258
Investment Income	750						6,883
Payment from Component Unit					110,000		110,000
Contributions and Donations		14,723		10,073	87,383		124,583
Miscellaneous	9,975						11,224
<b>Total revenues</b>	<u>10,725</u>	<u>14,723</u>	<u>37,258</u>	<u>201,455</u>	<u>222,383</u>		<u>1,361,352</u>
<b>Expenditures</b>							
Current:							
Culture and Recreation					5,100		439,365
General Government		6,287	18,110				24,397
Health and Welfare							279,770
Public Safety				171,306			299,104
Capital Outlay				30,149	83,848		115,094
<b>Total expenditures</b>		<u>6,287</u>	<u>18,110</u>	<u>201,455</u>	<u>88,948</u>		<u>1,157,730</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>10,725</u>	<u>8,436</u>	<u>19,148</u>		<u>133,435</u>		<u>203,622</u>
<b>Other Financing Sources (Uses)</b>							
Transfers In			53,958		55,000	150,000	366,163
Transfers Out							(68,500)
<b>Total other financing sources and (uses)</b>	<u>0</u>		<u>53,958</u>		<u>55,000</u>	<u>150,000</u>	<u>297,663</u>
<b>Net change in Fund Balances</b>	<u>10,725</u>	<u>8,436</u>	<u>73,106</u>		<u>188,435</u>	<u>150,000</u>	<u>501,285</u>
<b>Fund balances beginning</b>	6,352	350			28,886		199,440
<b>Fund balances ending</b>	<u>\$ 17,077</u>	<u>\$ 8,786</u>	<u>\$ 73,106</u>		<u>\$ 217,321</u>	<u>\$ 150,000</u>	<u>\$ 700,725</u>

**Combining Balance Sheet**  
**Other Governmental Funds - Nonmajor Capital Projects Funds**  
**For the Year Ended September 30, 2007**

	Airport Capital Impr Fund	2002 Capital Projects Fund	Texas Capital (Vulcan St.) Fund	Capital Leases Fund	Total Nonmajor Capital Projects Funds
<b>Assets</b>					
Cash and Equivalents	\$ 130,431	\$ -	\$ -	\$ -	\$ 130,431
Other Current Assets	22,531	-	-	-	22,531
Restricted Cash	-	671,356	-	-	671,356
Restricted Investments	-	-	-	185,378	185,378
<b>Total Assets</b>	<u>\$ 152,962</u>	<u>\$ 671,356</u>	<u>\$ -</u>	<u>\$ 185,378</u>	<u>\$ 1,009,696</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts Payable & Other Current	\$ 15,020	\$ 45,368	\$ -	\$ -	\$ 60,388
Interfund Payables	-	5,994	-	-	5,994
<b>Total Liabilities</b>	<u>15,020</u>	<u>51,362</u>	<u>-</u>	<u>-</u>	<u>66,382</u>
<b>Fund Balances:</b>					
Unreserved, reported in:					-
Capital Projects	137,942	619,994	-	185,378	943,314
<b>Total Fund Balances</b>	<u>137,942</u>	<u>619,994</u>	<u>-</u>	<u>185,378</u>	<u>943,314</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 152,962</u>	<u>\$ 671,356</u>	<u>\$ -</u>	<u>\$ 185,378</u>	<u>\$ 1,009,696</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, 2007**

	Airport Capital Impr Fund	2002 Capital Projects Fund	Texas Capital (Vulcan St.) Fund	Capital Leases Fund	Total Nonmajor Capital Projects Funds
<b>Revenues</b>					
Intergovernmental	\$ 722,052	\$ -	\$ -	\$ -	\$ 722,052
Investment Income	-	18,075	-	5,539	23,614
Miscellaneous	-	11,834	-	-	11,834
<b>Total revenues</b>	<u>722,052</u>	<u>29,909</u>	<u>-</u>	<u>5,539</u>	<u>757,500</u>
<b>Expenditures</b>					
Current:					
General Government	-	114,165	-	-	114,165
Capital Outlay	888,483	110,563	25,623	427,176	1,451,845
<b>Total expenditures</b>	<u>888,483</u>	<u>224,728</u>	<u>25,623</u>	<u>427,176</u>	<u>1,566,010</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(166,431)</u>	<u>(194,819)</u>	<u>(25,623)</u>	<u>(421,637)</u>	<u>(808,510)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	145,625	60,584	25,623	-	231,832
Transfers Out	-	(200,622)	-	(37,912)	(238,534)
Proceeds from Capital Lease	-	-	-	544,300	544,300
<b>Total other financing sources and (uses)</b>	<u>145,625</u>	<u>(140,038)</u>	<u>25,623</u>	<u>506,388</u>	<u>537,598</u>
<b>Net change in Fund Balances</b>	<u>(20,806)</u>	<u>(334,857)</u>	<u>-</u>	<u>84,751</u>	<u>(270,912)</u>
<b>Fund balances - beginning</b>	<u>158,748</u>	<u>954,851</u>	<u>-</u>	<u>100,627</u>	<u>1,214,226</u>
<b>Fund balances - ending</b>	<u>\$ 137,942</u>	<u>\$ 619,994</u>	<u>\$ -</u>	<u>\$ 185,378</u>	<u>\$ 943,314</u>

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THE CITY OF BRENHAM

REPORTS FOR  
MANAGEMENT

## **Reports for Management**

**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**
- **Revenue 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**

**CITY OF BRENHAM, TEXAS**  
**GOVERNMENT-WIDE EXPENSES BY FUNCTION**  
 Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Highways and Streets	Health and Welfare	Economic Development	Culture and Recreation	Interest on Long-term Debt	Electric	Gas	Water	Sewer	Sanitation
2003	\$ 1,099,474	\$ 4,255,750	\$ 1,548,837	\$ 554,797	\$ 269,685	\$ 2,897,340	\$ 696,557	\$ 18,431,275	\$ 5,023,642	\$ 2,439,366	\$ 2,559,845	\$ 1,689,275
2004	1,071,441	4,399,037	1,544,154	569,459	3,417	2,802,023	758,226	19,621,793	4,537,389	2,557,248	2,656,350	2,007,536
2005	1,930,824	4,174,264	1,569,656	218,987	-	2,903,509	743,699	20,843,491	5,225,571	2,732,815	2,944,784	2,062,243
2006	1,993,032	4,719,613	1,637,165	624,350	-	3,047,778	709,650	25,991,891	6,027,066	3,162,284	3,544,654	2,309,317
2007	1,888,188	5,028,102	2,279,505	580,118	-	3,264,409	991,486	23,342,221	5,646,666	3,164,010	3,559,574	2,331,316

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



**CITY OF BRENHAM, TEXAS**  
**GOVERNMENT-WIDE REVENUES**  
 Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Taxes	Unrestricted Grants and Contributions	Investment Earnings	Miscellaneous	Gain/(Loss) on Sale of Capital Assets	Payments from Component Unit	
2003	\$ 30,735,343	\$ 999,126	\$ 542,589		\$ 7,856,433	\$ 28,348	\$ 425,151	\$ 134,751	\$ (51,100)	\$ 675,704	\$ 41,346,345
2004	32,265,188	980,398	2,192,208		8,254,456	16,624	411,498	166,138	21,536	622,061	44,930,107
2005	35,236,390	933,751	704,478		8,962,713	-	370,280	142,374	(57,173)	661,407	46,954,220
2006	42,045,906	678,830	1,130,716		9,752,858	-	574,417	139,478	15,490	661,417	54,999,112
2007	39,131,718	915,090	1,081,668		11,200,672	-	1,049,411	323,318	(129,116)	770,877	54,343,638

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

**CITY OF BRENHAM, TEXAS**  
**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION**  
 Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Highways and Streets	Health and Welfare	Culture & Recreation	Economic Development	Debt Service	Capital Outlay	Totals
1998	\$ 615,591	\$ 3,255,856	\$ 1,572,823	\$ 362,605	\$ 860,238	\$ -	\$ 512,486	\$ 25,320	\$ 7,204,919
1999	705,394	3,253,276	1,283,000	423,424	1,096,587	-	1,419,448	3,788,039	11,969,168
2000	780,017	3,522,975	1,148,165	481,397	1,399,065	-	1,298,834	5,719,752	14,350,205
2001	750,684	3,864,203	1,073,128	434,823	1,988,445	-	1,296,710	2,847,592	12,255,585
2002	901,474	4,229,819	1,857,357	613,154	2,590,967	-	1,598,452	2,795,571	14,586,794
2003	980,100	4,021,661	1,032,007	556,746	2,366,423	275,531	1,627,423	3,198,692	14,058,583
2004	974,771	4,164,948	1,070,642	571,160	2,267,690	3,417	1,663,252	4,780,081	15,495,961
2005	1,560,873	4,053,844	1,046,654	214,873	2,374,455	-	1,762,731	1,763,551	12,776,981
2006	1,270,288	4,179,268	1,085,298	614,794	2,467,861	-	1,875,109	2,475,907	13,968,525
2007	1,383,100	4,634,054	1,153,897	562,579	2,611,013	-	2,030,056	3,497,123	15,871,822

NOTE:

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

**CITY OF BRENHAM**  
**RECONCILIATION OF PROPERTY TAX RECEIVABLES**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Additions Net of Adjustments</u>	<u>Collections Refunds and Adjustments</u>	<u>Ending Balance</u>
1998	\$ 139,238	\$ 1,700,952	\$ (1,697,318)	\$ 142,872
1999	142,872	1,788,276	(1,805,082)	126,066
2000	126,066	1,833,551	(1,838,887)	120,730
2001	120,730	2,042,221	(2,044,501)	118,450
2002	118,450	2,391,892	(2,383,038)	127,304
2003	127,304	2,648,253	(2,624,589)	150,968
2004	150,968	2,827,306	(2,805,850)	172,424
2005	172,424	3,072,218	(3,123,274)	121,368
2006	121,368	3,468,062	(3,443,982)	145,448
2007	145,448	4,109,307	(4,090,608)	164,147

**CITY OF BRENHAM, TEXAS**  
**REVENUES BY SOURCE - GOVERNMENTAL FUNDS (1)**  
**Last Ten Fiscal Years**

<u>FISCAL YEAR</u>	<u>TAXES</u>	<u>LICENSES AND PERMITS</u>	<u>INTER-GOVERNMENTAL</u>	<u>CHARGES FOR SERVICES</u>	<u>FINES AND FORFEITURES</u>	<u>MISCEL-LANEOUS</u>	<u>TOTAL REVENUES</u>
1998	\$ 5,409,242	\$ 38,986	\$ 724,404	\$ 19,690	\$ 236,667	\$ 765,951	7,194,940
1999	5,755,025	49,178	1,117,650	47,162	276,804	1,367,217	8,613,036
2000	6,060,506	39,918	1,076,484	49,787	233,410	1,313,637	8,773,742
2001	6,508,631	50,114	966,026	139,743	193,627	1,598,799	9,456,940
2002	7,374,952	45,181	1,425,598	283,369	217,342	860,259	10,206,701
2003	7,832,768	43,572	1,269,907	331,505	216,255	1,090,139	10,784,146
2004	8,233,000	57,574	2,094,325	401,130	300,235	1,985,022	13,071,286
2005	9,013,770	57,846	1,596,241	396,353	344,076	1,001,261	12,409,547
2006	9,728,777	56,146	1,656,366	363,984	337,014	1,202,119	13,344,406
2007	11,181,972	54,487	1,648,201	368,861	363,253	1,553,226	15,170,000

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

CITY OF BRENHAM, TEXAS  
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES  
 FOR GENERAL OBLIGATION DEBT  
 TO GENERAL GOVERNMENTAL EXPENDITURES  
 Last Ten Fiscal Years

FISCAL YEAR	INTEREST AND FISCAL CHARGES		PRINCIPAL	TOTAL		RATIO OF DEBT SERVICE TO GENERAL GOVERNMENTAL EXPENDITURES
				GENERAL GOVERNMENTAL EXPENDITURES	DEBT SERVICE	
1998	\$	184,613	\$	512,476	\$ 7,204,919	7.11
1999		512,206		1,252,244	11,969,168	10.46
2000		541,290		1,298,834	14,350,205	9.05
2001		501,465		1,296,709	12,369,246	10.48
2002		610,757		1,526,940	14,586,794	10.47
2003		705,872		1,485,812	14,058,583	10.57
2004		717,105		1,574,263	15,495,961	10.16
2005		689,865		1,609,896	12,776,981	12.60
2006		647,046	1,014,256	1,661,302	13,968,525	11.89
2007		908,768	841,734	1,750,502	15,871,822	11.03

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.

