

CITY OF BROWNWOOD
Brownwood, Texas

ANNUAL FINANCIAL STATEMENTS

September 30, 2022

CITY OF BROWNWOOD, TEXAS

Brownwood, Texas

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Brownwood, Texas

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D. A. "Tony" Krischke, CPA

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Brownwood
Brownwood, Texas

Report on the Audit of the Financial Statements

Opinions

I 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 City of Brownwood, Texas as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In my 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brownwood, Texas, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City of Brownwood, Texas and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Brownwood, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will

always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Brownwood, Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Brownwood, Texas' ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in net pension liability and related ratios, the schedules of pension contributions and budgetary comparison information on pages 4-9 and 52-65 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brownwood, Texas' basic financial statements. The combining financial statements and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated April 26, 2023, on my consideration of the City of Brownwood, Texas' internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Brownwood, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Brownwood, Texas' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Krischke CPA, PC". The signature is written in a cursive, flowing style.

Krischke CPA, PC
April 26, 2023

City of Brownwood
Management's Discussion and Analysis
For Year Ended September 30, 2022
(Unaudited)

As management of the City of Brownwood, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Brownwood for the fiscal year ended September 30, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets of the City of Brownwood exceeded its liabilities at the close of the fiscal year by \$46,270,329 (net position), an increase of \$6,496,292 as compared to the prior year. Of this amount, \$810,639 is restricted for debt service, construction and other uses. The amount invested in fixed assets is \$46,539,772 leaving a negative \$(1,080,082) in unrestricted net position.
- As of the close of the current fiscal year, the City's governmental activities reported combined ending net position of \$28,019,177, an increase of \$2,377,506 in comparison with the prior year.
- At the end of the current fiscal year, unrestricted net position for the governmental activities was a negative \$(283,009) as compared to a negative \$(438,704) in the prior year, an improvement of \$155,695. Net position invested in capital assets for governmental activities increased by \$2,537,990. Net position invested in restricted assets for governmental activities decreased by \$316,179.
- The City's total liabilities increased by \$3,890,850 during the current fiscal year. Unearned grant funds increased by \$2,212,282 and net pension liability decreased by 2,837,177.
- Total revenue increased by \$3,138,649 over the prior year. General revenues such as property taxes, sales tax and other taxes increased by \$54,863 while operating revenues such as water sales, sewer fees and sanitation fees increased by \$3,083,786.
- Expenditures increased by \$603,580 primarily due to the combined effect of an increase in Public Safety costs of \$146,572, an increase of \$650,835 in General Government, a decrease of \$37,809 in Parks and Community Facilities costs, a decrease of \$475,240 in Community development and an increase of \$79,631 in Special Revenue Activities. Operating costs for enterprise activities such as Water, Sewer, Sanitation, Landfill and Airport increased by \$135,073.
- The year ended with a net surplus of \$6,496,292 compared with a surplus of \$3,961,223 in the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City.

Required Components of Annual Financial Report

Basic Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the proprietary funds statements.

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **Required Supplementary Information** is provided to show details about the City's pension funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole. The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and total liabilities. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, street maintenance, parks and recreation, community meeting facilities, health services, and general administration. Taxes finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water, sewer and sanitation services offered by the City as well as the City operated landfill and airport. The final category is the component unit. Although legally separate from the City, Brownwood Municipal Development District is important to the City because the City exercises control by appointing its board members.

The Government-wide Financial Statements are on pages 10-14 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. 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 Brownwood, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance with finance-related legal requirements. All of the funds of City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the city's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Governmental Fund Financial Statements are on pages 15-19 of this report.

Proprietary Funds – The City of Brownwood has three major proprietary funds. The Utility Fund is used to account for its water and sewer operations. The Sanitation Fund is used to account for its sanitation service and the operations of the landfill. The Airport Fund is used to account for the operations of the Brownwood Regional Airport. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

The Proprietary Funds Financial Statements are on pages 20-23 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 are on pages 24-51 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain supplementary information. This includes combining financial statements.

Government-Wide Financial Analysis

The City’s combined net position increased from \$39,774,037 last year to \$46,270,329 this year, an increase of \$6,496,292. Although there were a variety of factors, the key changes are described under the Financial Highlights section.

City of Brownwood Net Position

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 16,845,586	\$ 15,639,951	\$ 10,160,785	\$ 5,356,253	\$ 27,006,371	\$ 20,996,204
Capital Assets	40,636,428	38,306,751	30,916,332	33,170,279	71,552,760	71,477,030
Deferred Outflows	1,463,562	1,096,966	350,376	252,709	1,813,938	1,349,675
Total Assets	\$ 58,945,576	\$ 55,043,668	\$ 41,427,493	\$ 38,779,241	\$ 100,373,069	\$ 93,822,909
Current liabilities	\$ 8,914,560	\$ 4,559,595	\$ 11,139,421	\$ 11,191,887	\$ 20,053,981	\$ 15,751,482
Long-term liabilities	11,579,700	10,002,763	10,545,461	11,955,353	22,125,161	21,958,116
Net Pension Liability	6,818,106	8,932,912	402,200	1,124,571	7,220,306	10,057,483
Deferred Inflows	3,614,033	1,973,423	1,089,259	471,386	4,703,292	2,444,809
Total Liabilities	\$ 30,926,399	\$ 25,468,693	\$ 23,176,341	\$ 24,743,197	\$ 54,102,740	\$ 50,211,890
Net Position:						
Invested in capital assets net of related debt	\$ 27,595,975	\$ 25,037,985	\$ 18,943,797	\$ 19,434,702	\$ 46,539,772	\$ 44,492,687
Restricted	706,211	1,022,390	104,428	140,157	810,639	1,162,547
Unrestricted	(283,009)	(438,704)	(797,073)	(5,442,493)	(1,080,082)	(5,881,197)
Total Net Position	\$ 28,019,177	\$ 25,641,671	\$ 18,251,152	\$ 14,132,366	\$ 46,270,329	\$ 39,774,037

Analysis of the City’s Operations:

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets of the City of Brownwood exceeded liabilities by \$46,270,329 as of September 30, 2022. However, the largest portion of the City’s net position (100.6%) reflects the City’s investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City’s net position (1.8%) represents resources that are subject to external restrictions on how they may be used, primarily bond funds that must be used for specific projects. This leaves a negative unrestricted balance of \$(1,080,082). This was a decrease of \$4,801,115 or 81.6% over the prior year.

Governmental activities: Governmental activities increased the City’s net position by \$2,377,506.

Business-type activities: Business-type activities increased the City's net position by \$4,118,786.

The following table provides a summary of the City's operations for year ended September 30, 2022:

	City of Brownwood Changes in Net Position					
	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Fees, fines, and charges for services	\$ 2,997,189	\$ 3,339,804	\$ 19,304,349	\$ 17,685,458	\$ 22,301,538	\$ 21,025,262
Operating grants and contributions	1,985,822	1,343,576	-	-	1,985,822	1,343,576
Capital grants and contributions	2,659,372	1,539,038	57,887	12,957	2,717,259	1,551,995
General Revenues:						
Ad valorem taxes	7,368,702	7,210,802	-	-	7,368,702	7,210,802
Sales tax	6,814,240	6,627,106	-	-	6,814,240	6,627,106
Other revenues	4,650,338	4,759,052	326,078	507,535	4,976,416	5,266,587
Total Revenues	<u>\$ 26,475,663</u>	<u>\$ 24,819,378</u>	<u>\$ 19,688,314</u>	<u>\$ 18,205,950</u>	<u>\$ 46,163,977</u>	<u>\$ 43,025,328</u>
Expenses:						
General government and administration	\$ 6,523,792	\$ 5,872,957	\$ -	\$ -	\$ 6,523,792	\$ 5,872,957
Public Safety	9,656,121	9,509,549	-	-	9,656,121	9,509,549
Streets	2,673,377	2,559,642	-	-	2,673,377	2,559,642
Parks & Community Facilities	2,879,547	2,917,356	-	-	2,879,547	2,917,356
Community Development	146,356	621,596	-	-	146,356	621,596
Special Rev Activities	1,902,485	1,822,854	-	-	1,902,485	1,822,854
Water & Sewer	-	-	8,469,069	8,858,306	8,469,069	8,858,306
Sanitation & Landfill	-	-	5,165,915	5,146,721	5,165,915	5,146,721
Airport	-	-	1,592,732	1,087,616	1,592,732	1,087,616
Interest on long-term debt & debt issuance cost	316,479	326,482	341,812	341,026	658,291	667,508
Total Expenses	<u>\$ 24,098,157</u>	<u>\$ 23,630,436</u>	<u>\$ 15,569,528</u>	<u>\$ 15,433,669</u>	<u>\$ 39,667,685</u>	<u>\$ 39,064,105</u>
Change in net position before transfers	\$ 2,377,506	\$ 1,188,942	\$ 4,118,786	\$ 2,772,281	\$ 6,496,292	\$ 3,961,223
Transfers	-	3,306,122	-	(3,306,122)	-	-
Change in net position	\$ 2,377,506	\$ 4,495,064	\$ 4,118,786	\$ (533,841)	\$ 6,496,292	\$ 3,961,223
Net position October 1	<u>25,641,671</u>	<u>21,146,607</u>	<u>14,132,366</u>	<u>14,666,207</u>	<u>39,774,037</u>	<u>35,812,814</u>
Net position September 30	<u>\$ 28,019,177</u>	<u>\$ 25,641,671</u>	<u>\$ 18,251,152</u>	<u>\$ 14,132,366</u>	<u>\$ 46,270,329</u>	<u>\$ 39,774,037</u>

Financial Analysis of the City of Brownwood Funds

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

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$8,267,457 as compared to \$8,928,839 in the prior year, a decrease of \$661,381. Total fund balance was \$8,534,502 this year compared to \$9,545,879 in the prior year, a decrease of \$1,011,377. This decline was primarily due to a decrease in the cash and investments balances in the General Fund of \$2,382,680 and a decrease in the net receivables in the General Fund of \$841,524.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. These percentages were 30.4% and 31.4% respectively compared to 36.4% and 40.0% in the prior year.

At September 30, 2022, the governmental funds of the City reported a combined fund balance of \$9,550,006 compared to the prior year which was \$10,412,059, a decrease of \$862,053.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Utility (Water Delivery, Wastewater Collection and Wastewater Treatment), Sanitation (Trash Collection and Landfill) and Airport Funds at the end of the fiscal year amounted to a negative \$(797,073). This represented an increase of \$4,693,581.

Budgetary Highlights: During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

In the General Fund, revenues were over budgeted amounts by \$1,526,933 or 7.9% while expenditures came in over budget by \$1,287,707 or 6.2%. This represented a net positive variance of \$239,226.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2022, totals \$71,552,760 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Additional information on the City's capital assets can be found in Note 8 of the Basic Financial Statements.

Long-term Debt. As of September 30, 2022, the City had total bonded debt outstanding of \$18,215,549. All of this debt is backed by the full faith and credit of the City. None of the debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds) since the last remaining revenue bond was refunded in September, 2005.

Additional information regarding the City's long-term debt can be found in Note 11 of the Basic Financial Statements.

Economic Factors

The following key economic indicators reflect the growth and prosperity of the City of Brownwood.

- Low unemployment. Brown County's average unemployment rate for 2022 was 5.6% compared to the state average (6.0%) and national average (5.5%).
- Increasing property values. Taxable assessed values for 2022 increased by 5.18% from \$980,764,620 in 2021 to \$1,031,521,241 in 2022.
- Sales tax collections increased from \$2.13M in the prior year to \$2.20M in the current year for the economic development ½ cent tax, primarily due to improvements in our local economy.

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- Increasing property values. Taxable assessed values for 2022 increased by 5.18% from \$980,764,620 in 2021 to \$1,031,521,241 in 2022.
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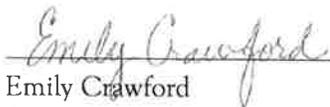
Budget Highlights for the Fiscal Year Ending September 30, 2023

Governmental Activities: The property tax rate decreased from .7317 the prior year to .6864 cents per hundred dollars valuation. Sales tax is projected to increase by \$53,276 over the amount budgeted in the prior year due to economic growth. Budgeted expenditures in the General Fund are expected to increase by 7.02%. A pay raise of just under \$1 million was budgeted for non-civil service employees. Pay raises were budgeted for police and fire employees as a result of meet and confer negotiations.

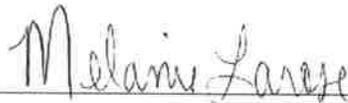
Business - type Activities: There is an increase of 14.52% in the water consumption rate due to BCWID's increase in the wholesale rate of 19.92%. There were increases in the sewer, sanitation, or landfill rates (nonresidents only) in the amount of 4.5%.

Requests for Information

This report is designed to provide an overview of the City of Brownwood's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Melanie Larose CGFO, Director of Finance, City of Brownwood, PO Box 1389, Brownwood, TX 76804, (325) 646-5775. Email address is mlarose@brownwoodtexas.gov. Complete financial statements of the component unit can be obtained direct from Brownwood Municipal Development District as detailed in Note 1 to the Basic Financial Statements.