CITY OF BRENHAM, TEXAS  
PROPERTY VALUE AND CONSTRUCTION  
Last Ten Fiscal Years

FISCAL YEAR	NET TAXABLE PROPERTY VALUE	RESIDENTIAL		COMMERCIAL		DEMOLITION		RELOCATION		TOTAL	
		NUMBER OF UNITS	VALUE	NUMBER OF UNITS	VALUE	NUMBER OF UNITS	VALUE	NUMBER OF UNITS	VALUE	NUMBER OF UNITS	VALUE
1998	485,982,156	159	5,360,473	92	12,510,902	9	21,900	12	54,000	272	17,947,275
1999	510,931,990	193	7,656,984	95	14,669,258	4	12,500	2	9,800	294	22,348,542
2000	523,867,785	166	4,247,576	124	7,438,640	8	131,900	6	22,700	304	11,840,816
2001	553,587,303	160	4,213,330	110	22,234,514	7	22,650	8	119,100	285	26,589,594
2002	606,171,712	182	13,438,167	125	11,598,574	6	57,875	9	56,000	322	25,151,116
2003	643,396,615	160	6,727,442	102	9,811,858	9	49,328	1	19,150	272	16,607,778
2004	686,861,013	136	6,296,904	127	44,482,180	4	11,250	6	31,200	273	50,821,534
2005	705,780,613	186	13,396,626	124	23,887,960	10	26,514	7	42,860	327	37,353,960
2006	742,413,700	212	13,094,207	136	13,189,145	12	95,875	13	65,980	373	26,445,207
2007	797,156,826	215	13,832,035	137	12,817,681	7	198,800	8	71,500	367	26,920,016

**CITY OF BRENHAM, TEXAS**  
**REVENUES BY SOURCE - BUSINESS TYPE ACTIVITIES**  
**Last Ten Fiscal Years**

<u>FISCAL YEAR</u>	<u>ELECTRIC</u>	<u>GAS</u>	<u>SANITATION</u>	<u>SEWER</u>	<u>WATER</u>	<u>TOTAL REVENUES</u>
1998	\$ 14,818,566	\$ 2,931,961	\$ 1,093,971	\$ 1,672,664	\$ 2,288,639	\$ 22,805,801
1999	15,098,239	2,634,229	1,235,324	1,610,502	2,171,894	22,750,188
2000	16,383,896	3,269,589	1,325,829	1,739,697	2,635,493	25,354,504
2001	18,291,033	5,938,345	1,347,140	1,619,162	2,227,339	29,423,019
2002	18,026,344	3,456,761	1,487,365	1,594,352	2,472,349	27,037,171
2003	19,230,844	4,945,353	1,701,153	2,032,243	2,563,880	30,473,473
2004	20,468,491	4,412,176	1,993,821	1,953,816	2,690,075	31,518,379
2005	22,138,695	4,803,557	2,171,315	2,377,633	2,944,790	34,435,990
2006	26,440,575	5,768,269	2,427,160	2,934,281	3,718,368	41,288,653
2007	23,184,463	5,639,536	2,468,172	3,798,212	3,254,617	38,345,000



**CITY OF BRENHAM, TEXAS**  
**ELECTRIC CUSTOMERS, CONSUMPTION AND SALES**  
 Last Ten Fiscal Years

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Number of customers</b>										
Residential	5,061	4,925	4,844	4,828	4,852	4,807	4,781	4,764	4,719	4,700
Commercial	1,191	1,138	1,124	1,111	1,100	1,060	1,002	997	962	941
Large commercial	288	282	276	274	273	258	248	237	234	229
Industrial	20	26	26	28	29	31	35	35	35	35
Street lights	1,205	1,175	1,137	1,135	1,126	1,115	1,116	1,096	1,076	1,075
Security lights	182	182	178	180	184	183	182	187	182	179
<b>Total</b>	<b>7,947</b>	<b>7,728</b>	<b>7,585</b>	<b>7,556</b>	<b>7,564</b>	<b>7,454</b>	<b>7,364</b>	<b>7,316</b>	<b>7,208</b>	<b>7,159</b>

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Consumption (in KWH)</b>										
Residential	70,267,796	73,781,005	71,200,173	67,146,651	70,366,417	68,957,930	71,179,304	70,807,609	70,038,320	70,421,866
Commercial	17,089,919	17,756,825	17,639,335	17,006,158	17,616,182	16,970,604	17,086,571	16,773,652	15,573,414	14,997,792
Large commercial	64,226,951	64,242,555	63,440,661	61,690,946	60,934,736	54,909,551	50,535,244	49,799,714	48,459,628	46,424,961
Industrial	148,939,620	157,358,022	154,601,347	146,081,323	152,368,023	160,204,329	163,677,977	169,415,182	168,191,452	163,757,022
Street lights	1,388,136	1,353,480	1,309,704	1,308,072	1,296,802	1,285,032	1,285,032	1,262,568	1,240,008	1,238,376
Security lights	277,728	280,800	276,576	279,264	284,736	288,768	290,016	295,872	286,464	279,552
<b>Total</b>	<b>302,190,150</b>	<b>314,772,687</b>	<b>308,467,816</b>	<b>293,512,414</b>	<b>302,866,996</b>	<b>302,616,214</b>	<b>304,054,144</b>	<b>308,354,597</b>	<b>303,789,286</b>	<b>297,119,569</b>

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Sales (1)</b>										
Residential	\$ 6,419,733	\$ 7,118,275	\$ 5,985,305	\$ 5,686,795	\$ 5,436,951	\$ 4,969,097	\$ 5,205,766	\$ 4,718,095	\$ 4,395,586	\$ 4,412,538
Commercial	1,607,902	1,760,370	1,526,577	1,478,458	1,393,007	1,252,180	1,275,689	1,140,992	1,009,960	977,119
Large commercial	4,867,798	5,253,311	4,388,473	4,270,913	3,784,246	3,320,333	3,085,814	2,642,020	2,400,070	2,316,498
Industrial	9,842,065	11,814,007	9,679,213	8,574,419	8,106,613	8,076,026	8,294,969	7,452,143	6,827,799	6,683,891
Street lights	81,595	81,238	76,322	76,337	71,278	71,869	78,156	67,008	62,534	62,455
Security lights	39,011	39,525	38,901	39,114	38,603	34,107	34,171	34,916	33,809	32,991
<b>Total</b>	<b>\$ 22,858,104</b>	<b>\$ 26,066,726</b>	<b>\$ 21,694,791</b>	<b>\$ 20,126,036</b>	<b>\$ 18,830,698</b>	<b>\$ 17,723,612</b>	<b>\$ 17,974,565</b>	<b>\$ 16,055,174</b>	<b>\$ 14,729,758</b>	<b>\$ 14,485,492</b>

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Annual average consumption per customer (in KWH)</b>										
Residential	13,884	14,981	14,699	13,908	14,503	14,345	14,888	14,863	14,842	14,983
Commercial	14,349	15,604	15,693	15,307	16,015	16,010	17,052	16,824	16,189	15,938
Large commercial	223,010	227,810	229,858	225,149	229,204	212,828	203,771	210,125	207,092	202,729
Industrial	7,446,981	6,052,232	5,946,206	5,217,190	5,254,070	5,167,882	4,676,514	4,840,434	4,805,470	4,678,772
Street lights	1,152	1,152	1,152	1,152	1,152	1,152	1,151	1,152	1,152	1,152
Security lights	1,526	1,543	1,554	1,551	1,547	1,578	1,593	1,582	1,574	1,562

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Monthly average bill per customer</b>										
Residential	106	120	103	98	93	86	91	83	78	78
Commercial	113	129	113	111	106	98	106	95	87	87
Large commercial	1,409	1,552	1,325	1,299	1,155	1,072	1,037	929	855	843
Industrial	41,009	37,865	31,023	25,519	23,295	21,710	19,750	17,743	16,257	15,914
Street lights	6	6	6	6	5	5	6	5	5	5
Security lights	18	18	18	18	17	16	16	16	15	15

<b>Average price per KWH purchased</b>	0.0557	0.0650	0.0501	0.0480	0.0441	0.0411	0.0467	0.0402	0.0368	0.0372
<b>Average price per KWH sold</b>	0.0756	0.0828	0.0703	0.0686	0.0622	0.0586	0.0591	0.0521	0.0485	0.0488
<b>% line loss</b>	4.43%	4.06%	5.19%	5.33%	5.37%	4.35%	2.68%	3.48%	3.32%	3.67%

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

**CITY OF BRENHAM, TEXAS  
GAS CUSTOMERS, CONSUMPTION AND SALES  
Last Ten Fiscal Years**

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Number of customers</b>										
Residential	3,490	3,443	3,423	3,417	3,448	3,446	3,428	3,413	3,386	3,374
Small commercial	369	345	344	329	314	319	324	310	306	301
Large commercial	124	127	128	129	127	130	127	125	125	116
Governmental	64	64	66	65	63	60	57	61	56	51
Industrial	3	3	4	4	4	3	3	3	3	3
<b>Total</b>	<b>4,050</b>	<b>3,982</b>	<b>3,965</b>	<b>3,944</b>	<b>3,956</b>	<b>3,958</b>	<b>3,939</b>	<b>3,912</b>	<b>3,876</b>	<b>3,845</b>
<b>Consumption (In mcf)</b>										
Residential	112,591	89,134	94,947	101,988	126,301	118,657	141,252	93,099	101,099	133,159
Small commercial	24,202	21,183	18,366	18,501	21,078	17,603	21,147	11,066	11,559	14,177
Large commercial	168,806	164,018	153,229	160,421	180,586	189,458	195,334	183,461	180,888	191,974
Governmental	43,576	40,741	42,915	43,974	49,862	28,570	28,074	25,145	22,960	26,474
Industrial	253,544	248,432	233,585	232,906	267,083	332,488	371,381	316,039	327,212	315,674
<b>Total</b>	<b>602,719</b>	<b>563,508</b>	<b>543,062</b>	<b>557,790</b>	<b>644,920</b>	<b>686,776</b>	<b>757,188</b>	<b>628,810</b>	<b>643,718</b>	<b>681,458</b>

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Sales (\$)</b>										
Residential	\$ 1,414,718	\$ 1,227,469	\$ 1,044,382	\$ 1,036,421	\$ 1,271,425	\$ 769,167	\$ 1,465,948	\$ 672,735	\$ 646,991	\$ 851,911
Small commercial	261,881	247,547	180,366	166,469	191,032	102,501	204,677	75,480	68,919	88,082
Large commercial	1,501,897	1,653,440	1,306,104	1,223,093	1,337,093	883,081	1,497,216	913,615	669,636	764,003
Governmental	403,126	431,779	374,630	349,391	399,995	148,032	254,866	138,547	93,813	109,786
Industrial	2,058,256	2,250,948	1,845,221	1,631,185	1,729,332	1,550,328	2,512,118	1,466,193	1,149,756	1,113,765
<b>Total</b>	<b>\$ 5,639,878</b>	<b>\$ 5,811,183</b>	<b>\$ 4,750,703</b>	<b>\$ 4,406,559</b>	<b>\$ 4,928,877</b>	<b>\$ 3,453,109</b>	<b>\$ 5,934,825</b>	<b>\$ 3,266,570</b>	<b>\$ 2,629,115</b>	<b>\$ 2,927,547</b>

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Annual average consumption per customer (In KWH)</b>										
Residential	32	26	28	30	37	34	41	27	30	39
Small commercial	66	61	53	56	67	55	65	36	38	47
Large commercial	1,361	1,291	1,197	1,244	1,422	1,457	1,538	1,468	1,447	1,655
Governmental	681	637	650	677	791	476	493	412	410	519
Industrial	84,515	82,811	58,396	58,227	66,771	110,829	123,794	105,346	109,071	105,225

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Monthly average bill per customer</b>										
Residential	34	30	25	25	31	19	36	16	16	21
Small commercial	59	60	44	42	51	27	53	20	19	24
Large commercial	1,009	1,085	850	790	877	566	982	609	446	549
Governmental	525	562	473	448	529	206	373	189	140	179
Industrial	57,174	62,526	38,442	33,983	36,028	43,065	69,781	40,728	31,938	30,938
<b>Average price per mcf purchased</b>	<b>6.4885</b>	<b>8.1660</b>	<b>7.2225</b>	<b>5.9204</b>	<b>5.7464</b>	<b>3.5759</b>	<b>6.3861</b>	<b>3.7032</b>	<b>2.6822</b>	<b>2.9488</b>
<b>Average price per mcf sold</b>	<b>9.3524</b>	<b>10.3125</b>	<b>8.7480</b>	<b>7.9000</b>	<b>7.6426</b>	<b>5.0280</b>	<b>7.8380</b>	<b>5.1948</b>	<b>4.0843</b>	<b>4.2960</b>
<b>% line loss (gain)</b>	<b>1.94%</b>	<b>-0.21%</b>	<b>0.18%</b>	<b>-0.85%</b>	<b>0.35%</b>	<b>1.14%</b>	<b>-0.84%</b>	<b>3.53%</b>	<b>1.44%</b>	<b>-1.34%</b>

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

**CITY OF BRENHAM, TEXAS**  
**ELECTRIC RATES (1)**  
 Impacting Last Ten Fiscal Years

EFFECTIVE DATE	CHARGES	RESIDENTIAL		SMALL COMMERCIAL		LARGE COMMERCIAL		SMALL INDUSTRIAL		LARGE INDUSTRIAL	
		SINGLE PHASE	THREE PHASE	SINGLE PHASE	THREE PHASE	SINGLE PHASE	THREE PHASE	SINGLE PHASE	THREE PHASE	SINGLE PHASE	THREE PHASE
Sep-25-1995	Customer charge	\$11.59	\$20.05	\$15.00	\$25.95	\$40.36	\$69.83	\$100.00	\$100.00	\$100.00	\$100.00
	Demand charge	-	-	-	-	\$6.30	\$6.30	-	-	-	-
	Non-coincident demand charge	-	-	-	-	-	-	\$1,7930	\$1,7930	\$1,7930	\$1,7930
	On peak demand charge	-	-	-	-	-	-	\$9,0610	\$9,0610	\$9,0610	\$9,0610
	Off peak demand charge	-	-	-	-	-	-	\$6,4650	\$6,4650	\$6,4650	\$6,4650
	KVA	-	-	-	-	-	-	\$0,240	\$0,240	\$0,181	\$0,181
Apr-01-2002	Customer charge	\$11.60	\$20.00	\$15.00	\$26.00	\$40.00	\$70.00	\$100.00	\$100.00	\$100.00	\$100.00
	Wires charge (per KWH)	\$0.02290	\$0.02290	\$0.02200	\$0.02200	\$0.01510	\$0.01510	\$0.00896	\$0.00896	\$0.00636	\$0.00636
Sep-22-2002	Customer charge	\$11.60	\$20.00	\$15.00	\$26.00	\$40.00	\$70.00	\$100.00	\$100.00	\$100.00	\$100.00
	Wires charge (per KWH)	\$0.02510	\$0.02510	\$0.02420	\$0.02420	\$0.01640	\$0.01640	\$0.00993	\$0.00993	\$0.00700	\$0.00700
Jan-01-2003	Customer charge	\$11.60	\$20.00	\$15.00	\$26.00	\$40.00	\$70.00	\$100.00	\$100.00	\$100.00	\$100.00
	Wires charge (per KWH)	\$0.02520	\$0.02520	\$0.02430	\$0.02430	\$0.01650	\$0.01650	\$0.00993	\$0.00993	\$0.00700	\$0.00700

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

CITY OF BRENHAM, TEXAS  
GAS RATES

Impacting Last Ten Fiscal Years

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

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

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

**CITY OF BRENHAM, TEXAS  
TEN LARGEST ELECTRIC CUSTOMERS  
Current Year and Nine Years Ago**

2007			1998		
NAME	ELECTRIC BILLINGS	PERCENTAGE OF TOTAL CITY ELECTRIC CHARGES	NAME	ELECTRIC BILLINGS	PERCENTAGE OF TOTAL CITY ELECTRIC CHARGES
Blue Bell Creameries	\$ 3,001,554	12.95%	Mount Vernon Mills, Inc.	\$ 1,676,929	11.32%
Mount Vernon Mills, Inc.	2,464,220	10.63%	Blue Bell Creameries	1,537,922	10.38%
Blinn College	981,409	4.23%	Blinn College	427,731	2.89%
Valmont/Als - Abated	825,602	3.56%	Brenham State School	349,812	2.36%
Brenham I.S.D.	635,097	2.74%	Brenham I.S.D.	404,466	2.73%
Brenham State School	479,727	2.07%	Cleaners Hanger Co.	274,597	1.85%
City of Brenham Wastewater Plant	471,927	2.04%	Valmont/Als	219,178	1.48%
Brenham Wholesale Grocery	336,751	1.45%	Brenham Wholesale Grocery	195,713	1.32%
Trinity Medical Center	322,976	1.39%	City of Brenham Wastewater Plant	167,799	1.13%
Germania Insurance	253,935	1.10%	H.E.B.	168,457	1.14%
<b>Total</b>	<b>\$ 9,773,198</b>	<b>42.15%</b>	<b>Total</b>	<b>\$ 5,422,604</b>	<b>36.59%</b>

**CITY OF BRENHAM, TEXAS  
TEN LARGEST GAS CUSTOMERS  
Current Year and Nine Years Ago**

2007			1998		
NAME	GAS BILLINGS	PERCENTAGE OF TOTAL CITY GAS CHARGES	NAME	GAS BILLINGS	PERCENTAGE OF TOTAL CITY GAS CHARGES
Mount Vernon Mills, Inc.	\$ 1,380,627	24.48%	Mount Vernon Mills, Inc.	\$ 697,599	23.79%
Blue Bell Creameries	734,153	13.02%	Blue Bell Creameries	255,306	8.71%
Blinn College	288,623	5.12%	Tuscarora	136,272	4.65%
Longwood Elastomers	234,994	4.17%	Longwood Elastomers	97,231	3.32%
Valmont/Als	177,346	3.14%	Cleaners Hanger Co.	84,025	2.87%
Trinity Medical Center	122,625	2.17%	Valmont/Als	69,330	2.36%
Brenham Housing Authority	108,161	1.92%	Trinity Medical Center	47,330	1.61%
Brenham I.S.D.	84,889	1.51%	Blinn College	47,078	1.61%
Navista, Inc.	82,858	1.47%	Brenham Housing Authority	45,582	1.55%
Ellisons Greenhouse	52,754	0.94%	Brenham I.S.D.	44,655	1.52%
<b>Total</b>	<b>\$ 3,267,030</b>	<b>57.93%</b>	<b>Total</b>	<b>\$ 1,524,408</b>	<b>51.99%</b>

**CITY OF BRENHAM, TEXAS**  
**THE WATER SYSTEM - UTILITY BILLING STATISTICS**  
**September 30, 2007**

	<u>2007</u>	<u>2006</u>	<u>(DECREASE)</u> <u>INCREASE</u>
<b><u>NUMBER OF CUSTOMERS</u></b>			
Residential	5,049	4,867	182
Commercial	1,232	1,174	58
Meter on Fire Hydrant	11	11	-
Sprinkler	362	320	42
TOTAL	<u>6,654</u>	<u>6,372</u>	<u>282</u>
<b><u>CONSUMPTION (in thousands of gallons)</u></b>			
Residential	324,805,400	421,963,600	(97,158,200)
Commercial	373,245,000	395,660,700	(22,415,700)
Meter on Fire Hydrant	2,816,800	3,836,700	(1,019,900)
Sprinkler	98,679,400	134,922,100	(36,242,700)
TOTAL	<u>799,546,600</u>	<u>956,383,100</u>	<u>(156,836,500)</u>
<b><u>SALES (in dollars)</u></b>			
Residential	\$ 1,451,161	\$ 1,721,672	\$ (270,511)
Commercial	1,319,603	1,383,490	(63,887)
Meter on Fire Hydrant	13,508	17,707	(4,199)
Sprinkler	409,496	518,301	(108,805)
TOTAL	<u>\$ 3,193,768</u>	<u>\$ 3,641,170</u>	<u>\$ (447,402)</u>
<b><u>ANNUAL AVERAGE CONSUMPTION PER CUSTOMER</u></b>			
Residential (in thousands of gallons)	64,331	86,699	(22,368)
Commercial	302,959	337,019	(34,060)
Meter on Fire Hydrant	256,073	348,791	(92,718)
Sprinkler	272,595	421,632	(149,037)
<b><u>MONTHLY AVERAGE BILL PER CUSTOMER</u></b>			
Residential	\$ 24	\$ 29	\$ (5)
Commercial	89	98	(9)
Meter on Fire Hydrant	102	134	(32)
Sprinkler	94	135	(41)
<b>AVERAGE PRICE PER 1000 GALLONS PURCHASED</b>	0.224	0.131	0.093
<b>AVERAGE PRICE PER 1000 GALLONS SOLD</b>	3.994	3.807	0.187
<b>% LINE LOSS</b>	4.00% *	18.24% *	-14.24%