Emily Crawford
City Manager



Melanie Larose, CGFO
Director of Finance

BASIC FINANCIAL STATEMENTS

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

STATEMENT OF NET POSITION

	September 30, 2022			<u>Component Unit</u> Brownwood MDD
	Primary Government		Total	
	Governmental Activities	Business-type Activities		
ASSETS:				
Pooled cash and cash equivalents	\$ (3,557,533)	\$ 2,264,766	\$ (1,292,767)	\$ (16,181)
Non pooled cash and cash equivalents	4,361	5,972	10,333	
Investments	12,202,423	1,496,064	13,698,487	8,172,219
Investments designated for closure and postclosure		2,094,488	2,094,488	
Receivables, net	2,916,238	1,956,279	4,872,517	417,498
Inventory	30,598	761,844	792,442	
Prepaid expense	3,878	2,086	5,964	
Land held for development			-	540,577
Restricted assets	5,245,621	1,579,286	6,824,907	3,901,157
Capital assets, net	40,636,428	30,916,332	71,552,760	30,462
Total Assets	<u>\$ 57,482,014</u>	<u>\$ 41,077,117</u>	<u>\$ 98,559,131</u>	<u>\$ 13,045,732</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Amounts related to pensions	<u>\$ 1,463,562</u>	<u>\$ 350,376</u>	<u>\$ 1,813,938</u>	<u>\$ -</u>
Total Deferred Outflows of Resources	<u>\$ 1,463,562</u>	<u>\$ 350,376</u>	<u>\$ 1,813,938</u>	<u>\$ -</u>
LIABILITIES:				
Accounts payable	\$ 574,129	\$ 129,493	\$ 703,622	\$ 645,326
Accrued salaries	220,299	58,150	278,449	3,723
Unearned funds - grants	4,498,727		4,498,727	
Liabilities payable from restricted assets:				
Customer utility deposits		1,127,197	1,127,197	
Tax note payable		21,841	21,841	
Bonds payable	113,066	326,118	439,184	10
Noncurrent liabilities:				
Estimated liability for landfill closure and postclosure care costs		7,646,133	7,646,133	
Net pension liability	6,818,106	402,200	7,220,306	
Compensated absences:				
Portion due or payable within one year	1,385,092	173,078	1,558,170	12,819
Portion due or payable after one year	775,560	79,984	855,544	3,871
Leases payable:				
Portion due or payable within one year	547,810	51,058	598,868	15,296
Portion due or payable after one year	707,097	44,014	751,111	15,459
Notes payable:				
Portion due or payable within one year	688,688	949,127	1,637,815	
Portion due or payable after one year	1,384,438	2,423,519	3,807,957	
Tax note payable:				
Portion due or payable within one year	54,815	18,344	73,159	
Portion due or payable after one year	233,685	171,315	405,000	
Bonds payable:				
Portion due or payable within one year	831,934	638,882	1,470,816	279,990
Portion due or payable after one year	8,478,920	7,826,629	16,305,549	4,790,000
Total Liabilities	<u>\$ 27,312,366</u>	<u>\$ 22,087,082</u>	<u>\$ 49,399,448</u>	<u>\$ 5,766,494</u>

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

STATEMENT OF NET POSITION (CONT.)

September 30, 2022

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Brownwood MDD</u>
DEFERRED INFLOWS OF RESOURCES:				
Amounts related to pensions	\$ 3,405,386	\$ 935,099	\$ 4,340,485	\$
Amounts related to leases	144,451	154,160	298,611	
Amounts related to bond refunding	64,196		64,196	
Total Deferred Inflows of Resources	<u>\$ 3,614,033</u>	<u>\$ 1,089,259</u>	<u>\$ 4,703,292</u>	<u>\$ -</u>
NET POSITION				
Invested in capital assets, net of related debt	\$ 27,595,975	\$ 18,943,797	\$ 46,539,772	\$
Restricted for:				
Municipal Court	46,393		46,393	
Vehicular child safety	22,880		22,880	
Law enforcement	23,377		23,377	
Drug awareness education	1,873		1,873	
Lehnis Museum	10,543		10,543	
Beautification	2,144		2,144	
Tourism promotion	350,398		350,398	10
Debt service	57,736		57,736	
Fabis Park	39,171		39,171	
Construction	137,337	104,428	241,765	3,266,117
Grant expenditures	14,359		14,359	
Unrestricted	<u>(283,009)</u>	<u>(797,073)</u>	<u>(1,080,082)</u>	<u>4,013,111</u>
Total Net Position	<u>\$ 28,019,177</u>	<u>\$ 18,251,152</u>	<u>\$ 46,270,329</u>	<u>\$ 7,279,238</u>

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2022

<u>Functions/programs</u>	<u>Program Revenue</u>			
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 5,319,942	\$ 1,412,708	\$ 352,993	\$
Municipal court	260,352			
Police	3,926,818	333,646	500	
Dispatch	1,020,737	423,606		
Fire	4,152,362	11,300	36,702	
Development services	851,034	107,904		
Street	2,673,377			162,996
Health	295,852	150,016	283,871	
Community facilities	777,364	40,162	8,000	2,318,105
Parks and recreation	2,102,183	96,986		178,271
Public works/engineering	352,816			
Community development	146,356			
Interest on long-term debt	259,992			
Debt issuance costs	56,487			
Special revenue activities	1,902,485	420,861	1,303,756	
Total Governmental Activities	<u>\$ 24,098,157</u>	<u>\$ 2,997,189</u>	<u>\$ 1,985,822</u>	<u>\$ 2,659,372</u>
Business-type Activities:				
Water	\$ 5,281,967	\$ 7,145,503	\$	\$
Waste water collection	1,919,505	4,109,808		
Waste water treatment	1,267,597			
Sanitation	2,204,468	3,405,938		
Landfill	2,961,447	3,395,367		
Airport	1,592,732	1,247,733		57,887
Interest on long-term debt	341,812			
Total Business-type Activities	<u>\$ 15,569,528</u>	<u>\$ 19,304,349</u>	<u>\$ -</u>	<u>\$ 57,887</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 39,667,685</u>	<u>\$ 22,301,538</u>	<u>\$ 1,985,822</u>	<u>\$ 2,717,259</u>
Component Unit:				
Brownwood Municipal Development District	<u>\$ 3,450,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to basic financial statement

Net (Expense) Revenue and Changes in Net Position

Primary Government		Component Unit
Governmental Activities	Business-type Activities	Brownwood MDD
		Total

\$ (3,554,241)		\$ (3,554,241)
(260,352)		(260,352)
(3,592,672)		(3,592,672)
(597,131)		(597,131)
(4,104,360)		(4,104,360)
(743,130)		(743,130)
(2,510,381)		(2,510,381)
138,035		138,035
1,588,903		1,588,903
(1,826,926)		(1,826,926)
(352,816)		(352,816)
(146,356)		(146,356)
(259,992)		(259,992)
(56,487)		(56,487)
(177,868)		(177,868)
<u>\$ (16,455,774)</u>		<u>\$ (16,455,774)</u>

\$ 1,863,536	\$ 1,863,536
2,190,303	2,190,303
(1,267,597)	(1,267,597)
1,201,470	1,201,470
433,920	433,920
(287,112)	(287,112)
(341,812)	(341,812)
<u>\$ 3,792,708</u>	<u>\$ 3,792,708</u>

\$ (16,455,774)	\$ 3,792,708	\$ (12,663,066)
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\$ (3,450,124)

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

STATEMENT OF ACTIVITIES (CONT.)

For the Year Ended September 30, 2022

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Brownwood MDD
CHANGE IN NET POSITION:				
Net Income (Expense)	\$ (16,455,774)	\$ 3,792,708	\$ (12,663,066)	\$ (3,450,124)
General Revenues:				
Taxes:				
Ad valorem	\$ 7,368,702	\$	\$ 7,368,702	\$
Sales	6,814,240		6,814,240	2,200,159
Other	4,094,344		4,094,344	
Earnings on investments	92,332	25,137	117,469	86,407
Miscellaneous	151,127	300,941	452,068	1,860
Gain on disposal of assets	312,535		312,535	97,452
Total Revenue	\$ 18,833,280	\$ 326,078	\$ 19,159,358	\$ 2,385,878
CHANGE IN NET POSITION	\$ 2,377,506	\$ 4,118,786	\$ 6,496,292	\$ (1,064,246)
NET POSITION - BEGINNING OF YEAR AS RESTATED	25,641,671	14,132,366	39,774,037	8,343,484
NET POSITION - END OF YEAR	\$ 28,019,177	\$ 18,251,152	\$ 46,270,329	\$ 7,279,238

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

BALANCE SHEETS
GOVERNMENTAL FUNDS

September 30, 2022

	General Fund	Nonmajor Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
ASSETS:			
Pooled cash and cash equivalents	\$ (3,740,680)	\$ 183,147	\$ (3,557,533)
Non pooled cash and cash equivalents	4,336	25	4,361
Investments	12,202,423		12,202,423
Receivables, net	2,320,998	425,537	2,746,535
Inventory	30,598		30,598
Prepaid expense	3,878		3,878
Internal balances	55,330	(55,330)	-
Restricted assets	4,621,858	623,763	5,245,621
 TOTAL ASSETS	 \$ 15,498,741	 \$ 1,177,142	 \$ 16,675,883
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
LIABILITIES:			
Accounts payable	\$ 529,154	\$ 44,975	\$ 574,129
Accrued salaries	204,119	16,180	220,299
Compensated absences	1,352,223	32,869	1,385,092
Unearned revenue	4,498,727		4,498,727
 TOTAL LIABILITIES	 \$ 6,584,223	 \$ 94,024	 \$ 6,678,247
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue	\$ 244,695	\$ 58,484	\$ 303,179
Amounts related to leases	135,321	9,130	144,451
 TOTAL DEFERRED INFLOWS OF RESOURCES	 \$ 380,016	 \$ 67,614	 \$ 447,630
FUND BALANCES:			
Nonspendable:			
Inventory	\$ 30,598	\$	\$ 30,598
Prepaid expense	3,878		3,878
Note receivable	111,000		111,000
Restricted for:			
Municipal Court	46,393		46,393
Vehicular child safety	22,880		22,880
Law enforcement	23,377		23,377
Drug awareness education	1,873		1,873
Lehnis Museum	10,543		10,543
Beautification	2,144		2,144
Tourism promotion		350,398	350,398
Debt service		57,736	57,736
Fabis Park		39,171	39,171
Construction		137,337	137,337
Grant expenditures	14,359		14,359
Assigned to:			
Health and nutrition programs		32,310	32,310
Unassigned	8,267,457	398,552	8,666,009
 TOTAL FUND BALANCES	 \$ 8,534,502	 \$ 1,015,504	 \$ 9,550,006
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 15,498,741	 \$ 1,177,142	 \$ 16,675,883

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEETS TO THE STATEMENT OF NET POSITION

September 30, 2022

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 9,550,006
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and are not reported in the governmental funds balance sheet, net of accumulated depreciation and amortization of \$67,507,068.	40,636,428
Some of the City's taxes will be collected after year end, but are not available soon enough to pay for the current period's expenditures and are reported as unavailable revenue in the governmental funds.	303,179
Revenues receivable on warrants are not current financial resources and are not reported in the governmental funds balance sheet, net of allowance for uncollected warrants of \$199,727.	169,703
Deferred inflows from bond refunding are not reported in the governmental funds balance sheet	(64,196)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds balance sheet	<u>(22,575,943)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 28,019,177</u>

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

For the Year Ended September 30, 2022

	General Fund	Nonmajor Governmental Funds	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Ad valorem taxes	\$ 6,244,571	\$ 1,162,256		\$ 7,406,827
Sales taxes	6,814,240			6,814,240
Other taxes	3,666,446		427,898	4,094,344
Fines	317,921			317,921
Licenses and fees	141,281			141,281
Charges for services	336,503			336,503
Intergovernmental	1,758,930			1,758,930
Interest	91,714		618	92,332
Grants and contributions	3,341,438		1,303,756	4,645,194
Miscellaneous	151,127		420,861	571,988
Total Revenue	<u>\$ 22,864,171</u>	<u>\$ 3,315,389</u>		<u>\$ 26,179,560</u>
EXPENDITURES:				
Current:				
City Council	\$ 74,015			\$ 74,015
Administration	346,624			346,624
City Secretary	116,708			116,708
Finance/accounting	381,107			381,107
Municipal Court	289,865			289,865
Police	4,888,479			4,888,479
Dispatch	1,021,055			1,021,055
Fire	3,962,080			3,962,080
Development services	1,613,103			1,613,103
Street	2,785,131			2,785,131
Health	298,697			298,697
Community services	519,393			519,393
Intergovernmental	268,654			268,654
Utility billing	458,828			458,828
Community facilities	3,077,904			3,077,904
Operations support	154,085			154,085
Purchasing/warehouse	182,940			182,940
Parks and recreation	1,942,548			1,942,548
Fleet services	1,861,462			1,861,462
City Attorney	231,644			231,644
Community development	145,550			145,550
Public works/engineering	348,850			348,850
Emergency management	28,502			28,502
Human resources	272,756			272,756
Fire Marshal	6,525			6,525
General fund contingency	97,826			97,826
Information technology	948,621			948,621
Transportation museum	225,397			225,397
Other	663,622			663,622
Special revenue funds			1,970,950	1,970,950
Capital outlay			14,750	14,750
Debt Service:				
Principal			1,079,815	1,079,815
Interest			302,813	302,813
Bond issuance costs			56,487	56,487
Bond fees			806	806
Total Expenditures	<u>\$ 27,211,971</u>	<u>\$ 3,425,621</u>		<u>\$ 30,637,592</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (4,347,800)</u>	<u>\$ (110,232)</u>		<u>\$ (4,458,032)</u>

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONT.)