\*12,243,600 and 12,249,600 gallons respectively unbilled City water usage

**CITY OF BRENHAM, TEXAS**  
**THE SEWER SYSTEM - UTILITY BILLING STATISTICS**  
**September 30, 2007**

	<u>2007</u>	<u>2006</u>	<u>(DECREASE)</u> <u>INCREASE</u>
<b><u>NUMBER OF CUSTOMERS</u></b>			
Residential	5,025	4,783	242
Commercial	1,037	1,046	(9)
Industrial	9	9	-
Oak Hill Acres Flow Meter	1	1	-
<b>TOTAL</b>	<b><u>6,073</u></b>	<b><u>5,839</u></b>	<b><u>233</u></b>
<b><u>SALES (In dollars)</u></b>			
Residential	\$ 1,654,671	\$ 1,207,737	\$ 446,934
Commercial	1,034,527	996,296	38,231
Industrial	882,042	566,748	315,294
Oak Hill Acres Flow Meter	56,548	39,881	16,667
<b>TOTAL</b>	<b><u>\$ 3,627,789</u></b>	<b><u>\$ 2,810,662</u></b>	<b><u>\$ 817,126</u></b>
<b><u>MONTHLY AVERAGE BILL PER CUSTOMER</u></b>			
Residential	\$ 27	\$ 21	\$ 6
Commercial	83	79	4
Industrial	8,167	5,248	2,919
Oak Hill Acres Flow Meter	4,712	3,323	1,389



**CITY OF BRENHAM, TEXAS**  
**THE SANITATION SYSTEM - UTILITY BILLING STATISTICS**  
**September 30, 2007**

	<u>2007</u>	<u>2006</u>	<u>(DECREASE)</u> <u>INCREASE</u>
<b><u>NUMBER OF CUSTOMERS</u></b>			
Residential	4,624	4,508	116
Residential - Rural	32	56	(24)
Commercial	512	501	11
Dumpster	-	-	-
TOTAL	<u>5,168</u>	<u>5,065</u>	<u>103</u>
<b><u>SALES (in dollars)</u></b>			
Residential	\$ 745,431	\$ 730,836	\$ 14,595
Residential - Rural	4,930	13,515	(8,585)
Commercial	776,754	767,215	9,539
Dumpster	-	-	-
TOTAL	<u>\$ 1,527,115</u>	<u>\$ 1,511,566</u>	<u>\$ 15,549</u>
<b><u>MONTHLY AVERAGE BILL PER CUSTOMER</u></b>			
Residential	\$ 13	\$ 14	(1)
Residential - Rural	13	20	(7)
Commercial	126	128	(2)

THE CITY OF BRENHAM

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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**

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

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

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

CITY OF BRENHAM

**TABLE 1**

Description	Fiscal Year				
	2007	2006 (2)	2005	2004 (3)	2003
<b>Governmental activities:</b>					
Invested in capital assets, net of related debt	\$ 32,212,469	\$ 32,062,294	\$ 12,937,041	\$ 11,978,324	\$ 8,599,427
Restricted	333,943	1,439,731	3,145,253	3,059,760	4,328,818
Unrestricted	4,764,217	2,336,891	846,738	790,615	595,910
Subtotal governmental activities net assets	37,310,629	35,838,916	16,929,032	15,828,699	13,524,155
<b>Business-type activities:</b>					
Invested in capital assets, net of related debt	27,082,608	27,842,335	27,560,970	26,087,722	21,635,027
Restricted	538,822	243,547	1,550,431	2,000,995	5,615,238
Unrestricted	8,201,530	6,940,747	5,436,192	5,954,831	6,695,793
Subtotal business-type activities net assets	35,822,960	35,026,629	34,547,593	34,043,548	33,946,058
<b>Primary government:</b>					
Invested in capital assets, net of related debt	59,295,077	59,904,629	40,498,011	38,066,046	30,234,454
Restricted	872,765	1,683,278	4,695,684	5,060,755	9,944,056
Unrestricted	12,965,747	9,277,638	6,282,929	6,745,446	7,291,703
Total primary government net assets (4)	\$ 73,133,589	\$ 70,865,545	\$ 51,476,624	\$ 49,872,247	\$ 47,470,213
<b>Component unit:</b>					
Invested in capital assets, net of related debt	\$ 163,683	\$ 163,683	\$ 85,538	\$ 134,928	\$ 35,537
Restricted	782,051	513,699	-	-	-
Unrestricted	-	-	279,770	102,795	108,916
Total component unit net assets (4)	\$ 945,734	\$ 677,382	\$ 365,308	\$ 237,723	\$ 144,453

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

(2) As restated, see note IV.F

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

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

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

CITY OF BRENNHAM

**TABLE 2**

	Fiscal Year				
	2007	2006	2005	2004	2003
<b>Program expenses</b>					
<b>Governmental activities:</b>					
General government	\$ 1,888,188	\$ 1,993,032	\$ 1,930,824	\$ 1,071,441	\$ 1,099,474
Public safety	5,028,102	4,719,613	4,174,264	4,399,037	4,255,750
Highways and streets	2,279,505	1,637,165	1,569,656	1,544,154	1,548,837
Health and welfare	580,118	624,350	218,987	569,459	554,797
Economic development	-	-	-	3,417	269,685
Culture and recreation	3,264,409	3,047,778	2,903,509	2,802,023	2,897,340
Debt service	991,486	709,650	743,699	758,226	696,557
<b>Total governmental activities program expenses</b>	<b>14,031,808</b>	<b>12,731,588</b>	<b>11,540,939</b>	<b>11,147,757</b>	<b>11,322,440</b>
<b>Business-type activities:</b>					
Electric	23,342,221	25,991,891	20,843,491	19,621,793	18,431,275
Gas	5,646,666	6,027,066	5,225,571	4,537,389	5,023,642
Water	3,164,010	3,162,284	2,732,815	2,557,248	2,439,366
Sewer	3,559,574	3,544,654	2,944,784	2,656,350	2,559,845
Sanitation	2,331,316	2,309,317	2,062,243	2,007,536	1,689,275
<b>Total business-type activities program expenses</b>	<b>38,043,787</b>	<b>41,035,212</b>	<b>33,808,904</b>	<b>31,380,316</b>	<b>30,143,403</b>
<b>Total primary government expenses</b>	<b>52,075,595</b>	<b>53,766,800</b>	<b>45,349,843</b>	<b>42,528,073</b>	<b>41,465,843</b>
<b>Program revenues</b>					
<b>Governmental activities:</b>					
<b>Charges for services:</b>					
General government	482,252	423,312	450,653	405,857	284,763
Public safety	2,321	34,020	28,641	25,130	30,798
Highways and streets	13	14	15	59	59
Health and welfare	30,290	32,094	7,179	11,299	13,245
Economic development	-	-	-	25	25
Culture and recreation	271,842	267,813	314,012	316,720	241,706
Operating grants and contributions	915,090	678,830	933,651	968,117	965,931
Capital grants and contributions	1,081,668	1,120,556	704,478	2,192,208	542,589
<b>Total governmental activities program revenues</b>	<b>2,783,476</b>	<b>2,556,639</b>	<b>2,438,629</b>	<b>3,919,415</b>	<b>2,079,116</b>
<b>Business-type activities:</b>					
<b>Charges for services:</b>					
Electric	23,184,463	26,440,575	22,138,695	20,468,491	19,230,844
Gas	5,639,536	5,768,269	4,803,557	4,412,176	4,945,353
Water	3,254,617	3,718,368	2,944,790	2,690,075	2,563,880
Sewer	3,798,212	2,934,281	2,377,633	1,953,816	1,756,712
Sanitation	2,468,172	2,427,160	2,171,215	1,981,540	1,667,958
Operating grants and contributions	-	-	100	12,281	33,195
Capital grants and contributions	-	10,160	-	-	275,531
<b>Total business-type activities program revenues</b>	<b>38,345,000</b>	<b>41,298,813</b>	<b>34,435,990</b>	<b>31,518,379</b>	<b>30,473,473</b>
<b>Total primary government program revenues</b>	<b>41,128,476</b>	<b>43,855,452</b>	<b>36,874,619</b>	<b>35,437,794</b>	<b>32,552,589</b>
<b>Net (expense)/revenue</b>					
Governmental activities	(11,248,332)	(10,174,949)	(9,102,310)	(7,228,342)	(9,243,324)
Business-type activities	301,213	263,601	627,086	138,063	330,070
<b>Total primary government net expense</b>	<b>(10,947,119)</b>	<b>(9,911,348)</b>	<b>(8,475,224)</b>	<b>(7,090,279)</b>	<b>(8,913,254)</b>

Continued

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

CITY OF BRENHAM

**TABLE 2**

	Fiscal Year				
	2007	2006	2005	2004	2003
<b>General revenues and other changes in net assets</b>					
Governmental activities:					
Property taxes	4,152,080	3,505,543	3,091,085	2,899,464	2,680,158
Sales taxes	3,524,009	3,290,760	2,910,902	2,610,841	2,588,412
Other taxes	3,524,583	2,956,555	2,960,726	2,744,151	2,587,861
Grants and contributions not restricted	-	-	-	16,624	28,348
Investment income not restricted	587,125	261,901	143,000	138,952	111,107
Miscellaneous	55,483	120,666	119,836	134,188	103,857
Gain (loss) on sale of capital assets	9,508	5,458	(58,343)	21,536	(51,110)
Payments from component Unit	770,877	661,417	661,407	622,061	675,704
Transfers	96,380	239,378	374,031	645,069	1,671,039
<b>Total government activities</b>	<b>12,720,045</b>	<b>11,041,678</b>	<b>10,202,644</b>	<b>9,832,886</b>	<b>10,395,376</b>
Business-type activities:					
Investment income not restricted	462,286	312,516	227,280	272,546	314,044
Miscellaneous	267,835	18,812	22,538	31,950	30,894
Gain (loss) on sale of capital assets	(138,624)	10,032	1,170	-	-
Transfers	(96,380)	(239,378)	(374,031)	(645,069)	(1,671,039)
<b>Total business-type activities</b>	<b>495,117</b>	<b>101,982</b>	<b>(123,043)</b>	<b>(340,573)</b>	<b>(1,326,101)</b>
<b>Total primary government general revenues and other changes in net assets</b>	<b>13,215,162</b>	<b>11,143,660</b>	<b>10,079,601</b>	<b>9,492,313</b>	<b>9,069,275</b>
<b>Change in net assets</b>					
Governmental activities, as previously reported	1,471,713	866,729	1,100,334	2,604,544	1,152,052
Restatement in capital assets (2)	-	17,915,958	-	-	-
Restatement in deferred revenue (2)	-	127,197	-	-	-
Restatement in bonds (3)	-	-	-	(300,000)	-
Governmental activities, restated	1,471,713	18,909,885	1,100,334	2,304,544	1,152,052
Business-type activities, as previously reported	796,330	365,583	504,043	(202,510)	(996,031)
Restatement in capital assets (2)	-	113,453	-	-	-
Restatement in bonds (3)	-	-	-	300,000	-
Business-type activities, restated	796,330	479,036	504,043	97,490	(996,031)
<b>Total primary government change in net assets</b>	<b>\$ 2,268,044</b>	<b>\$ 19,388,921</b>	<b>\$ 1,604,377</b>	<b>\$ 2,402,034</b>	<b>\$ 156,021</b>
<b>Component unit</b>					
Program expenses	\$ 163,868	\$ 137,649	\$ 154,949	\$ 157,137	\$ 145,353
Program revenues	-	-	-	-	-
Brenham Community Development Corporation	-	-	-	-	-
Net expenses	(163,868)	(137,649)	(154,949)	(157,137)	(145,353)
<b>General revenues and other changes in net assets</b>					
Component unit activities:					
Sales taxes	1,174,670	1,096,920	970,301	870,280	862,804
Investment income not restricted	28,427	14,220	1,275	1,344	4,704
Miscellaneous	-	-	560	844	25,201
Gain (loss) on sale of capital assets	-	-	(28,194)	-	-
Payments from component Unit	(770,877)	(661,417)	(661,407)	(622,061)	(675,704)
<b>Total component unit activities</b>	<b>432,220</b>	<b>449,723</b>	<b>282,534</b>	<b>250,407</b>	<b>217,005</b>
<b>Component unit change in assets</b>	<b>\$ 268,352</b>	<b>\$ 312,074</b>	<b>\$ 127,585</b>	<b>\$ 93,270</b>	<b>\$ 71,652</b>

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

(2) As restated, see note IV.F

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

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

**CITY OF BRENHAM**  
**TABLE 3**

	Fiscal Year									
	2007	2006	2005	2004 (1)	2003	2002	2001	2000	1999	1998
<b>General fund:</b>										
Reserved	\$ -	\$ 37,908	\$ 40,578	\$ 35,748	\$ 41,038	\$ 56,306	\$ 31,179	\$ 38,975	\$ 24,817	\$ 21,771
Unreserved	2,251,108	1,661,118	1,217,177	632,990	363,249	919,391	1,383,016	660,928	927,677	695,806
<b>Total general fund</b>	<b>\$ 2,251,108</b>	<b>\$ 1,699,026</b>	<b>\$ 1,257,755</b>	<b>\$ 668,738</b>	<b>\$ 404,287</b>	<b>\$ 975,697</b>	<b>\$ 1,414,195</b>	<b>\$ 899,903</b>	<b>\$ 952,494</b>	<b>\$ 717,577</b>
<b>All other governmental funds:</b>										
Reserved, reported in:										
Debt service fund	\$ 333,943	\$ 200,931	\$ 146,770	\$ 177,877	\$ 295,934	\$ 316,626	\$ 250,540	\$ 375,090	\$ 398,664	\$ 398,791
Unreserved reported in:										
Special revenue funds	700,725	170,553	220,271	161,873	201,107	255,728	275,857	234,265	219,326	216,733
Capital projects funds	8,722,314	10,196,685	1,738,329	2,348,041	3,638,494	1,551,731	(985,788)	402,851	5,294,158	319,901
<b>Total all other governmental funds</b>	<b>\$ 9,756,982</b>	<b>\$ 10,568,169</b>	<b>\$ 2,105,370</b>	<b>\$ 2,687,791</b>	<b>\$ 4,135,535</b>	<b>\$ 2,124,085</b>	<b>\$ (459,391)</b>	<b>\$ 1,012,206</b>	<b>\$ 5,912,148</b>	<b>\$ 935,425</b>

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



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

**CITY OF BRENHAM**  
**TABLE 4**

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Revenues</b>										
Taxes	\$ 11,181,972	\$ 9,728,777	\$ 9,013,770	\$ 8,233,000	\$ 7,832,768	\$ 7,374,952	\$ 6,508,631	\$ 6,060,506	\$ 5,755,025	\$ 5,409,242
Licenses and permits	54,487	56,146	57,846	57,574	43,572	45,181	50,114	39,818	49,178	38,986
Intergovernmental	1,648,201	1,656,366	1,596,241	2,094,325	1,269,907	1,425,598	966,026	993,974	1,117,650	724,404
Charges for services	368,861	363,984	396,353	401,130	331,505	283,369	139,743	49,787	47,162	19,690
Fines and forfeitures	363,253	337,014	344,076	300,235	216,255	217,342	193,627	233,410	276,804	236,667
Investment income	572,336	246,716	137,011	138,952	111,107	187,302	284,869	302,774	419,983	111,651
Payment from component unit	770,877	661,417	661,407	622,061	675,704	714,985	525,976	80,000	-	-
Contributions and donations	124,608	176,214	44,895	1,084,504	-	265,270	1,156,193	376,888	376,295	103,000
Miscellaneous	85,405	117,772	157,948	139,505	303,328	399,980	347,947	343,708	269,445	396,648
<b>Total revenues</b>	<b>15,170,000</b>	<b>13,344,406</b>	<b>12,409,547</b>	<b>13,071,286</b>	<b>10,784,146</b>	<b>10,913,979</b>	<b>10,153,126</b>	<b>8,480,965</b>	<b>8,311,542</b>	<b>7,040,288</b>
<b>Expenditures</b>										
Current:										
Culture and recreation	2,611,013	2,467,861	2,374,455	2,267,690	2,366,423	2,590,967	1,988,445	1,399,065	1,096,587	860,238
Economic development	-	-	-	3,417	275,531	-	-	-	-	-
General government	1,383,100	1,270,288	1,560,873	974,771	980,100	876,371	713,764	751,921	619,595	506,576
Health and welfare	582,579	614,794	214,873	571,160	556,746	613,154	434,823	481,397	423,424	362,605
Highways and streets	1,153,897	1,085,298	1,046,654	1,070,642	1,032,007	1,857,357	1,073,128	1,148,165	1,283,000	1,572,823
Public safety	4,634,054	4,179,268	4,053,844	4,164,948	4,021,661	4,229,819	3,864,203	3,522,975	3,253,276	3,255,856
Debt service:										
Interest & fiscal charges	938,159	664,571	724,066	739,385	716,629	610,758	501,466	541,290	512,206	184,613
Principal retirement	1,070,825	1,138,070	1,038,665	927,215	848,102	916,163	795,244	757,544	740,038	327,873
Issuance costs	21,072	72,468	-	-	62,692	71,511	-	-	167,204	-
Capital outlay	3,487,123	2,475,907	1,763,551	4,780,081	3,198,692	2,795,571	2,847,592	5,719,752	3,788,039	25,320
<b>Total expenditures</b>	<b>15,871,822</b>	<b>13,968,525</b>	<b>12,776,981</b>	<b>15,499,309</b>	<b>14,058,583</b>	<b>14,561,691</b>	<b>12,218,665</b>	<b>14,322,109</b>	<b>11,883,369</b>	<b>7,095,904</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(701,822)</b>	<b>(624,119)</b>	<b>(367,434)</b>	<b>(2,428,023)</b>	<b>(3,274,437)</b>	<b>(3,647,712)</b>	<b>(2,065,539)</b>	<b>(5,841,144)</b>	<b>(3,571,827)</b>	<b>(55,616)</b>
<b>Other financing sources (uses)</b>										
Transfers in	723,787	802,738	608,424	1,088,710	1,892,850	1,539,723	1,251,490	951,806	1,152,526	533,149
Transfers out	(848,384)	(563,360)	(235,394)	(283,904)	(221,812)	(453,779)	(143,256)	(62,995)	(1,420,868)	(104,479)
Proceeds from bonds	-	9,000,000	-	-	3,043,442	4,342,199	-	-	9,050,000	-
Refunding bonds issued	1,524,321	-	-	-	-	-	-	-	-	-
Gain on settlement	-	-	-	-	-	75,000	-	-	-	-
Bond premium refund	-	-	-	-	-	-	-	-	1,810	-
Payment to refunded bond escrow agent	(1,501,306)	-	-	-	-	-	-	-	-	-
Proceeds from capital lease	544,300	288,810	-	449,924	-	289,547	-	-	-	273,823
<b>Total other financing sources (uses)</b>	<b>442,718</b>	<b>9,528,188</b>	<b>374,030</b>	<b>1,244,730</b>	<b>4,714,480</b>	<b>5,792,690</b>	<b>1,108,234</b>	<b>888,611</b>	<b>8,783,468</b>	<b>702,493</b>
<b>Net change in fund balance</b>	<b>\$ (259,104)</b>	<b>\$ 8,904,069</b>	<b>\$ 6,596</b>	<b>\$ (1,183,293)</b>	<b>\$ 1,440,043</b>	<b>\$ 2,144,978</b>	<b>\$ (957,305)</b>	<b>\$ (4,952,533)</b>	<b>\$ 5,211,641</b>	<b>\$ 646,877</b>
<b>Debt service as a percentage of non-capital expenditures</b>	16.40%	16.32%	16.01%	15.55%	14.99%	13.59%	13.84%	15.10%	17.53%	7.25%

**TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS**  
*Last Ten Fiscal Years*  
*(modified accrual basis of accounting)*

CITY OF BRENHAM

TABLE 5

Fiscal Year	Sales Tax	Ad Valorem Taxes (1)	Franchise Taxes (2)	Motel Tax	Mixed Beverage	Other Tax	Total Tax Revenues
1998	\$ 2,160,860	\$ 1,696,157	\$ 1,345,177	\$ 167,221	\$ 12,304	\$ 27,523	\$ 5,409,242
1999	2,320,941	1,804,226	1,354,375	231,929	14,844	28,710	5,755,025
2000	2,488,593	1,837,844	1,457,262	234,966	14,282	27,559	6,060,506
2001	2,573,793	2,034,652	1,620,358	241,369	16,821	21,638	6,508,631
2002	2,552,078	2,386,339	2,152,380	240,653	14,259	29,243	7,374,952
2003	2,588,412	2,656,495	2,289,566	250,942	16,776	30,577	7,832,768
2004	2,610,842	2,812,921	2,412,216	317,533	14,403	65,085	8,233,000
2005	2,910,902	3,092,295	2,593,770	351,238	15,718	49,847	9,013,770
2006	3,290,760	3,481,463	2,567,933	356,745	20,664	11,212	9,728,777
2007	3,524,009	4,133,381	3,117,224	371,468	26,525	9,365	11,181,972

(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**

<b>Fiscal Year</b>	<b>Residential</b>	<b>Commercial</b>	<b>Personal Property</b>	<b>Gross Valuation</b>	<b>Exemption</b>	<b>Net Taxable Value</b>	<b>Total Direct Tax Rate</b>
1998	\$ 222,522,670	\$ 155,588,798	\$ 164,233,695	\$ 542,345,163	\$ 56,363,007	\$ 485,982,156	0.35000
1999	218,865,870	182,817,531	179,679,871	581,363,272	70,431,282	510,931,990	0.35000
2000	219,109,029	197,720,959	180,726,140	597,556,128	73,688,343	523,867,785	0.35000
2001	269,118,178	186,973,818	184,013,476	640,105,472	86,518,169	553,587,303	0.37000
2002	294,146,981	207,576,271	201,341,491	703,064,743	96,893,031	606,171,712	0.39500
2003	313,526,154	222,282,517	200,099,154	735,907,825	92,511,210	643,396,615	0.41160
2004	342,870,991	256,701,023	188,770,685	788,342,699	101,481,686	686,861,013	0.41160
2005	361,775,150	256,868,274	177,812,355	796,455,779	90,675,166	705,780,613	0.43620
2006	370,683,893	174,081,839	251,690,047	831,172,476	88,694,515	742,477,961	0.46620
2007	422,316,663	150,958,311	257,897,502	900,404,272	103,247,446	797,156,826	0.50630

(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 Five Fiscal Years (1)