For the Year Ended September 30, 2022

	General Fund	Nonmajor Other Governmental Fund	Total Governmental Funds
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (4,347,800)	\$ (110,232)	\$ (4,458,032)
OTHER FINANCING SOURCES (USES):			
Transfers	\$ (59,556)	\$ 59,556	\$
Refunding bond proceeds		6,830,000	6,830,000
Payment to bond refunding escrow agent		(6,630,000)	(6,630,000)
Note proceeds	1,345,826		1,345,826
Lease liability	1,737,618		1,737,618
Proceeds from sale of capital assets	312,535		312,535
Net Other Financing Sources (Uses)	\$ 3,336,423	\$ 259,556	\$ 3,595,979
NET CHANGE IN FUND BALANCES	\$ (1,011,377)	\$ 149,324	\$ (862,053)
FUND BALANCE - BEGINNING OF YEAR AS RESTATED	9,545,879	866,180	10,412,059
FUND BALANCE - END OF YEAR	\$ 8,534,502	\$ 1,015,504	\$ 9,550,006

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2022

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (862,053)
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures while governmental activities report cost of these assets allocated over their estimated lives as depreciation and amortization expense.	
Capital assets purchased	5,041,442
Depreciation and amortization	(3,515,384)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Principal advances on long-term debt	(8,175,826)
Principal payments on long-term debt	8,765,480
Change in compensated absences	52,551
Current amortization of bond premiums and deferred amount on refunding	50,020
Change in net pension liability and related deferred outflows and inflows	1,037,708
Some of the City's taxes in the statement of activities do not provide current financial resources and are not reported as revenue in the funds.	(38,125)
Revenues on warrants and citations will not be collected for several months after the City's fiscal year end. They are not considered available revenue and are not included in the governmental fund. Revenues accrued from warrants and citations decreased by this amount this year.	<u>21,693</u>
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,377,506</u>

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

STATEMENTS OF NET POSITION
PROPRIETARY FUNDS

September 30, 2022

	<u>Business-Type Activities - Enterprise Fund</u>			
	Utility Fund	Sanitation Fund	Airport Fund	Total
CURRENT ASSETS:				
Pooled cash and cash equivalents	\$ 1,157,706	\$ 1,113,530	\$ (6,470)	\$ 2,264,766
Non pooled cash and cash equivalents	4,922	650	400	5,972
Investments	708,293	787,771		1,496,064
Investments designated for closure and postclosure		2,094,488		2,094,488
Accounts receivable, net	1,276,391	492,898	92,374	1,861,663
Inventory	673,087		88,757	761,844
Prepaid expenses	2,086			2,086
Total Current Assets	<u>\$ 3,822,485</u>	<u>\$ 4,489,337</u>	<u>\$ 175,061</u>	<u>\$ 8,486,883</u>
NONCURRENT ASSETS:				
Restricted assets	\$ 1,325,604	\$ 253,682		\$ 1,579,286
Leases receivable			94,616	94,616
Capital assets, net	21,968,179	6,999,832	1,948,321	30,916,332
Total Noncurrent Assets	<u>\$ 23,293,783</u>	<u>\$ 7,253,514</u>	<u>\$ 2,042,937</u>	<u>\$ 32,590,234</u>
TOTAL ASSETS	<u>\$ 27,116,268</u>	<u>\$ 11,742,851</u>	<u>\$ 2,217,998</u>	<u>\$ 41,077,117</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Amounts related to pensions	\$ 174,505	\$ 150,284	\$ 25,587	\$ 350,376
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 174,505</u>	<u>\$ 150,284</u>	<u>\$ 25,587</u>	<u>\$ 350,376</u>
CURRENT LIABILITIES:				
Accounts payable	\$ 65,314	\$ 57,454	\$ 6,725	\$ 129,493
Accrued salaries	28,206	25,776	4,168	58,150
Leases payable	36,804	14,254		51,058
Notes payable	281,233	667,894		949,127
Tax note payable		18,344		18,344
Bonds payable	511,294	127,588		638,882
Compensated absences	87,815	67,902	17,361	173,078
Total Current Liabilities	<u>\$ 1,010,666</u>	<u>\$ 979,212</u>	<u>\$ 28,254</u>	<u>\$ 2,018,132</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS:				
Customer water meter deposits	\$ 1,127,197			\$ 1,127,197
Tax note payable		21,841		21,841
Bonds payable	198,706	127,412		326,118
Total Liabilities Payable from Restricted Assets	<u>\$ 1,325,903</u>	<u>\$ 149,253</u>	<u>\$ -</u>	<u>\$ 1,475,156</u>
NONCURRENT LIABILITIES:				
Compensated absences	\$ 42,331	\$ 28,327	\$ 9,326	\$ 79,984
Net pension liability	200,315	172,514	29,371	402,200
Leases payable	28,318	15,696		44,014
Notes payable	634,164	1,789,355		2,423,519
Tax note payable		171,315		171,315
Bonds payable	6,869,562	957,067		7,826,629
Accrued landfill closure and postclosure care costs		7,646,133		7,646,133
Total Noncurrent Liabilities	<u>\$ 7,774,690</u>	<u>\$ 10,780,407</u>	<u>\$ 38,697</u>	<u>\$ 18,593,794</u>
TOTAL LIABILITIES	<u>\$ 10,111,259</u>	<u>\$ 11,908,872</u>	<u>\$ 66,951</u>	<u>\$ 22,087,082</u>
DEFERRED INFLOWS OF RESOURCES:				
Amounts related to pensions	\$ 465,725	\$ 401,088	\$ 68,286	\$ 935,099
Amounts related to leases			154,160	154,160
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 465,725</u>	<u>\$ 401,088</u>	<u>\$ 222,446</u>	<u>\$ 1,089,259</u>
NET POSITION:				
Invested in capital assets, net of related debt	\$ 13,671,926	\$ 3,323,550	\$ 1,948,321	\$ 18,943,797
Restricted for construction		104,428		104,428
Unrestricted	3,041,863	(3,844,803)	5,867	(797,073)
TOTAL NET POSITION	<u>\$ 16,713,789</u>	<u>\$ (416,825)</u>	<u>\$ 1,954,188</u>	<u>\$ 18,251,152</u>

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUNDS

For the Year Ended September 30, 2022

	<u>Business-Type Activities - Enterprise Fund</u>			Total
	Utility Fund	Sanitation Fund	Airport Fund	
OPERATING REVENUES:				
Charges for service	\$ 11,255,311	\$ 6,801,305	\$ 1,247,733	\$ 19,304,349
Miscellaneous	218,722	82,219		300,941
Total Operating Revenues	<u>\$ 11,474,033</u>	<u>\$ 6,883,524</u>	<u>\$ 1,247,733</u>	<u>\$ 19,605,290</u>
OPERATING EXPENSES:				
Personnel services	\$ 1,728,945	\$ 1,617,616	\$ 249,607	\$ 3,596,168
Supplies	300,960	553,710	856,688	1,711,358
Contractual	2,808,835	616,125	86,499	3,511,459
Maintenance	814,563	271,374	77,311	1,163,248
Sundry charges	737,892	377,496		1,115,388
Support services	768,204	473,400		1,241,604
Depreciation and amortization	1,309,669	1,256,195	322,627	2,888,491
Total Operating Expenses	<u>\$ 8,469,068</u>	<u>\$ 5,165,916</u>	<u>\$ 1,592,732</u>	<u>\$ 15,227,716</u>
OPERATING GAIN (LOSS)	<u>\$ 3,004,965</u>	<u>\$ 1,717,608</u>	<u>\$ (344,999)</u>	<u>\$ 4,377,574</u>
NON-OPERATING REVENUE AND EXPENSE:				
Grants and contributions	\$	\$	\$ 57,887	\$ 57,887
Interest income	4,765	18,865	1,507	25,137
Interest expense	(271,072)	(70,740)		(341,812)
Net Non-Operating Revenue (Expense)	<u>\$ (266,307)</u>	<u>\$ (51,875)</u>	<u>\$ 59,394</u>	<u>\$ (258,788)</u>
CHANGES IN NET POSITION	<u>\$ 2,738,658</u>	<u>\$ 1,665,733</u>	<u>\$ (285,605)</u>	<u>\$ 4,118,786</u>
NET POSITION - BEGINNING AS RESTATED	<u>13,975,131</u>	<u>(2,082,558)</u>	<u>2,239,793</u>	<u>14,132,366</u>
NET POSITION - ENDING	<u>\$ 16,713,789</u>	<u>\$ (416,825)</u>	<u>\$ 1,954,188</u>	<u>\$ 18,251,152</u>

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended September 30, 2022

	<u>Business-Type Activities - Enterprise Fund</u>			Total
	<u>Utility Fund</u>	<u>Sanitation Fund</u>	<u>Airport Fund</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 11,167,588	\$ 6,857,806	\$ 1,258,265	\$ 19,283,659
Cash payments to suppliers for goods and services	(5,790,329)	(2,056,242)	(274,623)	(8,121,194)
Cash payments to employees for services	(1,908,994)	(1,763,672)	(1,052,331)	(4,724,997)
Net Cash From Operating Activities	<u>\$ 3,468,265</u>	<u>\$ 3,037,892</u>	<u>\$ (68,689)</u>	<u>\$ 6,437,468</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Increase in customer meter deposits	\$ 44,904	-	-	\$ 44,904
Net Cash From Noncapital Financing Activities	<u>\$ 44,904</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,904</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal payments on bonds	\$ (685,000)	\$ (245,000)	-	\$ (930,000)
Principal payments on tax note	-	(40,185)	-	(40,185)
Proceeds from notes	72,290	609,394	-	681,684
Principal payments on notes	(348,650)	(626,138)	-	(974,788)
Principal payments on leases	(36,669)	(14,204)	-	(50,873)
Acquisition and construction of capital assets	(125,727)	(476,592)	-	(602,319)
Grant income	-	-	57,887	57,887
Interest expense	(301,024)	(96,421)	-	(397,445)
Net Cash From Capital and Related Financing Activities	<u>\$ (1,424,780)</u>	<u>\$ (889,146)</u>	<u>\$ 57,887</u>	<u>\$ (2,256,039)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments	\$ (704,764)	\$ (948,863)	-	\$ (1,653,627)
Interest income	4,765	18,865	1,507	25,137
Net Cash From Investing Activities	<u>\$ (699,999)</u>	<u>\$ (929,998)</u>	<u>\$ 1,507</u>	<u>\$ (1,628,490)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>\$ 1,388,390</u>	<u>\$ 1,218,748</u>	<u>\$ (9,295)</u>	<u>\$ 2,597,843</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,090,482</u>	<u>143,391</u>	<u>3,225</u>	<u>1,237,098</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,478,872</u>	<u>\$ 1,362,139</u>	<u>\$ (6,070)</u>	<u>\$ 3,834,941</u>

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

**STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS (CONT.)**

For the Year Ended September 30, 2022

	<u>Business-Type Activities - Enterprise Fund</u>			<u>Total</u>
	<u>Utility Fund</u>	<u>Sanitation Fund</u>	<u>Airport Fund</u>	
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES				
OPERATING GAIN (LOSS)	\$ 3,004,965	\$ 1,717,608	\$ (344,999)	\$ 4,377,574
ADJUSTMENTS TO RECONCILE OPERATING GAIN (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:				
Depreciation and amortization	1,309,669	1,256,195	322,627	2,888,491
Closure and postclosure care costs		237,347		237,347
Changes in assets and liabilities:				
Receivables	(306,445)	(25,718)	10,532	(321,631)
Inventories	(55,725)		(24,731)	(80,456)
Prepaid expense	3,187			3,187
Accounts payable	(307,337)	(1,484)	(284)	(309,105)
Accrued salaries	(3,074)	(1,553)	(291)	(4,918)
Compensated absences	640	2,468	196	3,304
Pension assets and liabilities	(177,615)	(146,971)	(31,739)	(356,325)
NET CASH FROM OPERATING ACTIVITIES	\$ 3,468,265	\$ 3,037,892	\$ (68,689)	\$ 6,437,468

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of Brownwood, Texas was incorporated in 1884 and adopted its Home Rule Charter in April, 1955, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a council-manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation and social services, cultural-recreation, public improvements, planning and zoning and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and interpretations). The more significant accounting policies established by GAAP and used by the City are discussed below.

Financial Reporting Entity

These financial statements present the City (primary government) and its component unit, the Brownwood Municipal Development District (BMDD). As defined by GASB No. 14, component units are legally separate entities that are included in the City's reporting entity because of the significance of their operating or financial relationships with the City.

BMDD is a political subdivision of the State of Texas and the City of Brownwood and has the powers and duties given by Section 377 of the Texas Local Government Code (Act). The District was established for the purpose of developing and financing all permissible development projects prescribed by the Act. The District receives its primary funding from a local sales tax approved by the voters. The affairs of the District are managed by a Board of Directors. The Board has five members appointed by the Mayor of the City of Brownwood with the approval of the City of Brownwood City Council. The BMDD is reported as a component unit due to the City's power to appoint a voting majority of the Board.

Condensed statements of the discretely presented component unit are shown on the Statement of Net Position and the Statement of Activities in separate component unit columns.

Complete financial statements of the BMDD can be obtained directly as follows:

Brownwood Municipal Development District
501 Center Avenue
Brownwood, Texas 76801

Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has not been removed from these statements. All interfund charges are charges for goods or services provided. 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.

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

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Basis of Presentation (Cont.)

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of the governmental funds is on the sources, uses and balances of current financial resources.

The City has presented the following major governmental fund:

General Fund - General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Additionally, the government reports the following nonmajor governmental funds:

Capital Project Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position.

The City has presented the following major proprietary funds:

Utility Fund - Utility Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Sanitation Fund – Sanitation Fund is used to account for the revenues and expense associated with providing garbage removal services to the citizens of the City of Brownwood as well as the operation of the municipal solid waste landfill. All costs are financed through charges to customers.

Airport Fund - Airport Fund is used to account for the operation of the Brownwood Regional Airport. All costs are financed through fuel sales and services to customers which include hanger rentals. Major funding has been provided by state and federal grants.

Proprietary funds distinguish operating revenue 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. Operating expenses for the proprietary funds include all cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the State at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, the City Manager submits to the City Council the proposed operating budget for the upcoming fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds.

The City of Brownwood prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the City's method (budget basis) in the Budgetary Comparison Schedule – General Fund to provide meaningful comparison of actual results with the budget. The differences between budget basis and GAAP basis are shown in the Notes to Budgetary Comparison Schedule.

Cash and Investments

For the purpose of the Statement of Net Position “pooled cash and cash equivalents” includes all demand, savings accounts and certificates of deposit of the City. Investments consist of investments in public funds investment pools and are stated at cost which approximates fair market value. Cash of all funds, including restricted cash, but excluding

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Cash and Investments (cont.)

debt service funds is pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled account has an equity therein. An individual fund's pooled cash and cash investments are available upon demand and are considered to be cash equivalents.

Inventories

Inventories are valued at the lower of average cost or market. Inventories of the general fund and proprietary funds consist of supplies held for consumption.

Interfund Receivables and Payables

Any residual balance outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollected accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include ad valorem and sales taxes. Business-type activity receivable balances are from utility sales.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets are capitalized that have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	10-40 Years
Infrastructure	10-40 Years
Machinery and Equipment	3-10 Years
Improvements	10-20 Years

Improvements and equipment for each cell at the City's landfill are depreciated over the time period that each cell is receiving solid waste.