CITY OF BRENHAM  
TABLE 7

	Calendar Year (2)				
	2006	2005	2004	2003	2002
<u>Sales subject to sales tax</u>					
Retail trade	\$ 165,907,922	\$ 154,304,442	\$ 128,194,651	\$ 125,482,321	\$ 123,089,392
Accommodation/food services	28,184,502	25,768,161	22,784,614	21,969,171	21,527,867
Manufacturing	16,511,966	13,516,760	11,181,932	11,833,870	14,551,417
Wholesale trade	15,931,364	12,729,724	13,550,787	10,907,440	10,151,093
Other services	6,590,499	6,739,945	6,295,677	5,819,704	5,925,060
Admin/support/waste mgmt/remediation services	6,511,431	6,549,993	6,196,661	5,375,510	4,881,149
Real estate/rental/leasing	4,927,370	4,016,978	3,112,151	2,896,971	3,195,265
Mining/quarrying/oil/gas extraction	3,973,890	2,051,124	2,128,802	411,837	384,445
Construction	3,758,819	3,564,285	3,918,631	4,851,630	3,240,315
Professional/scientific/technical services	2,250,152	2,226,815	1,958,581	2,061,578	1,790,163
Public administration	1,778,439	0	0	0	0
Information	1,662,880	2,479,786	45,820,215	40,204,429	2,949,226
Educational services	1,585,995	1,270,482	1,537,769	1,740,983	57,479
Finance/insurance	1,182,103	1,070,593	800,927	798,105	1,228,011
Arts/entertainment/recreation	428,104	400,853	360,305	434,109	331,400
Agriculture/forestry/fishing hunting	338,068	130,726	309,314	270,955	105,119
Health care/social assistance	33,136	41,445	29,011	25,904	41,728
Transportation/warehousing	27,959	33,263	0	0	0
Management of companies/enterprises	0	0	0	0	0
Other	0	110	49,923	137,083	726,073
All industries (3)	\$ 266,586,139	\$ 243,484,091	\$ 254,305,669	\$ 241,905,908	\$ 202,874,609
City sales tax rate (4)	0.01500	0.01500	0.01500	0.01500	0.01500

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

(2) Data was derived from the Texas Comptroller's Quarterly Sales Tax Report for the City of Brenham. Information was selected on a calendar year basis in order to capture those businesses that only file annually. Data for calendar year 2007 was unavailable.

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

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

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

CITY OF BRENHAM  
TABLE 8

Fiscal Year	PROPERTY TAX RATES (per \$100 of assessed value)										SALES TAX RATES			
	City Direct Rates			Brenham			Total				City of Brenham	Washington County	Overlapping Governments	Total
	General Fund	Debt Service	Total	Independent School District	Blinn College	Washington County	Overlapping Governments	City of Brenham	Washington County	Overlapping Governments				
1998	0.21600	0.13400	0.35000	1.38610	0.04060	0.45670	2.23340	0.01500	0.00500	0.02000	0.01500	0.00500	0.02000	
1999	0.21600	0.13400	0.35000	1.56350	0.06110	0.46490	2.43950	0.01500	0.00500	0.02000	0.01500	0.00500	0.02000	
2000	0.21600	0.13400	0.35000	1.53560	0.05980	0.48400	2.42940	0.01500	0.00500	0.02000	0.01500	0.00500	0.02000	
2001	0.27300	0.09700	0.37000	1.54560	0.05760	0.48400	2.45720	0.01500	0.00500	0.02000	0.01500	0.00500	0.02000	
2002	0.27500	0.12000	0.39500	1.57170	0.05440	0.45000	2.47110	0.01500	0.00500	0.02000	0.01500	0.00500	0.02000	
2003	0.28750	0.12410	0.41160	1.59900	0.05490	0.45160	2.51710	0.01500	0.00500	0.02000	0.01500	0.00500	0.02000	
2004	0.30000	0.11160	0.41160	1.59900	0.05670	0.45160	2.51890	0.01500	0.00500	0.02000	0.01500	0.00500	0.02000	
2005	0.30510	0.13110	0.43620	1.56900	0.05520	0.44350	2.50390	0.01500	0.00500	0.02000	0.01500	0.00500	0.02000	
2006	0.31650	0.14970	0.46620	1.61000	0.05100	0.44350	2.57070	0.01500	0.00500	0.02000	0.01500	0.00500	0.02000	
2007	0.31650	0.18980	0.50630	1.44500	0.08200	0.43350	2.46680	0.01500	0.00500	0.02000	0.01500	0.00500	0.02000	

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

CITY OF BRENHAM

**TABLE 9**

2007			1998		
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	\$ 37,797,420	4.74%	Blue Bell Creameries	\$ 37,196,300	7.65%
Valmont/Als - Abated	15,082,070	1.89%	Mount Vernon Mills, Inc.	26,856,320	5.53%
Mount Vernon Mills, Inc.	14,948,290	1.88%	Valmont Industries	11,514,580	2.37%
Wal-Mart Properties #4109	13,964,200	1.75%	Cleaners Hangers Co.	11,292,600	2.32%
Magnetic Instruments	11,436,220	1.43%	Brenham Wholesale Groc.	10,201,370	2.10%
Lowe's Home Centers, Inc. #2521	11,279,395	1.41%	Wal-Mart Properties #4109	10,190,580	2.10%
Valmonts/Als	11,191,010	1.40%	Germania Farm Mutual Aid Assoc	7,932,160	1.63%
Germania Farm Mutual Aid Assoc	9,748,755	1.22%	Southwestern Bell Telephone	7,128,550	1.47%
Moore Wallace North America	9,205,070	1.15%	Sealy Mattress Co.	6,803,870	1.40%
Longwood Elastomers Inc	8,417,210	1.06%	Steadley Company	6,590,030	1.36%
<b>Total</b>	<b>\$ 143,069,640</b>	<b>17.95%</b>	<b>Total</b>	<b>\$ 135,706,360</b>	<b>27.92%</b>

(1) Data is from Washington County Appraisal District.

**PROPERTY TAX LEVIES AND COLLECTIONS**  
*Last Ten Fiscal Years*

**CITY OF BRENHAM**  
**TABLE 10**

Fiscal Year	Assessed Valuation	Tax Rate	Levy Net of Adjustments	Collected within the Fiscal Year of Levy		Collections from Prior Years	Total Collections	
				Amount	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 485,982,156	0.35000	\$ 1,700,952	\$ 1,655,687	97.34%	\$ 40,469	\$ 1,696,551	(1) 99.74%
1999	510,931,990	0.35000	1,788,276	1,757,932	98.30%	45,770	1,804,226	(2) 100.89%
2000	523,867,785	0.35000	1,833,551	1,802,125	98.29%	34,949	1,837,335	(3) 100.21%
2001	553,587,303	0.37000	2,042,221	2,010,387	98.44%	22,592	2,035,652	(4) 99.68%
2002	606,171,712	0.39500	2,391,893	2,354,756	98.45%	27,119	2,386,386	(5) 99.77%
2003	643,396,615	0.41160	2,648,253	2,595,349	98.00%	29,990	2,625,339	99.13%
2004	686,861,013	0.41160	2,827,306	2,746,974	97.16%	66,648	2,813,622	99.52%
2005	705,780,613	0.43620	3,072,218	3,022,400	98.38%	68,463	3,092,295	(6) 100.65%
2006	742,477,961	0.46620	3,468,062	3,413,035	98.41%	30,946	3,443,981	99.31%
2007	797,156,826	0.50630	4,088,719	4,020,719	98.34%	65,640	4,089,261	(7) 100.01%

(1) Includes \$395 of 1998 rollback taxes collected.

(2) Includes \$524 of 1999 rollback taxes collected.

(3) Includes \$261 of 2000 rollback taxes collected.

(4) Includes \$2,673 of 2001 rollback taxes collected.

(5) Includes \$4,511 in overages.

(6) Includes \$1,432 in overages.

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

PRINCIPAL SALES TAX PAYERS BY INDUSTRY (1)  
Calendar Years 2006 and 2002 (2)

CITY OF BRENHAM  
TABLE 11

2006		2002					
Sales Tax Payers By Industry	Sales Subject to Sales Tax	Percentage of All Industries	Number of Reporting Outlets	Sales Tax Payers By Industry	Sales Subject to Sales Tax	Percentage of All Industries	Number of Reporting Outlets
Retail trade	\$ 165,907,922	62.23%	394	Retail trade	123,089,392	50.88%	378
Accommodation/food services	28,184,502	10.57%	79	Accommodation/food services	21,527,867	8.90%	67
Manufacturing	16,511,966	6.19%	75	Manufacturing	14,551,417	6.02%	65
Wholesale trade	15,931,364	5.98%	42	Wholesale trade	10,151,093	4.20%	29
Other services	6,590,499	2.47%	101	Other services	5,925,060	2.45%	104
Admin/support/waste mgmt/remediation services	6,511,431	2.44%	68	Admin/support/waste mgmt/remediation services	4,881,149	2.02%	62
Real estate/rental/leasing	4,927,370	1.85%	16	Construction	3,240,315	1.34%	80
Mining/quarrying/oil/gas extraction	3,973,890	1.49%	5	Real estate/rental/leasing	3,195,265	1.32%	10
Construction	3,758,819	1.41%	83	Information	2,949,228	1.22%	12
Professional/scientific/technical services	2,250,152	0.84%	46	Professional/scientific/technical services	1,790,163	0.74%	38
Public administration	1,778,439	0.67%	4	Finance/insurance	1,228,011	0.51%	13
Information	1,662,860	0.62%	11	Other	726,073	0.30%	50
Educational services	1,585,995	0.59%	13	Mining/quarrying/oil/gas extraction	384,445	0.16%	4
Finance/insurance	1,182,103	0.44%	11	Arts/entertainment/recreation	331,400	0.14%	11
Arts/entertainment/recreation	428,104	0.16%	15	Agriculture/forestry/fishing hunting	105,119	0.04%	10
Agriculture/forestry/fishing hunting	338,088	0.13%	11	Educational services	57,479	0.02%	9
Health care/social assistance	33,136	0.01%	5	Health care/social assistance	41,728	0.02%	4
Transportation/warehousing	27,959	0.01%	6	Public administration	0	0.00%	3
Management of companies/enterprises	0	0.00%	1	Transportation/warehousing	0	0.00%	3
Other	0	0.00%	18	Management of companies/enterprises	0	0.00%	0
All industries (3)	\$ 266,586,139	100.00%	1,004	All industries (3)	\$ 241,905,908	100.00%	952

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

(2) Data was derived from the Texas Comptroller's Quarterly Sales Tax Report for the City of Brenham. Information was selected on a calendar year basis in order to capture those business entities that only file annually. Data prior to 2002 and for calendar year 2007 was unavailable.