Compensated Absences

The City Council has adopted a policy whereby employees are paid lump sum payments for vacation, sick leave and holiday leave if they leave City employment. Upon termination, up to twenty-seven days of accumulated vacation at full pay, up to forty-five days of accumulated sick leave at full pay and up to ten days of accumulated holiday leave

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Compensated Absences (cont.)

will be paid if the employee meets the prescribed conditions. Civil service employees are paid up to twenty-seven days of accumulated vacation for police and up to forty-five days of accumulated vacation for firefighters, up to ninety days of accumulated sick leave and up to ten days of accumulated holiday leave.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Government-wide and Proprietary Net Position

Government-wide and proprietary fund net position is divided into three components:

- Net investment in capital assets – consist of historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position – consist of assets that are restricted by the City’s creditors, by enabling legislation, by grantors and by other contributors.
- Unrestricted – all other net position is reported in this category.

Governmental Fund Balance

The City follows GASB No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which provides clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form or are required to be maintained intact
- Restricted fund balance – amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund

City Council establishes fund balance commitments by passage of an ordinance or resolution. Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purposes.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Deferred Inflows/Outflows of Resources (cont.)

(expenses/expenditure) until then. The City has one item that qualifies for reporting in this category. Accordingly, this item, amounts related to pensions, is reported on the government wide statement of position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has four items that qualify for reporting in this category. Three of the items, amounts related to pensions, amounts related to leases and amounts related to bond refunding, are reported on the government wide statement of position. The amount related to leases is also reported on the governmental funds balance sheet. The City has another item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred outflows of resources are used to report consumptions of net position by the City that are applicable to a future reporting period. Deferred inflows of resources are used to report acquisitions of net position by the City that are applicable to future reporting periods. The deferred inflow is reclassified to revenue on the government-wide financial statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the respective fiduciary. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2: PROPERTY TAX

Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the year in which imposed. On January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period or expected to be collected during the sixty-day period after the close of the fiscal year.

NOTE 3: DEPOSITS AND INVESTMENTS

The City places its investable funds in investments authorized by Texas law (The Public Funds Investment Act-Government Code Chapter 2256) in accordance with investment policies approved by the City Council of the City. Both state law and the City's investment policies are subject to change. Under Texas law and City policy, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity and the quality and capability of investment management. All City funds must be invested in a manner that provides the highest investment return with the maximum security while meeting the daily cash flow demands of the City. The objectives of the City's investment policy are safety, availability, diversification and highest rate of return. The Public Funds Investment Act requires the City to have independent auditors perform test procedures related to investment practices approved by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 3: DEPOSITS AND INVESTMENTS (CONT.)

Legal Investments

The City is authorized by statute to invest in (a) U.S. Treasury Bills and Notes, (b) Repurchase Agreements with a maximum maturity at purchase of 90 days and an average maturity at any point in time not exceeding 30 days, (c) Certificates of Deposit with a maturity of one year or less insured by the Federal Deposit Insurance Corporation or collateralized by pledged securities, (d) Government/Private Sponsored Investment Funds, I Notes of the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Student Loan Marketing Association, Federal Farm Credit Bank and Federal Home Loan Bank with a maximum maturity of 2 years and average maturity not exceeding 1 year, (f) no load Money Market Mutual Funds with dollar weighted average maturity of 90 days or less and maintenance of a stable net asset value of \$1 per share and no load Mutual Funds with an average weighted maturity of less than 2 years rated no less than AAA, (g) Commercial Paper with a maturity of less than 270 days and rates not less than A-1 or P-1, (h) Bankers Acceptances with an maturity of 270 days or less, (i) GNMA Securities with a stated final maturity of 10 years or less and (j) Direct Obligations of the State of Texas or its agencies.

Custodial Credit Risk

City funds are required to be deposited and invested under the terms of a depository contract and investment policy pursuant to state statute. The depository bank deposits for safekeeping and trust with its agent approved pledged securities authorized by Government Code Chapter 2257 Collateral for Public Funds in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At September 30, 2022, \$1,235,335, of the City's deposit balances were exposed to custodial credit risk by being uninsured by FDIC but collateralized by securities held by the pledging financial institution's agent not in the City's name.

Interest Rate Risk

For short term liquidity requirements, the City utilized two local government investment pools. TexPool is managed by Federated Hermes, Inc. for the Texas Comptroller of Public Accounts and was created to invest funds on behalf of Texas political subdivisions. The pool operates on a \$1 net asset value basis and allows same day or next day redemptions and deposits. At September 30, 2022, TexPool's portfolio maintained a weighted average maturity of approximately 25 days. The other local government investment pool utilized by the City is TexStar which is managed by HilltopSecurities and JP Investment Management, Inc. At September 30, 2022, TexStar's portfolio maintained a weighted average maturity of approximately 16 days. TexPool and TexStar's investment policies limit the weighted average maturity to 60 days. The pools do not invest in derivatives. In order to maintain a stable \$1 price of the funds, the pools will sell portfolio holdings if the ratio of the market value of the portfolio divided by the book value of the portfolio is less than .995 or greater than 1.005. The \$1 price is not guaranteed or insured by the State of Texas, the Comptroller of Public Accounts, the pools or their administrators.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and City policy limit investments in local government investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating agency. At September 30, 2021, the City's investments in TexPool and TexStar were both rated AAAM by Standard and Poor's.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 3: DEPOSITS AND INVESTMENTS (CONT.)

Cash for Cash Flows Statement

Proprietary funds cash and cash equivalents at September 30, 2022 are as follows:

	Utility Fund	Sanitation Fund	Airport Fund
Pooled cash and cash equivalents	\$ 1,157,706	\$ 1,113,530	\$ (6,470)
Non pooled cash and cash equivalents	4,922	650	400
Restricted cash	1,316,244	247,959	
Total	\$ 2,478,872	\$ 1,362,139	\$ (6,070)

NOTE 4: RESTRICTED ASSETS

Certain cash balances and investments are restricted by constraints externally imposed by creditors, grantors, contributors, laws or regulations. The following is a summary of restricted assets grouped by restriction at September 30, 2022:

	Governmental Activities	Business-type Activities	Component Unit - BMDD
Restricted for debt service payments	\$ 113,066	\$ 220,547	\$
Restricted for drug awareness education	1,872		
Restricted for law enforcement	23,377		
Restricted for vehicular child safety	22,880		
Restricted for beautification	2,459		
Restricted for municipal court	46,393		
Restricted for tourism promotion	319,656		
Restricted for Lehnis Museum	11,791		
Restricted for Fabis Park	38,954		
Restricted for construction or purchase of fixed assets	152,087	231,542	3,901,157
Restricted for grant expenditures	4,513,086		
Restricted for customer deposits		1,127,197	
Total Restricted Assets	\$ 5,245,621	\$ 1,579,286	\$ 3,901,157

Restricted assets in the City included \$2,275,391 in cash and \$4,549,516 in investments. Restricted assets in BMDD included \$49,418 in cash and \$3,851,739 in investments.

NOTE 5: LEASES

For the year ended September 30, 2022, the financial statements include the adoption of GASB No. 87 *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about government's leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The City has entered into multiple lease agreements as lessor which allow the right-to-use of land and buildings to other individuals and organizations over the terms of the lease. The City receives payments at the interest rate stated or implied within the leases. The interest rate for these leases is the City's incremental borrowing rate. Total leases

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 5: LEASES (CONT.)

receivable at September 30, 2022 amount to \$293,512 and are included in receivables in Note 6. Total deferred inflows on these leases at September 30, 2022 amount to \$298,611 and the City recognized lease revenue of \$99,477 and interest revenue of \$2,623 during the fiscal year.

Future payments on these leases are as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 50,829	\$ 949	\$ 53,735	\$ 1,209
2024	51,212	567	32,264	781
2025	37,668	192	33,176	472
2026	2,124	65	23,497	167
2027	2,145	43	2,821	60
2028-2032	1,184	66	2,858	23
Total	<u>\$ 145,162</u>	<u>\$ 1,882</u>	<u>\$ 148,351</u>	<u>\$ 2,712</u>

The City is also the lessee for a number of vehicles. The value of lease right-to-use assets and the related accumulated amortization is detailed in Note 8. The details of the lease liability and principal and interest requirements to maturity are provided in Note 11.

NOTE 6: RECEIVABLES

A summary of the net receivables at September 30, 2022 is as follows:

	Governmental Activities	Business-type Activities	Component Unit - BMDD
Ad valorem taxes	\$ 331,120		\$
Sales taxes	1,182,428		379,998
Utility		2,283,275	
Warrants and citations	369,430		
Airport		16,274	
Grants receivable	418,076	25,887	
PILOT payments	241,747		
Other receivables	504,188	198,170	
Leases receivable	145,161	148,351	
Notes receivable	111,000		37,500
	<u>\$ 3,303,150</u>	<u>\$ 2,671,957</u>	<u>\$ 417,498</u>
Less allowance for uncollectable accounts	(386,912)	(715,678)	
Receivables, net	<u>\$ 2,916,238</u>	<u>\$ 1,956,279</u>	<u>\$ 417,498</u>

NOTE 7: LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and Federal laws and regulations require that the City of Brownwood place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill use during the year.

The estimated liability for landfill closure and postclosure care costs has a balance of \$7,646,133 as of September 30, 2022 which is based on 31.46% usage (filled) of the overall landfill. It is estimated that an additional \$9,417,749

CITY OF BROWNWOOD, TEXAS
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NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 7: LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS (CONT.)

will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2110). The estimated total current cost of the landfill closure and postclosure care, \$17,063,882, is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of September 30, 2022. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

Based on the latest permit modification dated November 22, 1999 the City's financial assurance requirement is \$11,035,867 and is being met by the government financial test specified in 30 TAC Chapter 37.271.

NOTE 8: CAPITAL ASSETS

Capital asset activity in the City for the year ended September 30, 2022 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,050,291	\$ 404,049	\$ -	\$ 3,454,340
Construction in progress	1,238,092	2,477,795	(382,845)	3,333,042
Total capital assets not being depreciated	<u>\$ 4,288,383</u>	<u>\$ 2,881,844</u>	<u>\$ (382,845)</u>	<u>\$ 6,787,382</u>
Capital assets being depreciated:				
Building and grounds	\$ 16,633,979	\$ -	\$ (70,880)	\$ 16,563,099
Improvements	66,006,259	884,372	(162,483)	66,728,148
Machinery/equipment	16,647,965	1,630,638	(3,331,785)	14,946,818
Intangible assets	1,361,145	-	(13,390)	1,347,755
Total capital assets being depreciated and amortized	<u>\$ 100,649,348</u>	<u>\$ 2,515,010</u>	<u>\$ (3,578,538)</u>	<u>\$ 99,585,820</u>
Less accumulated depreciation and amortization:				
Buildings	\$ (7,431,381)	\$ (441,209)	\$ 70,879	\$ (7,801,711)
Improvements	(44,650,054)	(1,672,822)	162,483	(46,160,393)
Machinery/equipment	(13,683,683)	(871,187)	2,392,545	(12,162,325)
Intangible assets	(865,862)	(39,573)	13,390	(892,045)
Total accumulated depreciation and amortization	<u>\$ (66,630,980)</u>	<u>\$ (3,024,791)</u>	<u>\$ 2,639,297</u>	<u>\$ (67,016,474)</u>
Total Capital Assets Being Depreciated and Amortized, Net	<u>\$ 34,018,368</u>	<u>\$ (509,781)</u>	<u>\$ (939,241)</u>	<u>\$ 32,569,346</u>
Intangible right-to-use assets:				
Leased equipment	\$ -	\$ 1,770,293	\$ -	\$ 1,770,293
Less accumulated amortization	-	(490,593)	-	(490,593)
Net intangible right-to-use assets	<u>\$ -</u>	<u>\$ 1,279,700</u>	<u>\$ -</u>	<u>\$ 1,279,700</u>
Governmental Activities Capital Assets, Net	<u>\$ 38,306,751</u>	<u>\$ 3,651,763</u>	<u>\$ (1,322,086)</u>	<u>\$ 40,636,428</u>

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 8: CAPITAL ASSETS (CONT.)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 383,351			\$ 383,351
Construction in progress	148,621	33,144	(94,275)	87,490
Total capital assets not being depreciated	<u>\$ 531,972</u>	<u>\$ 33,144</u>	<u>\$ (94,275)</u>	<u>\$ 470,841</u>
Capital assets being depreciated and amortized:				
Building and grounds	\$ 3,484,434		\$ (16,812)	\$ 3,467,622
Improvements	85,635,426	94,275	(127,834)	85,601,867
Landfill cell development	12,836,858			12,836,858
Machinery/equipment	17,772,751	569,176	(1,567,640)	16,774,287
Intangible assets	493,054			493,054
Total capital assets being depreciated and amortized	<u>\$ 120,222,523</u>	<u>\$ 663,451</u>	<u>\$ (1,712,286)</u>	<u>\$ 119,173,688</u>
Less accumulated depreciation and amortization:				
Buildings	\$ (3,163,371)	\$ (64,048)	\$ 16,812	\$ (3,210,607)
Improvements	(61,502,147)	(1,283,210)	127,834	(62,657,523)
Landfill cell development	(7,939,164)	(395,546)		(8,334,710)
Machinery/equipment	(14,611,899)	(1,052,664)	1,453,920	(14,210,643)
Intangible assets	(367,635)	(41,805)		(409,440)
Total accumulated depreciation and amortization	<u>\$ (87,584,216)</u>	<u>\$ (2,837,273)</u>	<u>\$ 1,598,566</u>	<u>\$ (88,822,923)</u>
Total Capital Assets Being Depreciated and Amortized, Net	<u>\$ 32,638,307</u>	<u>\$ (2,173,822)</u>	<u>\$ (113,720)</u>	<u>\$ 30,350,765</u>
Intangible right-to-use assets:				
Leased equipment	\$ -	\$ 145,944		\$ 145,944
Less accumulated amortization		(51,218)		(51,218)
Net intangible right-to-use assets	<u>\$ -</u>	<u>\$ 94,726</u>	<u>\$ -</u>	<u>\$ 94,726</u>
Business-type Activities Capital Assets, Net	<u>\$ 33,170,279</u>	<u>\$ (2,045,952)</u>	<u>\$ (207,995)</u>	<u>\$ 30,916,332</u>

Depreciation and amortization expense was charged to the following functions:

Governmental Activities:	
General government	\$ 650,313
Police	337,482
Fire	324,824
Development services	28,284
Street	1,382,011
Health	9,164
Community facilities	201,173
Parks and recreation	534,550
Public works	47,583
	<u>\$ 3,515,384</u>
Business-type Activities:	
Water	\$ 806,043
Waste water	289,925
Waste water treatment	213,700
Sanitation	860,650
Landfill	395,546
Airport	322,627
	<u>\$ 2,888,491</u>

NOTE 9: INTERNAL BALANCES AND TRANSFERS

Internal balances are short-term loans to cover temporary cash deficits in various funds. At September 30, 2022, the Debt Service Funds owed General Fund \$55,330.

Transfers to/from other funds during the year ended September 30, 2022 consist of \$59,556 of transfers from General Fund to the Debt Service Funds for debt service requirements.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 10: UTILITY

The Utility Department was serving the following number of customers:

	9/30/22	9/30/21
Water Department	7,535	7,647
Sewer Department	7,040	7,132
Sanitation Department	7,239	7,307

NOTE 11: LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds, Notes and Leases Payable:					
Certificates of obligation	\$ 7,165,000	\$	\$ (7,165,000)	\$	\$
General obligation bonds	2,920,000		(320,000)	2,600,000	330,000
Tax note payable	343,315		(54,815)	288,500	54,815
Direct borrowings and direct placements:					
General obligation bonds		6,830,000	(170,000)	6,660,000	615,000
Notes payable	1,300,255	1,345,826	(572,955)	2,073,126	688,688
Leases payable	1,151,802	585,815	(482,710)	1,254,907	547,810
	\$ 12,880,372	\$ 8,761,641	\$ (8,765,480)	\$ 12,876,533	\$ 2,236,313
Bond premiums	266,405		(102,485)	163,920	
Total Bonds, Notes and Leases Payable	\$ 13,146,777	\$ 8,761,641	\$ (8,867,965)	\$ 13,040,453	\$ 2,236,313
Compensated absences					
Total Governmental Activities	\$ 15,246,307	\$ 9,967,709	\$ (10,012,911)	\$ 15,201,105	\$ 3,621,405
Business-type Activities:					
Bonds, Notes and Leases Payable:					
Certificates of obligation	\$ 6,635,000	\$	\$ (310,000)	\$ 6,325,000	\$ 320,000
General obligation bonds	2,995,000		(620,000)	2,375,000	645,000
Tax note payable	251,685		(40,185)	211,500	40,185
Direct borrowings:					
Notes payable	3,665,750	681,684	(974,788)	3,372,646	949,127
Leases payable	145,944		(50,872)	95,072	51,058
	\$ 13,693,379	\$ 681,684	\$ (1,995,845)	\$ 12,379,218	\$ 2,005,370
Bond premiums	147,262		(55,633)	91,629	
Total Bonds, Notes and Leases Payable	\$ 13,840,641	\$ 681,684	\$ (2,051,478)	\$ 12,470,847	\$ 2,005,370
Compensated absences					
Total Business-type Activities	\$ 14,090,399	\$ 1,151,886	\$ (2,518,376)	\$ 12,723,909	\$ 2,178,448
Total Primary Government	\$ 29,336,706	\$ 11,119,595	\$ (12,531,287)	\$ 27,925,014	\$ 5,799,853

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 11: LONG-TERM OBLIGATIONS (CONT.)

Long-term obligations for the component unit BMDD at September 30, 2022 are as follows:

Bonds and lease payable:						
Sales tax revenue bonds	\$		\$ 5,070,000	\$	\$ 5,070,000	\$ 280,000
Lease payable		46,355		(15,600)	30,755	15,296
Total Bonds and Lease Payable	\$	46,355	\$ 5,070,000	\$ (15,600)	\$ 5,100,755	\$ 295,296
Compensated absences		9,643	15,467	(8,420)	16,690	12,819
Total	\$	55,998	\$ 5,085,467	\$ (24,020)	\$ 5,117,445	\$ 308,115

Governmental Activities

General obligation bonds and certificates of obligation provide funds for the acquisition and construction of major capital equipment and facilities. General obligation bonds are direct obligations issued on a pledge of the general taxing powers for the payment of debt obligations of the City. General obligation bonds and certificates of obligation require the City to set aside each year a portion of the taxes levied in a fund to pay interest and principal at maturity. The City is in compliance with this requirement. Combination tax and revenue bonds are payable from either ad valorem taxes levied, with the limits prescribed by laws, or payable from and secured by the surplus net revenues of the City's water and sewer system as provided in the ordinances authorizing their issuance. Tax notes are used to fund specific projects and are generally repaid from tax revenues over shorter periods of time.

On December 16, 2021, the City issued \$6,830,000 General Obligation Refunding Bonds, Series 2021 with an interest rate of 1.69% and a final maturity on March 15, 2032. The City issued the bonds to refund the \$6,630,000 outstanding balance of Combination Tax and Revenue Certificates of Obligation, Series 2012 with interest rates from 2.0% to 4.125%. The refunding reduced total debt service payments over the next eleven years by \$776,259. This results in an economic gain (difference between present value of the debt service payments on the old and the new debt) of \$696,466.

A summary of the bonds follows:

	Date of Issue	Original Amount	Interest Rate	Maturity Date	Amount Outstanding 9/30/2022
General obligation refunding bonds:					
Series 2015	10/15/2015	\$ 2,250,000	0.45 to 2.2%	3/15/2026	\$ 510,000
Series 2020 - Governmental portion	9/17/2020	2,480,000	3%	3/15/3031	2,090,000
Series 2021	12/16/2021	6,830,000	2%	3/15/3032	6,660,000
					<u>\$ 9,260,000</u>

The following represents the future maturities on these bonds:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 945,000	\$ 176,450	\$ 1,121,450
2024	965,000	157,173	1,122,173
2025	990,000	137,313	1,127,313
2026	1,000,000	116,952	1,116,952
2027	895,000	97,595	992,595
2028-2032	4,465,000	209,395	4,674,395
Total	<u>\$ 9,260,000</u>	<u>\$ 894,878</u>	<u>\$ 10,154,878</u>

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 11: LONG-TERM OBLIGATIONS (CONT.)

Governmental Activities (cont.)

A summary of the tax note follows:

	Date of Issue	Original Amount	Interest Rate	Maturity Date	Amount Outstanding 9/30/2022
Tax Note, Taxable Series 2020					
Governmental portion	7/23/2020	\$ 395,245	1.50%	3/15/2027	\$ 288,500
Business-type portion	7/23/2020	289,755	1.50%	3/15/2027	211,500
		<u>\$ 685,000</u>			<u>\$ 500,000</u>

The following represents the future maturities on the governmental portion of this tax note:

Year Ending September 30,	Principal	Interest	Total
2023	\$ 54,815	\$ 3,916	\$ 58,731
2024	57,700	3,072	60,772
2025	57,700	2,207	59,907
2026	57,700	1,342	59,042
2027	60,585	454	61,039
Total	<u>\$ 288,500</u>	<u>\$ 10,991</u>	<u>\$ 299,491</u>

Notes payable are used to finance asset acquisitions and improvements needed in the governmental operations of the City. The notes are secured by equipment. A summary of notes payable follows:

	Interest Rate	Maturity Date	Amount Outstanding 9/30/2022
Citizens National Bank	62% WSJ Prime	2023-2027	<u>\$ 2,073,126</u>

The following represents the future maturities on governmental notes payable:

Year Ending September 30,	Principal	Interest	Total
2023	\$ 688,688	\$ 69,842	\$ 758,530
2024	527,853	44,969	572,822
2025	415,060	26,902	441,962
2026	266,916	12,965	279,881
2027	174,609	3,362	177,971
Total	<u>\$ 2,073,126</u>	<u>\$ 158,040</u>	<u>\$ 2,231,166</u>

Leases payable are used to finance vehicles used in the governmental operations of the City. The following represents the future maturities on governmental leases payable:

Year Ending September 30,	Principal	Interest	Total
2023	\$ 547,810	\$ 4,799	\$ 552,609
2024	413,798	2,314	416,112
2025	226,951	867	227,818
2026	66,348	102	66,450
Total	<u>\$ 1,254,907</u>	<u>\$ 8,082</u>	<u>\$ 1,262,989</u>

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 11: LONG-TERM OBLIGATIONS (CONT.)

Business-type activities

The City makes use of general obligation bonds and certificates of obligation as well as tax notes in the business-type activities.

A summary of the bonds follows:

	<u>Date of Issue</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Outstanding 9/30/2022</u>
Combination tax and revenue certificates of obligation:					
Series 2012A	12/1/2012	\$ 3,440,000	1.96 to 4.64%	3/15/2044	\$ 2,875,000
Series 2015	10/15/2015	4,815,000	2.95%	9/30/2035	3,450,000
General obligation refunding bonds,					
Series 2020 - Business-type portion	9/17/2020	3,600,000	3%	3/15/3031	<u>2,375,000</u>
					<u>\$ 8,700,000</u>

The following represents the future maturities on these bonds:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 965,000	\$ 284,710	\$ 1,249,710
2024	995,000	254,753	1,249,753
2025	1,035,000	223,703	1,258,703
2026	590,000	238,842	828,842
2027	420,000	219,396	639,396
2028-2032	1,855,000	857,497	2,712,497
2033-2037	1,610,000	427,615	2,037,615
2038-2042	840,000	191,153	1,031,153
2043-2044	390,000	18,328	408,328
Total	<u>\$ 8,700,000</u>	<u>\$ 2,715,997</u>	<u>\$ 11,415,997</u>

A summary of the tax note is presented above. The following represents the future maturities on the business-type portion of this tax note:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 40,185	\$ 2,871	\$ 43,056
2024	42,300	2,252	44,552
2025	42,300	1,618	43,918
2026	42,300	984	43,284
2027	44,415	333	44,748
Total	<u>\$ 211,500</u>	<u>\$ 8,058</u>	<u>\$ 219,558</u>

Notes payable are used to finance asset acquisitions and improvements needed in the business-type operations of the City. The notes are secured by equipment. A summary of notes payable follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Outstanding 9/30/2022</u>
Citizens National Bank	62% WSJ Prime	2023-2027	<u>\$ 3,372,646</u>

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 11: LONG-TERM OBLIGATIONS (CONT.)

Business-type activities (cont.)

The following represents the future maturities on business-type notes payable:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 949,127	\$ 116,322	\$ 1,065,449
2024	766,662	81,648	848,310
2025	830,178	54,569	884,747
2026	686,487	23,759	710,246
2027	140,192	3,336	143,528
Total	<u>\$ 3,372,646</u>	<u>\$ 279,634</u>	<u>\$ 3,652,280</u>

Leases payable are used to finance vehicles used in the business-type operations of the City. The following represents the future maturities on business-type leases payable:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 51,058	\$ 343	\$ 51,401
2024	30,096	124	30,220
2025	13,918	33	13,951
Total	<u>\$ 95,072</u>	<u>\$ 500</u>	<u>\$ 95,572</u>

BMDD

On April 6, 2022, the BMDD issued \$5,070,000 Sales Tax Revenue Bonds, Series 2022 to provide funds for the construction of a multi-purpose event center for the City. The bonds are secured by a pledge of sales tax revenue.

A summary of the bonds follows:

	<u>Date of Issu</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Outstanding 9/30/2022</u>
Sales tax revenue bonds, series 2022	4/6/2022	\$ 5,070,000	1.87 to 3.28%	3/15/2037	<u>\$ 5,070,000</u>

The following represents the future maturities on these bonds:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 280,000	\$ 141,699	\$ 421,699
2024	285,000	135,804	420,804
2025	290,000	128,857	418,857
2026	300,000	121,259	421,259
2027	305,000	113,120	418,120
2028-2032	1,675,000	426,414	2,101,414
2033-2037	1,935,000	157,942	2,092,942
Total	<u>\$ 5,070,000</u>	<u>\$ 1,225,095</u>	<u>\$ 6,295,095</u>

BMDD leases office space under a long-term lease payable. The following represents future maturities on this lease payable:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 15,296	\$ 304	\$ 15,600
2024	15,459	141	15,600
Total	<u>\$ 30,755</u>	<u>\$ 445</u>	<u>\$ 31,200</u>

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 12: DEFINED BENEFIT PENSION PLAN

The City of Brownwood participates in three pension plans. Two are administered by Texas Municipal Retirement System (TMRS), Plan 10190 City and 30190 Health Department, and one is administered by Brownwood Firefighter's Relief and Retirement Fund.

TMRS Plan Descriptions

The City of Brownwood participates as two of the 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G, (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at *tmrs.com*.

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

Benefits Provided

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

At retirement, the member's benefit is calculated based on the sum of the member's contributions with interest, the city-financed monetary credits with interest and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest. Plan provisions for the City include an employee deposit rate of 7%, a matching ratio (city to employee) of 2 to 1 and five years of participation for vesting. Employees with five years of continuous service are eligible to retire at age 60. Employees may retire at any age after 20 years of continuous service.

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	
Plan 10190 City	161
Plan 30190 Health Department	12
Inactive employees entitled to but not yet receiving benefits	
Plan 10190 City	95
Plan 30190 Health Department	2
Active employees	
Plan 10190 City	220
Plan 30190 Health Department	24

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the city matching percentages are either 1:1 (1 to 1), 1.5:1 (1 1/2 to 1), or 2:1 (2 to 1), both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 12: DEFINED BENEFIT PENSION PLAN (CONT.)

Contributions (cont.)