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



**RATIO OF OUTSTANDING DEBT BY TYPE**  
*Last Ten Fiscal Years*

**CITY OF BRENHAM**  
**TABLE 12**

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)	
	General Obligation Bonds	Certificates of Obligation	General Obligation Refunding	Capital Leases	General Obligation Bonds	Certificates of Obligation	General Obligation Refunding	Capital Leases				Settlement
1998	\$ 3,105,000	\$ -	\$ -	\$ 245,950	\$ 5,425,000	\$ -	\$ -	\$ -	\$ 123,670	\$ 8,899,620	2.71%	689
1999	2,790,000	8,675,000	-	195,912	5,205,000	-	-	-	113,822	16,979,734	4.97%	1,301
2000	2,460,000	8,300,000	-	143,368	4,970,000	-	-	-	103,367	15,976,735	4.25%	1,183
2001	2,110,000	7,910,000	-	88,124	4,725,000	-	-	-	92,267	14,925,391	3.86%	1,105
2002	1,735,000	11,767,124	-	239,676	855,000	12,117,876	3,885,000	276,226	80,483	30,956,385	7.84%	2,246
2003	1,340,000	14,433,034	-	171,514	585,000	18,181,966	3,885,000	217,454	67,972	38,881,940	9.85%	2,810
2004	920,000	14,292,528	-	551,381	300,000	17,677,472	3,885,000	166,807	54,689	37,847,877	8.87%	2,692
2005	475,000	13,817,497	-	432,747	-	17,432,503	3,885,000	113,759	40,586	36,197,092	7.85%	2,542
2006	-	22,278,242	-	597,743	-	17,086,758	3,530,000	138,387	25,614	43,656,744	9.09%	3,036
2007	-	19,848,522	1,511,950	878,321	-	12,826,478	7,133,050	417,259	9,719	42,625,299	8.60%	2,960

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

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT**  
*Last Ten Fiscal Years*

**CITY OF BRENHAM**  
**TABLE 13**

Fiscal Year	General Obligation Bonds	Certificates of Obligation	General Obligation Refunding	Gross Bonded Debt	Less Debt Service Funds Available	Net Bonded Debt	Taxable Assessed Value	Ratio of Net Bonded Debt to Assessed Values	Net Bonded Debt Per Capita (1)
1998	\$ 3,105,000	\$ -	\$ -	\$ 3,105,000	398,791	\$ 2,706,209	\$ 485,982,156	0.56%	\$ 209
1999	2,790,000	8,675,000	-	11,465,000	398,664	11,066,336	510,931,990	2.17%	848
2000	2,460,000	8,300,000	-	10,760,000	375,089	10,384,911	523,867,785	1.98%	769
2001	2,110,000	7,910,000	-	10,020,000	250,540	9,769,460	553,587,303	1.76%	723
2002	1,735,000	11,767,124	-	13,502,124	316,626	13,185,498	606,171,712	2.18%	957
2003	1,340,000	14,433,034	-	15,773,034	295,934	15,477,100	643,396,615	2.41%	1,118
2004	920,000	14,292,528	-	15,212,528	177,817	15,034,711	686,861,013	2.19%	1,069
2005	475,000	13,817,497	-	14,292,497	146,770	14,145,727	760,929,323	1.86%	994
2006	-	22,278,242	-	22,278,242	198,430	22,079,812	742,477,961	2.97%	1,535
2007	-	19,848,522	1,511,950	21,360,472	332,812	21,027,660	797,156,826	2.64%	1,460

(1) See Table 17 for population information.

**DIRECT AND OVERLAPPING DEBT**  
**Current Year**

**CITY OF BRENHAM**

**TABLE 14**

<b>NAME OF GOVERNMENTAL UNIT</b>	<b>NET GENERAL OBLIGATION BONDED DEBT OUTSTANDING</b>	<b>2006 TAX ROLL TAXABLE VALUE</b>	<b>PERCENTAGE APPLICABLE TO CITY OF BRENHAM (1)</b>	<b>CITY OF BRENHAM'S SHARE OF DEBT</b>
City of Brenham	\$ 21,027,660	\$ 797,156,826	100.0%	\$ 21,027,660
Brenham I. S. D.	25,823,455	1,599,511,681	49.8%	12,869,767
Washington County	6,000,000	1,935,628,527	41.2%	2,471,001
Blinn Junior College	-	1,780,817,808		-
<b>Total direct and overlapping debt</b>	<b>\$ 52,851,115</b>	<b>\$ 6,113,114,842</b>		<b>\$ 36,368,429</b>

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 14,402) \$2,525

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									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Taxable assessed valuations	\$ 797,156,826	\$ 742,477,961	\$ 705,780,613	\$ 686,861,013	\$ 643,396,615	\$ 606,171,712	\$ 553,587,303	\$ 523,867,785	\$ 510,931,990	\$ 485,982,156
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	0.31650	0.31650	0.30510	0.30000	0.28750	0.27500	0.27300	0.21600	0.21600	0.21600
Debt limit per \$100 valuation	1.33350	1.33350	1.34490	1.35000	1.36250	1.37500	1.37700	1.43400	1.43400	1.43400
Debt limit	10,630,086	9,900,944	9,492,043	9,272,624	8,766,279	8,334,861	7,622,897	7,512,264	7,326,765	6,968,984
Total net debt applicable to limit	1,980,831	1,754,883	1,655,433	1,574,263	1,485,812	1,385,364	1,234,998	1,237,122	1,190,533	477,808
Legal debt margin	\$ 8,649,255	\$ 8,146,061	\$ 7,836,610	\$ 7,698,361	\$ 7,280,467	\$ 6,949,497	\$ 6,387,899	\$ 6,275,142	\$ 6,136,232	\$ 6,491,176

Total net debt applicable to the limit  
as a percentage of debt limit

	18.63%	17.72%	17.44%	16.98%	16.95%	16.62%	16.20%	16.47%	16.25%	6.86%
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PLEGGED REVENUE COVERAGE  
Last Ten Fiscal Years

Fiscal Year	Electric Fund - Series 1992 Revenue Bonds (1)						Water Fund (2)						
	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						Principal	Interest	
1998	14,818,566	14,058,202	760,364	170,000	10,455	4.21	2,288,639	1,702,604	586,035	205,000	319,815	1.12	
1999	15,098,239	14,222,491	875,748	-	-	-	2,171,894	2,214,338	(42,444)	220,000	310,078	(0.08)	
2000	16,383,896	15,879,020	504,876	-	-	-	2,635,493	1,826,152	809,341	235,000	299,298	1.51	
2001	18,291,033	18,293,266	(2,233)	-	-	-	2,227,339	1,908,321	319,018	245,000	287,548	0.60	
2002	18,026,344	17,091,916	934,428	-	-	-	2,472,349	2,045,722	426,627	402,146	235,015	0.67	
2003	19,230,844	18,462,455	768,389	-	-	-	2,563,880	2,022,318	541,562	311,230	393,136	0.77	
2004	20,468,491	19,650,655	817,836	-	-	-	2,690,075	2,161,268	528,807	328,586	377,209	0.75	
2005	22,138,695	20,901,606	1,237,089	-	-	-	2,944,790	2,376,870	567,920	341,325	346,490	0.83	
2006	26,440,575	25,982,043	458,532	-	-	-	3,718,368	2,797,111	921,257	42,213	328,534	2.48	
2007	23,184,463	23,342,221	(157,758)	-	-	-	3,254,617	3,164,010	90,607	137,026	303,652	0.21	

Fiscal Year	Sewer Fund - Self-Supporting Debt (3)						Total Electric (4), Water, and Sewer Funds (5)						
	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						Principal	Interest	
1998	1,672,664	1,370,839	301,825	-	-	-	18,779,869	17,131,645	1,648,224	375,000	330,270	2.34	
1999	1,610,502	1,617,750	(7,248)	-	-	-	2,171,894	2,214,338	(42,444)	220,000	310,078	(0.08)	
2000	1,739,697	1,699,108	40,589	-	-	-	2,635,493	1,826,152	809,341	235,000	299,298	1.51	
2001	1,619,162	1,769,162	(150,000)	-	-	-	2,227,339	1,908,321	319,018	245,000	287,548	0.60	
2002	1,594,352	1,861,284	(266,932)	144,666	338,370	(0.55)	4,066,701	3,907,006	159,695	546,812	573,385	0.14	
2003	2,032,243	1,964,495	67,748	88,830	561,089	0.10	4,596,123	3,986,813	609,310	400,060	954,225	0.45	
2004	1,953,816	2,005,729	(51,913)	164,256	653,379	(0.06)	4,643,891	4,166,997	476,894	492,842	1,030,588	0.31	
2005	2,377,633	2,315,795	61,838	203,644	648,215	0.07	5,322,423	4,692,665	629,758	544,969	994,705	0.41	
2006	2,944,441	2,895,413	49,028	303,332	640,901	0.05	6,662,809	5,692,524	970,285	345,545	969,435	0.74	
2007	3,798,212	3,559,574	238,638	571,241	617,220	0.20	7,052,829	6,723,584	329,245	708,267	920,872	0.20	

(1) All revenue bond debt was retired in 1998.

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

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

(4) Electric fund was only included in the summary for 1998.

(5) Sewer fund was only included in the summary for years 2002 and later

**TABLE 17**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Total Personal Income (000's) (2)</b>	<b>Per Capita Personal Income (3)</b>	<b>Unemployment Rate (4)</b>
1998	12,919	\$ 328,517	\$ 25,429	2.9
1999	13,048	341,884	26,202	3.2
2000	13,507	375,846	27,826	2.7
2001	13,505	386,554	28,623	2.3
2002	13,785	394,761	28,637	3.2
2003	13,838	394,798	28,530	4.1
2004	14,062	426,458	30,327	4.0
2005	14,237	461,265	32,399	4.3
2006	14,381	480,323	33,400	4.0
2007	14,402	495,883	34,432	3.9

(1) Population for 1998 and 1999 are estimates based on the 1990 Census and a growth rate of 1% per year. The 2000 population is per the 2000 Census. 2001 to 2007 population are projections provided by the Texas Data Center.

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

(3) Data for years 1998 to 2005, is for Washington County and comes from the Bureau of Economic Analysis. 2006 and 2007 are estimates based on a five year compound average annual growth rate.

(4) Unemployment rates are taken from Economic Development Foundation of Brenham reports. Data for these reports come from the U.S. Bureau of Labor Statistics. Under the new U.S. Bureau of Labor Statistics mandated methodology for producing labor statistics, a city must have a population of at least 25,000 for city-level estimates to be produced, therefore, the unemployment rates shown for 2005 to 2007 are for Washington County. 2007 is based upon a nine month average.

**PRINCIPAL EMPLOYERS**  
*Current Year and Nine Years Ago*

**CITY OF BRENHAM**

**TABLE 18**

<b>2007</b>			<b>1998</b>		
<b>Employer</b>	<b>Employees</b>	<b>Percentage of Total City Employment</b>	<b>Employer</b>	<b>Employees</b>	<b>Percentage of Total City Employment</b>
Blinn College	900	12.93%	Brenham State School	1,062	16.91%
Brenham State School	880	12.65%	Blue Bell Creameries	741	11.80%
Blue Bell Creameries	786	11.29%	Brenham I.S.D	620	9.87%
Brenham I.S.D	719	10.33%	Blinn College	600	9.55%
Wal-Mart Supercenter	380	5.46%	Mount Vernon Mills	350	5.57%
Germania Insurance	324	4.66%	Germania Insurance	285	4.54%
Mount Vernon Mills	305	4.38%	Trinity Medical Center	250	3.98%
Trinity Medical Center	285	4.10%	Wal-Mart Supercenter	241	3.84%
City of Brenham	240	3.45%	Valmont A.L.S.	240	3.82%
Sealy Mattress Company	211	3.03%	Brenham Wholesale Grocery	227	3.61%
<b>Total</b>	<b>5,030</b>	<b>72.28%</b>	<b>Total</b>	<b>4,616</b>	<b>73.50%</b>
<b>Employment (1)</b>	<b>6,959</b>		<b>Employment (1)</b>	<b>6,280</b>	

(1) Employment is taken from Economic Development Foundation of Brenham reports. Data for these reports come from the 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, employment shown for 2007 is an estimate based on Washington County employment information (5 months) allocated to the City using the proportion of City to County estimated populations.