Employees for the City of Brownwood were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were as follows:

	Calendar Year	
	2021	2022
Plan 10190 City	13.11%	13.11%
Plan 30190 Health Department	11.53%	12.09%

The city's contributions to TMRS for the year ended September 30, 2022, for Plan 10190 City and Plan 30190 Health Department were \$1,365,299 and \$93,270, respectively, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females.

Mortality rates for healthy retirees and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 12: DEFINED BENEFIT PENSION PLAN (CONT.)

Net Pension Liability (cont.)

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public and Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	100.00%	

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Plan 10190 City			
Balance 12/31/2020	\$ 57,163,214	\$ 52,857,986	\$ 4,305,228
Changes for the year:			
Service cost	\$ 1,594,738	\$	\$ 1,594,738
Interest	3,811,985		3,811,985
Difference between expected and actual experience	706,160		706,160
Contributions-employer		1,330,331	(1,330,331)
Contributions-employee		711,694	(711,694)
Net investment income		6,887,918	(6,887,918)
Benefit payments, including refunds of employee contributions	(2,973,462)	(2,973,462)	-
Administrative expense		(31,883)	31,883
Other changes		218	(218)
Net changes	\$ 3,139,421	\$ 5,924,816	\$ (2,785,395)
Balance 12/31/2021	\$ 60,302,635	\$ 58,782,802	\$ 1,519,833

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 12: DEFINED BENEFIT PENSION PLAN (CONT.)

Net Pension Liability (cont.)

Changes in net pension liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Plan 30190 Health Department			
Balance 12/31/2020	\$ 1,771,989	\$ 1,594,342	\$ 177,647
Changes for the year:			
Service cost	\$ 81,915	\$	\$ 81,915
Interest	117,829		117,829
Difference between expected and actual experience	(78,033)		(78,033)
Change in assumptions			-
Contributions-employer		63,515	(63,515)
Contributions-employee		38,561	(38,561)
Net investment income		207,064	(207,064)
Benefit payments, including refunds of employee contributions	(134,661)	(134,661)	-
Administrative expense		(962)	962
Other changes		8	(8)
Net changes	\$ (12,950)	\$ 173,525	\$ (186,475)
Balance 12/31/2021	\$ 1,759,039	\$ 1,767,867	\$ (8,828)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the Net Pension Liability of the City, calculated using the discount rate of 6.75%, as well as what the City's Net Pension Liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

City's Net Pension Liability	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Plan 10190 City	\$9,936,563	\$1,519,833	\$(5,362,960)
Plan 30190 Health Department	\$219,379	\$(8,828)	\$(197,849)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at tmrs.com.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 12: DEFINED BENEFIT PENSION PLAN (CONT.)

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

For the year ended September 30, 2021, the City recognized pension expense (income) of \$(8,980). At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Plan 10190 City		
Differences between expected and actual economic experience	\$ 315,041	\$
Changes in actuarial assumptions	5,173	
Difference between projected and actual investment earnings		3,533,554
Contributions subsequent to the measurement date	<u>1,003,778</u>	
Total	<u>\$ 1,323,992</u>	<u>\$ 3,533,554</u>
Plan 30190 Health Department		
Differences between expected and actual economic experience	\$	\$ 34,565
Changes in actuarial assumptions	8,343	
Difference between projected and actual investment earnings		104,957
Contributions subsequent to the measurement date	<u>68,718</u>	
Total	<u>\$ 77,061</u>	<u>\$ 139,522</u>

\$1,072,496 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Plan 10190 City	Plan 30190 Health Dept.
Net Deferred Outflows (Inflows) of Resources		
Plan Year		
2022	\$ (580,341)	\$ (14,512)
2023	(1,372,150)	(53,097)
2024	(596,849)	(38,923)
2025	<u>(664,000)</u>	<u>(24,647)</u>
Total	<u>\$ (3,213,340)</u>	<u>\$ (131,179)</u>

Brownwood Firefighter's Relief and Retirement Fund Plan Description

The City contributes to the retirement plan for firefighters in the Brownwood Fire Department known as the Brownwood Firefighter's Relief and Retirement Fund (the Fund). The Fund is a single employer, contributory, defined benefit plan.

The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Brownwood Firefighter's Relief and Retirement Fund. The City does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Brownwood Firefighter's Relief and Retirement Fund at P. O. Box 1389, Brownwood, Texas 76804. See that report for all information about the plan fiduciary net position.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 12: DEFINED BENEFIT PENSION PLAN (CONT.)

Benefits Provided

Firefighters in the Brownwood Fire Department are covered by the Brownwood Firefighter's Relief and Retirement Fund which provides service retirement, death, disability, and withdrawal benefits. These benefits fully vest after 20 years of credited service. Firefighters may retire at age 50 with 20 years of service. A vested benefit deferred to age 50 is provided for firefighters who terminate employment before age 50 with at least 20 years of service. The present plan effective October 1, 2008 provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 50% of Highest 60-Month Average Salary plus \$54.50 per month for each year of service in excess of 20.

A retiring firefighter who is at least age 52 with at least 20 years of service has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest 60-Month Average Salary as if he had terminated employment on his selected RETRO DROP benefit calculation date, which is no earlier than the later of the date he meets the age 52 and 20 years of service requirements and the date two years prior to the date he actually retires. Upon retirement, the member will receive, in addition to his monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the Fund after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date he retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

Members Covered by the Fund

At the December 31, 2021 actuarial valuation, the following numbers of members were covered by the Fund:

Retirees and beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	0
Active employees	33

Funding Policy

The contribution provisions of the Fund are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City.

The funding policy of the Brownwood Firefighter's Relief and Retirement Fund requires contributions equal to 10% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA effective October 1, 2021. The rate had previously been 8%. The City normally contributes 20% of payroll, as it did for 2021 and 2022. The December 31, 2021 actuarial valuation included the assumption that the total contribution rate would continue to be 30%, even though the fund had an inadequate contribution arrangement. The costs of administering the plan are paid from the Fund assets.

Ultimately, the funding policy also depends upon the total return of the Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. For the year ending December 31, 2021, the money-weighted rate of return on pension plan investments was 11.21%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 12: DEFINED BENEFIT PENSION PLAN (CONT.)

Funding Policy (cont.)

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying that the contribution commitment by the firefighters and the assumed city contribution rate together provide an adequate contribution arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan's UAAL is actuarially determined using an open, level percentage of payroll method.

Net Pension Liability

The City of Brownwood's net pension liability was measured as December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021.

Total pension liability	\$ 11,498,390
Plan fiduciary net position	<u>5,789,089</u>
City's net pension liability	<u>\$ 5,709,301</u>

Plan fiduciary net position as a percentage of the total pension liability	50.3%
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Actuarial assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%	
Salary increases	2.75%, plus promotion, step and longevity increases that vary by service	
Investment rate of return	7%, net of pension plan investment expense, including inflation	
Discount rate	7%	

Mortality rates were based on the Pub S-2010 (public safety) below-median income mortality tables for employees and retirees (sex distinct), projected generationally using projection scale MP-2019.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.23%) and by adding expected inflation (2.75%).

Discount Rate. The discount rate used to measure the total pension liability was 7%. No projection of cash flows was used to determine the discount rate because the December 31, 2021 actuarial valuation revised to reflect the new contribution policy showed that expected contributions would pay the normal cost and amortized the unfunded actuarial liability (UAAL) in 53 years. Because of the 53-year amortization period of the UAAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 7% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 12: DEFINED BENEFIT PENSION PLAN (CONT.)

Net Pension Liability (cont.)

The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity - Large Cap Domestic	22%	5.40%
Equity - Small/mid Cap Domestic	13%	5.90%
Equity - International Developed	19%	5.90%
Equity - Emerging Markets	9%	7.40%
Alternatives - REIT	5%	2.90%
Alternatives-Credit income	5%	1.40%
Fixed Income – Domestic Core	18%	0.90%
Fixed income - Nontraditional	7%	1.90%
Cash	2%	0.0%
Total	100%	
Weighted Average		4.23%

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7%, compared to what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6%) or 1-percentage-point higher (8%) than the current rate:

	1% Decrease in Discount Rate (6%)	Discount Rate (7%)	1% Increase in Discount Rate (8%)
City's Net Pension Liability	\$7,181,770	\$5,709,301	\$4,490,201

Pension Plan Fiduciary Net Position. The plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources management focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 12: DEFINED BENEFIT PENSION PLAN (CONT.)

Net Pension Liability (cont.)

Changes in the net pension liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Amounts as of September 30, 2021	\$ 10,983,464	\$ 5,408,856	\$ 5,574,608
Changes for the year:			
Service cost	\$ 301,276		\$ 301,276
Interest	763,558		763,558
Difference between expected and actual experience	200,860		200,860
Change in assumptions	(16,232)		(16,232)
Change in benefit provisions	18,991		18,991
Contributions-employer		398,825	(398,825)
Contributions-employee		170,894	(170,894)
Net investment income		594,372	(594,372)
Benefit payments	(753,527)	(753,527)	-
Administrative expense		(30,331)	30,331
Net changes	\$ 514,926	\$ 380,233	\$ 134,693
Amounts as of September 30, 2022	\$ 11,498,390	\$ 5,789,089	\$ 5,709,301

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

For the year ended September 30, 2022, the City's GASB 68 pension expense of \$516,345. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

Components of Pension Expense for the Fiscal Year Ended September 30, 2021:

Service cost	\$ 301,276
Interest	763,558
Firefighter's contributions	(170,894)
Projected earnings on pension plan investments	(371,125)
Amortization of differences between projected and actual earnings on plan investments	(167,147)
Amortization of changes of assumptions	102,224
Amortization of differences between expected and actual experience	9,131
Changes of benefit provisions	18,991
Pension plan administrative expenses	30,331
Total pension expense	<u>\$ 516,345</u>

Deferred Outflows of Resources and Deferred Inflows of Resources to be Recognized in Pension Expense in Future Years:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual investment earnings on pension plan investments	\$ 96,496	\$ 481,492
Differences between expected and actual experience		185,917
Changes of assumptions		316,389
Contributions subsequent to the measurement date	316,389	
Total	<u>\$ 412,885</u>	<u>\$ 667,409</u>

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 12: DEFINED BENEFIT PENSION PLAN (CONT.)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
(cont.)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year	Net of Deferred Outflows Minus Deferred Inflows
2022	\$ 79
2023	(109,495)
2024	(20,757)
2025	(138,928)
2026	(318,857)
Thereafter	17,045
Total	\$ (570,913)

Deferred Outflow of Resources to Be Recognized Next Year. The total of the contributions by the City to the Fund contributed subsequent to the measurement date of the net pension liability, December 31, 2021 through September 30, 2022 is a deferred outflow of resources that will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. This amount is \$316,389.

NOTE 13: COMMITMENTS

Brownwood Municipal Development District (BMDD) has a building improvement incentive program that provides matching funds of up to \$20,000 upon completion of an approved project. Six projects totaling \$139,665 were approved and not yet funded at September 30, 2022. During a prior year, BMDD approved a financial incentive to Hendricks Health System for construction of a medical office building in the amount of \$350,000 payable over five years. At September 30, 2022, there is \$100,000 remaining to be paid on this incentive. Other BMDD approved financial incentives that were not yet funded at September 30, 2022 are as follows:

- AJA Development LLC up to \$675,000 for infrastructure
- Commerce Station LP up to \$250,000 for expansion
- Trafalgar Homes up to \$350,000 for infrastructure

In the current year, BMDD approved up to \$12,000,000 funding to the City of Brownwood for construction of a multi-purpose event center. At September 30, 2022, \$8,718,790 remained to be funded.

The City has an agreement with Brown County to share the costs of the Joint Law Enforcement Center. Under this agreement the City pays a percentage of the utilities cost and a percentage of the insurance costs.

The City is committed to a number of construction projects at September 30, 2022 including a multipurpose event center, airport improvements, street and sidewalk improvements and landfill cell construction and improvements. Total cost of these projects is approximately \$24,538,000 with remaining costs of approximately \$21,118,000 at September 30, 2022

NOTE 14: CONTINGENT LIABILITIES

The City of Brownwood is the primary guarantor for payment of principal and interest on Revenue Bonds issued by Brown County Water Improvement District #1 with an approved original balance of \$20,490,000. At September 30, 2022 the unpaid balance was \$7,310,000. Principal payments on the bonds began February 1, 2009 and the final payment is due February 1, 2028. Payments are made monthly as a debt service charge on the statement to the City for water purchases. The payments are shared by charges added to the statements of all of the contracting parties for the purchase of treated water from Brown County Water Improvement District #1.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 15: 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; injuries to employees; and natural disasters. The City's general liability, professional liability, and worker's compensation insurance coverage is provided through the purchase of commercial insurance. The City retains risk on only a small deductible amount, except on non-financed vehicles on which no collision insurance is carried. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in any of the past three fiscal years. The City employee health care is provided by commercial insurance with no risk retained by the City. The management of the City has not been notified and is not aware of any significant claims against the City not covered by insurance.

NOTE 16: ELECTED OFFICIALS

Stephen Haynes	Mayor
Walker Willey	Councilman
H.D. Jones	Councilman
Draco Miller	Councilman
Melody Nowowiejski	Councilman
Ed McMillian	Councilman

NOTE 17: APPOINTED OFFICIALS AND FIDELITY BONDS

Emily Crawford	City Manager
William P. Chesser	City Attorney
Christi Wynn	City Secretary
Lee Hancy	Municipal Court Judge

City employees are covered by a blanket fidelity bond in the amount of \$100,000.

NOTE 18: INSURANCE COVERAGE - BUILDINGS AND CONTENTS

A summary of the buildings and contents insurance coverage follows:

Insurer:	Texas Municipal League	
Expiration date:	October 1 through September 30	
Coverage:	Buildings	\$ 69,606,586
	Contents	7,542,580
Risk covered:	Fire, lightning, extended coverage including Replacement cost endorsement.	

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2022

NOTE 19: RESTATEMENT OF NET POSITION/FUND BALANCE

In the prior year, grant funds were recorded in grant and contribution revenue rather than unearned funds – grants in error. The correction of this error resulted in a restatement of beginning net position on the government-wide statements and in beginning fund balance on the governmental funds statements. The City previously recorded capital leases for vehicles. The implementation of GASB 87 *Leases* resulted in a restatement of net position for a cumulative change in accounting principle. The effect of these two items on net position/fund balance is as follows:

	Net Position Governmental Activities	Net Position Business-type Activities	Fund Balances General Fund	Net Position Utility Fund	Net Position Sanitation Fund
Beginning net position/fund balance	\$ 27,608,323	\$ 14,084,205	\$ 11,832,324	\$ 13,939,198	\$ (2,094,786)
Correction of error	(2,286,445)		(2,286,445)		
Adoption of GASB 87 Leases	319,793	48,161		35,933	12,228
Beginning net position/fund balance as restated	<u>\$ 25,641,671</u>	<u>\$ 14,132,366</u>	<u>\$ 9,545,879</u>	<u>\$ 13,975,131</u>	<u>\$ (2,082,558)</u>

NOTE 20: SUBSEQUENT EVENTS

Subsequent to year end, the City issued City of Brownwood, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022 in the amount of \$9,015,000 for the purpose of landfill cell construction. The bonds are payable over 10 years and are payable from ad valorem taxes.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

**TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN 10190 CITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

Last Eight Plan Years

	2014	2015	2016
TOTAL PENSION LIABILITY:			
Service cost	\$ 1,271,262	\$ 1,371,151	\$ 1,469,768
Interest (on total pension liability)	2,978,273	3,072,001	3,082,792
Changes in benefit terms including substantially automatic status	-	-	-
Difference between expected and actual experience	(993,709)	(811,345)	(282,788)
Change in assumptions	-	155,985	-
Benefit payments, including refunds of employee contributions	(1,945,700)	(1,987,889)	(2,115,766)
Net Change in Total Pension Liability	\$ 1,310,126	\$ 1,799,903	\$ 2,154,006
Total Pension Liability - Beginning	42,883,969	44,194,095	45,993,998
Total Pension Liability - Ending (a)	<u>\$ 44,194,095</u>	<u>\$ 45,993,998</u>	<u>\$ 48,148,004</u>
PLAN FIDUCIARY NET POSITION:			
Contributions - employer	\$ 1,276,612	\$ 1,315,768	\$ 1,314,906
Contributions - employee	601,366	625,281	656,984
Net investment income	2,050,213	55,774	2,552,844
Benefit payments, including refunds of employee contributions	(1,945,700)	(1,987,889)	(2,115,766)
Administrative expense	(21,405)	(33,971)	(28,829)
Other	(1,760)	(1,679)	(1,553)
Net Change in Plan Fiduciary Net Position	\$ 1,959,326	\$ (26,716)	\$ 2,378,586
Plan Fiduciary Net Position - Beginning	35,838,502	37,797,828	37,771,112
Plan Fiduciary Net Position - Ending (b)	<u>\$ 37,797,828</u>	<u>\$ 37,771,112</u>	<u>\$ 40,149,698</u>
NET PENSION LIABILITY - ENDING (a) - (b)	\$ 6,396,267	\$ 8,222,886	\$ 7,998,306
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	85.53%	82.12%	83.39%
COVERED EMPLOYEE PAYROLL	\$ 8,590,941	\$ 8,932,582	\$ 9,385,489
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	74.45%	92.05%	85.22%

NOTES TO SCHEDULE:

A full ten year schedule will be presented as it becomes available

	2017	2018	2019	2020	2021
\$	1,508,507	\$ 1,520,893	\$ 1,566,926	\$ 1,656,381	\$ 1,594,738
	3,224,688	3,365,563	3,516,776	3,662,099	3,811,985
	-	-	-	-	-
	(232,661)	(79,402)	(378,117)	(258,868)	706,160
	-	-	23,428	-	-
	(2,258,196)	(2,581,187)	(2,598,580)	(2,643,040)	(2,973,462)
\$	2,242,338	\$ 2,225,867	\$ 2,130,433	\$ 2,416,572	\$ 3,139,421
	48,148,004	50,390,342	52,616,209	54,746,642	57,163,214
\$	50,390,342	\$ 52,616,209	\$ 54,746,642	\$ 57,163,214	\$ 60,302,635
\$	1,333,369	\$ 1,322,217	\$ 1,324,616	\$ 1,429,684	\$ 1,330,331
	677,329	685,087	705,457	748,526	711,694
	5,564,415	(1,360,949)	6,719,995	3,761,947	6,887,918
	(2,258,196)	(2,581,187)	(2,598,580)	(2,643,040)	(2,973,462)
	(28,838)	(26,304)	(37,977)	(24,355)	(31,883)
	(1,462)	(1,374)	(1,141)	(951)	218
\$	5,286,617	\$ (1,962,510)	\$ 6,112,370	\$ 3,271,811	\$ 5,924,816
	40,149,698	45,436,315	43,473,805	49,586,175	52,857,986
\$	45,436,315	\$ 43,473,805	\$ 49,586,175	\$ 52,857,986	\$ 58,782,802
\$	4,954,027	\$ 9,142,404	\$ 5,160,467	\$ 4,305,228	\$ 1,519,833
	90.17%	82.62%	90.57%	92.47%	97.48%
\$	9,676,122	\$ 9,786,957	\$ 10,083,176	\$ 10,693,227	\$ 10,055,095
	51.20%	93.41%	51.18%	40.26%	15.12%

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN 30190 HEALTH DEPARTMENT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last Eight Plan Years

	2014	2015	2016
TOTAL PENSION LIABILITY:			
Service cost	\$ 59,025	\$ 62,460	\$ 65,562
Interest (on total pension liability)	80,118	84,570	88,546
Changes in benefit terms including substantially automatic status	-	-	-
Difference between expected and actual experience	8,050	16,940	(48,925)
Change in assumptions	-	27,809	-
Benefit payments, including refunds of employee contributions	(65,871)	(104,759)	(74,592)
Total Pension Liability - Beginning	1,147,969	1,229,291	1,316,311
Total Pension Liability - Ending (a)	<u>\$ 1,229,291</u>	<u>\$ 1,316,311</u>	<u>\$ 1,346,902</u>
PLAN FIDUCIARY NET POSITION:			
Contributions - employer	\$ 31,483	\$ 36,407	\$ 40,122
Contributions - employee	27,582	29,462	30,035
Net investment income	62,351	1,689	74,773
Benefit payments, including refunds of employee contributions	(65,871)	(104,759)	(74,592)
Administrative expense	(651)	(1,029)	(845)
Other	(54)	(50)	(46)
Net Change in Plan Fiduciary Net Position	\$ 54,840	\$ (38,280)	\$ 69,447
Plan Fiduciary Net Position - Beginning	1,090,007	1,144,847	1,106,567
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,144,847</u>	<u>\$ 1,106,567</u>	<u>\$ 1,176,014</u>
NET PENSION LIABILITY - ENDING (a) - (b)	\$ 84,444	\$ 209,744	\$ 170,888
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	93.13%	84.07%	87.31%
COVERED EMPLOYEE PAYROLL	\$ 394,031	\$ 420,889	\$ 429,068
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	21.43%	49.83%	39.83%

NOTES TO SCHEDULE:

A full ten year schedule will be presented as it becomes available

2017	2018	2019	2020	2021
\$ 68,378	\$ 66,235	\$ 66,714	\$ 73,369	\$ 81,915
90,878	92,725	100,673	110,437	117,829
-	-	-	-	-
(48,929)	46,484	26,394	29,457	(78,033)
-	-	29,031	-	-
(69,495)	(94,293)	(81,592)	(81,379)	(134,661)
\$ 40,832	\$ 111,151	\$ 141,220	\$ 131,884	\$ (12,950)
1,346,902	1,387,734	1,498,885	1,640,105	1,771,989
\$ 1,387,734	\$ 1,498,885	\$ 1,640,105	\$ 1,771,989	\$ 1,759,039
\$ 46,376	\$ 46,373	\$ 43,905	\$ 52,498	\$ 63,515
31,325	30,423	31,624	34,538	38,561
162,122	(40,102)	197,951	111,673	207,064
(69,495)	(94,293)	(81,592)	(81,379)	(134,661)
(845)	(779)	(1,124)	(726)	(962)
(43)	(40)	(34)	(28)	8
\$ 169,440	\$ (58,418)	\$ 190,730	\$ 116,576	\$ 173,525
1,176,014	1,345,454	1,287,036	1,477,766	1,594,342
\$ 1,345,454	\$ 1,287,036	\$ 1,477,766	\$ 1,594,342	\$ 1,767,867
\$ 42,280	\$ 211,849	\$ 162,339	\$ 177,647	\$ (8,828)
96.95%	85.87%	90.10%	89.97%	100.50%
\$ 447,500	\$ 434,613	\$ 446,547	\$ 493,400	\$ 550,872
9.45%	48.74%	36.35%	36.00%	(1.60%)

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

BROWNWOOD FIREFIGHTER'S RELIEF AND RETIREMENT FUND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last Eight Plan Years

	2014	2015	2016
TOTAL PENSION LIABILITY:			
Service cost	\$ 211,640	\$ 219,098	\$ 229,505
Interest (on total pension liability)	561,844	586,487	611,749
Changes in benefit terms	-	-	-
Difference between expected and actual experience	-	(42,542)	-
Change of assumptions	-	87,541	-
Benefit payments, including refunds of employee contributions	(486,325)	(418,411)	(409,456)
Net Change in Total Pension Liability	\$ 287,159	\$ 432,173	\$ 431,798
Total Pension Liability - Beginning	7,522,774	7,809,933	8,242,106
Total Pension Liability - Ending (a)	<u>\$ 7,809,933</u>	<u>\$ 8,242,106</u>	<u>\$ 8,673,904</u>
PLAN FIDUCIARY NET POSITION:			
Contributions - employer	\$ 323,975	\$ 340,092	\$ 355,382
Contributions - employee	129,581	136,036	142,143
Net investment income	62,582	(85,706)	156,321
Benefit payments, including refunds of employee contributions	(486,325)	(418,411)	(409,456)
Administrative expense	(12,414)	(18,346)	(24,288)
Other	-	-	-
Net Change in Plan Fiduciary Net Position	\$ 17,399	\$ (46,335)	\$ 220,102
Plan Fiduciary Net Position - Beginning	3,426,410	3,443,809	3,397,474
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,443,809</u>	<u>\$ 3,397,474</u>	<u>\$ 3,617,576</u>
NET PENSION LIABILITY - ENDING (a) - (b)	\$ 4,366,124	\$ 4,844,632	\$ 5,056,328
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	44.10%	41.20%	41.70%
COVERED EMPLOYEE PAYROLL	\$ 1,619,763	\$ 1,700,450	\$ 1,776,788
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	269.60%	284.90%	284.60%

NOTES TO SCHEDULE:

Until a full 10-year trend is compiled, only available information is shown. The measurement date is December 31, nine months prior to the fiscal year end.

Total pension liability for 2014, 2016, 2018 and 2020 were determined from the beginning of the year total pension liability, using the roll forward procedure allowed by GASB 68.

\$3.2 million of the \$3.9 million change of assumptions in 2019 is the result of using the blended discount rate of 4.86% as prescribed by GASB rather than the 7% long-term expected rate of return.

Covered employee payroll is contributions by firefighters divided by their contribution ratio.

	2017	2018	2019	2020	2021
\$	237,308	\$ 256,651	\$ 264,992	\$ 480,945	\$ 301,276
	640,267	667,406	693,266	676,034	763,558
	-	-	-	-	18,991
	70,132	-	(168,400)	-	200,860
	146,910	-	3,856,465	(3,362,358)	(16,232)
	(517,907)	(603,337)	(548,066)	(480,748)	(753,527)
\$	576,710	\$ 320,720	\$ 4,098,257	\$ (2,686,127)	\$ 514,926
	8,673,904	9,250,614	9,571,334	13,669,591	10,983,464
\$	9,250,614	\$ 9,571,334	\$ 13,669,591	\$ 10,983,464	\$ 11,498,390
\$	369,559	\$ 386,967	\$ 423,515	\$ 413,686	\$ 398,825
	147,813	152,982	161,339	164,262	170,894
	552,099	(226,615)	796,428	663,653	594,372
	(517,907)	(603,337)	(548,066)	(480,748)	(753,527)
	(11,050)	(34,036)	(12,004)	(7,260)	(30,331)
\$	540,514	\$ (324,039)	\$ 821,212	\$ 753,593	\$ 380,233
	3,617,576	4,158,090	3,834,051	4,655,263	5,408,856
\$	4,158,090	\$ 3,834,051	\$ 4,655,263	\$ 5,408,856	\$ 5,789,089
\$	5,092,524	\$ 5,737,283	\$ 9,014,328	\$ 5,574,608	\$ 5,709,301
	44.90%	40.10%	34.10%	49.20%	50.30%
\$	1,847,663	\$ 1,912,275	\$ 2,016,738	\$ 2,053,275	\$ 1,994,125
	275.60%	300.00%	447.00%	271.50%	286.30%

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN 10190 CITY
SCHEDULE OF PENSION CONTRIBUTIONS

Last Eight Fiscal Years

	2015	2016	2017
Actuarially determined contribution	\$ 1,299,125	\$ 1,369,431	\$ 1,337,744
Contributions in relation to the actuarially determined contribution	1,299,125	1,369,431	1,337,744
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 8,798,850	\$ 9,647,016	\$ 9,670,777
Contributions as a percentage of covered employee payroll	14.76%	14.20%	13.83%

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS:

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution

Rates:

Actuarial Cost Method

Entry Age Normal

Amortization Method

Level Percentage of Payroll, Closed

Remaining Amortization Period

24 years

Asset Valuation Method

10 year smoothed market; 12% soft corridor

Inflation

2.50%

Salary Increases

3.5% to 11.50% including inflation

Investment Rate of Return

6.75%

Retirement Age

Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.

Mortality

Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other information:

Notes

There were no benefit changes during the year.