**FULL-TIME EQUIVALENT EMPLOYEES**  
*Last Five Fiscal Years (1)*

**CITY OF BRENHAM**

**TABLE 19**

Function/program	Fiscal Year				
	2007	2006	2005	2004	2003
Streets/Drainage	17 50	17 88	18.28	18.31	18.28
Parks/Recreation	20 10	20 08	20.23	20.23	20 48
Aquatic Center	20 19	22.50	23 12	22.25	24 37
Library	8.92	7 88	6 84	7 36	7 84
Central Communication	13.17	13 19	14.22	14 70	12.72
Police	33 00	32.00	32.75	32.00	32.00
Fire	11 00	11 00	10 50	10 50	10 50
Animal Control	3.40	3.00	3.00	3 00	3.00
Municipal Court	4 60	4 60	3 60	3 60	3.60
Public Works	6 14	6 14	5 89	5 64	5 64
Administration	10 00	8 00	8.25	6 50	6.50
Utility Billing/Customer Service	10 00	10 00	10 73	9 73	10 73
Finance	10.00	11 00	10 00	12.00	12.00
Public Information	2.00	2.00	2.00	4 00	3.00
Public Utilities	6.00	6 00	8.00	9 33	9 00
Central Warehouse/Maintenance	9 38	9 38	9 40	8 37	6.40
Information Technology	3.50	4 50	4 50	3 00	3.00
Electric	11 00	11 00	11 00	12.00	12.00
Gas	5 33	5.33	5 33	5 33	5 33
Water Treatment	6 00	6 00	6.00	7 00	7 00
Water Construction	5 34	5 34	5 34	5 34	5 34
Wastewater Treatment	7 00	7 00	7 00	8 00	8.00
Wastewater Construction	5.33	5 33	5 33	5 33	5 33
Transfer Station	3.08	3.08	5 14	3 99	4 56
Collection Station	1 52	1 52	-	-	-
Recycling Center	2.25	2.25	2.33	3 33	3.25
Collection	4 59	4 59	5 84	7 17	8 50
Special Revenues/Grants	-	-	2.25	3 00	4 00
<b>Total</b>	<b>240 34</b>	<b>240 59</b>	<b>246 87</b>	<b>251 01</b>	<b>252.37</b>

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



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

**CITY OF BRENHAM**

**TABLE 20**

	Fiscal Year				
	2007	2006	2005	2004	2003
<b>Recreation/Parks</b>					
Number of athletic tournaments (2)	32	38	35	31	NA
<b>Aquatic Center</b>					
Number of Visitors	66,793	70,363	67,914	58,627	49,089
Number of Annual Passes	137	140	140	159	239
Number of Monthly Passes	907	878	913	814	615
<b>Streets</b>					
Road maintenance in linear feet	11,738	16,393	12,967	7,750	7,955
<b>Library</b>					
Circulation	44,933	49,004	47,545	49,754	51,204
<b>Central Communications</b>					
Number of Incoming Calls	561,436	519,038	503,992	481,609	436,210
Number of 9-1-1 Calls	30,702	27,253	20,496	17,928	16,075
<b>Police</b>					
Traffic Citations	3,593	2,988	3,186	4,513	2,506
Traffic Warning Tickets Issued	3,536	4,188	5,297	8,516	4,237
Mileage on Police units	296,422	299,527	295,802	300,602	312,246
<b>Fire (2)</b>					
Fire Responses	118	80	86	71	68
Rescues	52	34	32	32	30
<b>Animal Control/Shelter/Adoption</b>					
Number of Incoming Animals	1,846	1,464	1,784	1,876	1,812
Animals Adopted	401	343	342	304	301
<b>Municipal Court</b>					
Traffic dispositions	5,614	5,132	4,232	4,429	3,388
Other dispositions	1,413	1,505	1,953	1,790	1,850
<b>Public Works</b>					
Building Inspections	1,742	1,692	1,779	1,552	1,536
<b>Electric</b>					
kWh delivered	302,190,150	314,772,687	308,467,816	293,512,414	302,866,896
Customers served	7,947	7,728	7,585	7,556	7,564
<b>Gas</b>					
mcf delivered	602,719	563,508	543,062	557,790	644,920
Customers served	4,050	3,982	3,965	3,944	3,956
<b>Water</b>					
Gallons delivered	799,546,600	956,383,100	811,893,100	736,565,100	782,517,000
Customers served	6,654	6,372	6,211	6,134	6,124
<b>Sewer</b>					
Effluent plant gallons processed	810,562,100	751,247,000	759,309,000	696,397,880	727,604,500
Commercial/industrial gallons processed	394,462,700	406,897,100	359,657,100	352,189,200	381,528,924
Customers served	6,073	5,839	5,766	5,722	5,719
<b>Sanitation</b>					
Customers served	5,168	5,065	4,979	4,949	5,158

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

(2) Tournament data for 2003 is not available.

(3) Operating indicators for the Fire Department are based on calendar year. Figures for 2007 are year-to-date December 12, 2007.

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

CITY OF BRENHAM

**TABLE 21**

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

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

THE CITY OF BRENHAM

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FEDERAL AWARDS  
SECTION



SEIDEL, SCHROEDER & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS ADVISORS

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brenham, Texas, (the "City") as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

February 20, 2008  
Brenham, Texas

*Sidel, Schneider & Company*





SEIDEL, SCHROEDER & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS ADVISORS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of City of Brenham, Texas (the "City") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended September 30, 2007. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

City of Brenham's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

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

February 20, 2008  
Brenham, Texas

*Seidel, Schroeder & Capony*

CITY OF BRENHAM, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

A. SUMMARY OF AUDIT RESULTS

- 1 The auditors' report expresses an unqualified opinion on the basic financial statements of the City of Brenham, Texas (the "City").
- 2 No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- 3 No instances of noncompliance material to the financial statements of the City of Brenham were disclosed during the audit.
- 4 No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133
- 5 Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
- 6 The program tested as a major program was the  

U S Department of Transportation/Texas Department of Transportation  
CFDA No 20 106
- 7 The threshold for distinguishing Types A and B programs was \$300,000
- 8 The City did not qualify as a low-risk auditee.



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

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

07-1. Grant Administration

*Condition and Criteria.* In a prior year, the City incorrectly entered costs associated with grant funds into an internal spreadsheet, and therefore incorrectly calculated the City's portion of allocable costs. This error was discovered by the Accounting Manager

*Effect* The error was corrected in the current year, and as a result, current year income is misstated by \$4,059

*Recommendation.* We recommend that someone other than the preparer review the internal spreadsheets.

*Response* The spreadsheet calculations are now being reviewed by the Director of Finance.

PRIOR YEAR AUDIT FINDINGS

06-1. Municipal court

*Condition.* Municipal court clerks collect payments of fines, post payments to the computer system, prepare deposit slips, reconcile deposits to collection reports, post adjustments and generate warrants. To help offset this weakness, the accounting department reconciles the municipal court collections to the general ledger and reconciles the bank accounts. In addition, municipal court judges review adjustments and the CFO reviews the reconciliations.

*Criteria.* The duties of receiving and posting payments should be segregated.

*Effect* Because of the lack of segregation of duties, cash could be misappropriated.

*Recommendation.* Procedures should be implemented whereby management can determine that all adjustments were approved by the municipal court judges.

*Response* The accounting supervisor is reconciling the municipal court reports to the general ledger and reconciles the bank accounts. The municipal court judges review adjustments including non-cash adjustments and a billing clerk reconciles adjustment registers to the jackets.

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**CITY OF BRENHAM, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT NUMBER	PROGRAM AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT 09/30/06	FEDERAL/ STATE FUNDS RECEIVED	FEDERAL/ STATE EXPENDITURES	NET OTHER TRANSACTIONS	ACCRUED OR (DEFERRED) REVENUE AT 09/30/07
<b>U.S. DEPARTMENT OF JUSTICE</b>								
Bulletproof Vest Partnership 2002 Grant	16.607		\$ 2,789	\$ 2,789	\$ (2,405)	\$ -	\$ (394)	\$ -
Bulletproof Vest Partnership 2006 Grant	16.607		2,499	-	-	1,238	-	1,238
Bulletproof Vest Partnership 2007 Grant	16.607		1,248	-	-	-	-	-
C.O.P.S. Law Enforcement Technology Grant	16.710	2006CKWX0147	148,084	-	-	124,277	-	124,277
			\$ 154,630	\$ 2,789	\$ (2,405)	\$ 125,515	\$ (394)	\$ 125,515
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>								
Texas Department of Agriculture	14.228		\$ 150,000	\$ 150,000	\$ (150,000)	\$ -	\$ -	\$ -
Texas Community Development Program Texas Capital Fund								
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>								
Assistance to Firefighters Grant	97.044	EMW-2006-FG-04941	\$ 191,382	\$ -	\$ (191,382)	\$ 191,382	\$ -	\$ -
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>								
Texas Department of Transportation	20.205		\$ 1,832,029	\$ 16,055	\$ (16,055)	\$ -	\$ -	\$ -
Transportation Enhancement TEA-21 Project-Brenham Greenways	20.609	0917-19-039	5,000	-	(1,888)	1,888	-	-
Selective Traffic Enforcement Program-Click It Or Ticket			\$ 1,837,029	\$ 16,055	\$ (17,943)	\$ 1,888	\$ -	\$ -
<b>Texas Department of Transportation</b>								
Routine Airport Maintenance Program (RAMP)		M617 BRENM	\$ 30,000	\$ 9,371	\$ (9,325)	\$ -	\$ (46)	\$ -
Routine Airport Maintenance Program (RAMP)		M717 BRENM	50,000	-	-	9,745	-	9,745
Routine Airport Maintenance Program (RAMP)		M817 BRENM	50,000	-	-	-	-	-
			\$ 130,000	\$ 9,371	\$ (9,325)	\$ 9,745	\$ (46)	\$ 9,745
<b>TOTAL FEDERAL AND STATE CASH AWARDS</b>			\$ 2,463,041	\$ 178,225	\$ (371,055)	\$ 328,530	\$ (440)	\$ 135,260

CITY OF BRENHAM, TEXAS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT NUMBER	PROGRAM AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT 09/30/06	FEDERAL/ STATE FUNDS RECEIVED	FEDERAL/ STATE EXPENDITURES	NET OTHER TRANSACTIONS	ACCRUED OR (DEFERRED) REVENUE AT 09/30/07
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>								
Brazos Valley Council of Governments (1)								
Section 8 Housing Assistance and Voucher Program	14.871	TX540VO	\$ 356,549	\$ (4,071)	\$ (300,059)	\$ 279,770	\$ 4,071	\$ (20,289)
<b>U.S. DEPARTMENT OF TRANSPORTATION - FAA</b>								
Texas Department of Transportation (2)								
Federally Assisted Airport Development Grant HANGAR	20.106	06HGBRENM	\$ 894,980	\$ -	\$ (632,106)	\$ 632,106	\$ -	\$ -
Federally Assisted Airport Development Grant RUNWAY	20.106	0717BRENM	387,000	-	(89,945)	89,945	-	-
			\$ 1,281,980	\$ -	\$ (722,051)	\$ 722,051	\$ -	\$ -
			\$ 1,638,529	\$ (4,071)	\$ (1,022,110)	\$ 1,001,821	\$ 4,071	\$ (20,289)

(1) The City is the grantee for the Section 8 grant program, but contracts with the Brazos Valley Council of Governments (BVCOG) to administer the grants.  
 All fiscal and administrative responsibilities rest with BVCOG and no funds are directly received or expended by the City

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

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