2018	2019	2020	2021	2022
\$ 1,307,905	\$ 1,331,684	\$ 1,359,045	\$ 1,341,052	\$ 1,365,299
<u>1,307,905</u>	<u>1,331,684</u>	<u>1,359,045</u>	<u>1,341,052</u>	<u>1,365,299</u>
<u>\$ -</u>				
\$ 9,636,494	\$ 10,073,473	\$ 10,207,847	\$ 10,172,140	\$ 10,414,181
13.57%	13.22%	13.31%	13.18%	13.11%

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN 30190 HEALTH DEPARTMENT
SCHEDULE OF PENSION CONTRIBUTIONS

Last Eight Fiscal Years

	2015	2016	2017
Actuarially determined contribution	\$ 35,246	\$ 40,367	\$ 44,912
Contributions in relation to the actuarially determined contribution	35,246	40,367	44,930
Contribution deficiency (excess)	\$ -	\$ -	\$ (18)
Covered employee payroll	\$ 415,734	\$ 440,225	\$ 443,482
Contributions as a percentage of covered employee payroll	8.48%	9.17%	10.13%

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS:

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution

Rates:

Actuarial Cost Method

Entry Age Normal

Amortization Method

Level Percentage of Payroll, Closed

Remaining Amortization Period

22 years

Asset Valuation Method

10 year smoothed market; 12% soft corridor

Inflation

2.50%

Salary Increases

3.5% to 11.50% including inflation

Investment Rate of Return

6.75%

Retirement Age

Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.

Mortality

Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other information:

Notes

There were no benefit changes during the year.

2018	2019	2020	2021	2022
\$ 46,374	\$ 44,396	\$ 48,615	\$ 53,365	\$ 93,270
46,374	44,396	48,615	53,365	93,270
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 437,705	\$ 438,725	\$ 463,767	\$ 473,289	\$ 781,330
10.59%	10.12%	10.48%	11.28%	11.94%

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

BROWNWOOD FIREFIGHTER'S RELIEF AND RETIREMENT FUND
SCHEDULE OF PENSION CONTRIBUTIONS

Last Eight Fiscal Years

	2015	2016	2017
Required contributions	\$ 323,975	\$ 340,092	\$ 355,382
Contributions in relation to the actuarially determined contribution	<u>323,975</u>	<u>340,092</u>	<u>355,382</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,619,763	\$ 1,700,450	\$ 1,776,788
Contributions as a percentage of covered employee payroll	20.00%	20.00%	20.00%

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS:

Valuation Date:

Notes

Contribution requirements are not actuarially determined. State law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying that the contribution commitment by the firefighters and the assumed city contribution rate together provide an adequate contribution arrangement.

Methods and Assumptions Used to Determine Contribution

Rates:

Actuarial Cost Method
Amortization Method
Remaining Amortization Period
Inflation
Salary Increases

Entry Age
Actuarially determined using an open, level percentage of payroll
53 years
2.75%
2.75% plus promotion, step and longevity increases that vary by service
7.0%, net of pension plan investment expense, including inflation
Age 50 with 20 years of service

Investment Rate of Return
Retirement Age
Mortality

Pub S-2010 (public safety) below-median income mortality tables for employees and retirees (sex distinct), projected generationally using projection scale MP-2019

Other information:

Notes

There were no benefit changes during the year.

	2018		2019		2020		2021		2022
S	369,559	S	386,967	S	423,515	S	403,601	S	430,192
	<u>369,559</u>		<u>386,967</u>		<u>423,515</u>		<u>403,601</u>		<u>430,192</u>
<u>S</u>	<u>-</u>								
S	1,847,663	S	1,912,275	S	2,016,738	S	2,018,006	S	2,150,962
	20.00%		20.24%		21.00%		20.00%		20.00%

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended September 30, 2022

	Original Budget	Final Budget	Actual Budgetary Basis (See Note A)	Variance with Final Budget Positive (Negative)
RESOURCES (INFLOWS):				
Ad valorem taxes	\$ 6,182,836	\$ 6,182,836	\$ 6,244,571	\$ 61,735
Sales tax	6,198,148	6,198,148	6,769,227	571,079
Other taxes	3,535,200	3,535,200	3,666,446	131,246
Fines	215,000	215,000	317,921	102,921
License and fees	61,000	61,000	141,281	80,281
Charges for services	303,500	303,500	336,503	33,003
Intergovernmental	1,349,648	1,349,648	1,758,930	409,282
Miscellaneous	66,647	66,647	204,033	137,386
Total Resources (Inflows)	<u>\$ 17,911,979</u>	<u>\$ 17,911,979</u>	<u>\$ 19,438,912</u>	<u>\$ 1,526,933</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
City Council	\$ 57,428	\$ 71,428	\$ 74,015	\$ (2,587)
Administration	317,610	329,512	263,968	65,544
City Secretary	112,958	112,958	101,396	11,562
Finance/Accounting	386,608	386,608	342,869	43,739
Municipal Court	272,960	272,960	263,991	8,969
Police	5,223,547	5,284,176	3,874,030	1,410,146
Dispatch	-	-	1,021,515	(1,021,515)
Fire	3,850,130	3,850,130	3,992,239	(142,109)
Planning and development	972,281	972,281	1,307,857	(535,576)
Street	1,929,838	1,999,425	2,698,129	(698,704)
Health	294,831	307,777	287,004	20,773
Community services	513,048	513,048	519,393	(6,345)
Intergovernmental	269,860	269,860	268,654	1,206
Utility billing	372,242	372,242	429,410	(57,168)
Community facilities	685,648	685,648	736,932	(51,284)
Operations support	165,036	165,036	148,992	16,044
Purchasing/warehouse	185,801	185,801	169,137	16,664
Parks and recreation	1,957,161	1,980,546	1,831,566	148,980
Fleet services	734,986	747,296	772,802	(25,506)
City Attorney	205,299	205,299	185,717	19,582
Community development	-	-	145,550	(145,550)
Public works/engineering	489,398	489,398	316,491	172,907
Emergency management	22,985	22,985	28,502	(5,517)
Human Resources	267,841	267,841	244,153	23,688
Fire Marshal	9,962	9,962	6,525	3,437
General fund contingency	319,545	319,545	97,826	221,719
Information technology	810,338	810,338	920,506	(110,168)
Transportation museum	192,657	206,123	213,991	(7,868)
Other	-	-	662,770	(662,770)
Total Charges to Appropriations (Outflows)	<u>\$ 20,619,998</u>	<u>\$ 20,838,223</u>	<u>\$ 22,125,930</u>	<u>\$ (1,287,707)</u>
EXCESS CHARGES TO APPROPRIATIONS	\$ (2,708,019)	\$ (2,926,244)	\$ (2,687,018)	\$ 239,226
FUND BALANCE - BEGINNING	<u>9,545,879</u>	<u>9,545,879</u>	<u>9,545,879</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 6,837,860</u>	<u>\$ 6,619,635</u>	<u>\$ 6,858,861</u>	<u>\$ -</u>

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BUDGETARY COMPARISON SCHEDULE

For the Year Ended September 30, 2022

NOTE A: EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES

Sources/inflows of Resources:

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule.	\$ 19,438,912
The City budgets for sales tax based on the amount collected rather than on the modified accrual basis.	45,013
The City does not budget for certain grant and contribution revenues	<u>3,380,246</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances governmental fund.	<u><u>\$ 22,864,171</u></u>

Uses/outflows of Resources:

Actual amount (budgetary basis) charges to appropriations from the budgetary comparison schedule	\$ 22,125,930
The City budgets for salaries on the cash basis rather than on the modified accrual basis	(25,157)
The City budgets for compensated absences on the cash basis rather than the modified accrual basis.	85,653
The City budgets for pension expense on the cash basis rather than the modified accrual basis.	969,822
The City budgets for capital outlay for contributed assets on the cash basis rather than the modified accrual basis.	2,318,105
The City budgets for capital outlay for leased assets on the cash basis rather than the modified accrual basis.	<u>1,737,618</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances governmental fund.	<u><u>\$ 27,211,971</u></u>

SUPPLEMENTARY INFORMATION

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

**OTHER GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS**

September 30, 2022

	Total Debt Service Funds	Total Capital Projects Funds	Total Special Revenue Funds	Total Other Governmental Funds
<u>ASSETS</u>				
ASSETS:				
Pooled cash and cash equivalents	\$	\$	\$ 183,147	\$ 183,147
Non pooled cash and cash equivalents			25	25
Receivables, net	58,484		367,053	425,537
Restricted assets	113,066	152,087	358,610	623,763
TOTAL ASSETS	\$ 171,550	\$ 152,087	\$ 908,835	\$ 1,232,472
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>				
LIABILITIES:				
Accounts payable	\$	\$ 14,750	\$ 30,225	\$ 44,975
Accrued payroll			16,180	16,180
Compensated absences			32,869	32,869
Internal balances	55,330			55,330
TOTAL LIABILITIES	\$ 55,330	\$ 14,750	\$ 79,274	\$ 149,354
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue	\$ 58,484	\$	\$	\$ 58,484
Amounts related to leases			9,130	9,130
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 58,484	\$ -	\$ 9,130	\$ 67,614
FUND BALANCES:				
Restricted for:				
Debt service	\$ 57,736	\$	\$	\$ 57,736
Construction		137,337		137,337
Fabis Park			39,171	39,171
Tourism promotion			350,398	350,398
Assigned to:				
Health and nutrition programs			32,310	32,310
Unassigned			398,552	398,552
TOTAL FUND BALANCES	\$ 57,736	\$ 137,337	\$ 820,431	\$ 1,015,504
TOTAL LIABILITIES AND FUND BALANCES	\$ 171,550	\$ 152,087	\$ 908,835	\$ 1,232,472

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

**OTHER GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

For the Year Ended September 30, 2022

	Total Debt Service Funds	Total Capital Projects Funds	Total Special Revenue Funds	Total Other Governmental Funds
REVENUES:				
Ad valorem taxes	\$ 1,162,256	\$ -	\$ -	\$ 1,162,256
Other taxes			427,898	427,898
Grants and contributions			1,303,756	1,303,756
Other revenue			420,861	420,861
Interest	327		291	618
Total Revenues	<u>\$ 1,162,583</u>	<u>\$ -</u>	<u>\$ 2,152,806</u>	<u>\$ 3,315,389</u>
EXPENDITURES:				
Debt service:				
Principal	\$ 1,079,815	\$ -	\$ -	\$ 1,079,815
Interest	302,813			302,813
Bond fees	806			806
Bond issuance costs	56,487			56,487
Capital outlay		14,750		14,750
Special revenue fund			1,970,950	1,970,950
Total Expenditures	<u>\$ 1,439,921</u>	<u>\$ 14,750</u>	<u>\$ 1,970,950</u>	<u>\$ 3,425,621</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ (277,338)</u>	<u>\$ (14,750)</u>	<u>\$ 181,856</u>	<u>\$ (110,232)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	\$ 59,556	\$ -	\$ -	\$ 59,556
Refunding bond proceeds	6,830,000			6,830,000
Payment to bond refunding escrow agent	(6,630,000)			(6,630,000)
Total Other Financing Sources	<u>\$ 259,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,556</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ (17,782)</u>	<u>\$ (14,750)</u>	<u>\$ 181,856</u>	<u>\$ 149,324</u>
FUND BALANCE - BEGINNING OF YEAR	<u>75,518</u>	<u>152,087</u>	<u>638,575</u>	<u>866,180</u>
FUND BALANCE - END OF YEAR	<u>\$ 57,736</u>	<u>\$ 137,337</u>	<u>\$ 820,431</u>	<u>\$ 1,015,504</u>

SINGLE AUDIT SECTION

D. A. “Tony” Krischke, CPA

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

The Honorable Mayor and City Council
City of Brownwood, Texas

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Brownwood, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise City of Brownwood, Texas’ basic financial statements, and have issued my report thereon dated April 26, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered City of Brownwood, Texas’ internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Brownwood, Texas’ internal control. Accordingly, I do not express an opinion on the effectiveness of City of Brownwood, Texas’ internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Brownwood, Texas’ financial statements are free from material misstatement, I 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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


Krischke CPA, PC
April 26, 2023



D. A. “Tony” Krischke, CPA

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Mayor and City Council
City of Brownwood, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited City of Brownwood, Texas’ compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Brownwood, Texas’ major federal programs for the year ended September 30, 2022. City of Brownwood, Texas major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In my opinion, City of Brownwood, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

I conducted my 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of City of Brownwood, Texas and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of City of Brownwood, Texas’ compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Brownwood, Texas’ federal programs.

Auditor’s Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Brownwood, Texas’ compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Brownwood, Texas’ compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Brownwood, Texas' compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of City of Brownwood, Texas' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Brownwood, Texas' internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Krischke CPA, PC
April 26, 2023

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2022

	Federal Assistance Listing Number	Pass Through Entity ID Number	Amount Expended	Amount Expended to Sub-recipients
FEDERAL ASSISTANCE:				
U.S. Department of Agriculture:				
Passed through Texas Health and Human Services				
Commission:				
Special Supplemental Nutrition Program for Women,				
Infants and Children	10.557	HHS000801200001	\$ 224,944	\$
Registered Dietician	10.557	HHS000801200001	15,160	
Peer Counselor	10.557	HHS000801200001	30,837	
Lactation Grant	10.557	HHS000801200001	3,913	
Extra funding	10.557	HHS000801200001	1,624	
Extra funding - Other	10.557	HHS000801200001	5,285	
Total U.S. Department of Agriculture			<u>\$ 281,763</u>	<u>\$ -</u>
U.S. Department of Housing and Urban Development:				
Passed through Texas Capital Fund:				
Community Development Block Grants/State's				
Program and Non-entitlement Grants in Hawaii	14.228	7219062	\$ 144,940	\$ -
U.S. Department of the Treasury:				
Passed through Texas Division of Emergency Management:				
COVID-19 - Coronavirus State and Local Fiscal Recovery				
Funds	21,027		\$ 83,200	\$ -
U.S. Department of Health and Human Services:				
Passed through National Association of County and City				
Health Officials:				
Medical Reserve Corps Small Grant Program - Operation				
Readiness	93.008	MRC 22-2657	\$ 9,999	\$
Medical Reserve Corps Small Grant Program - RISE	93.008	MRC RISE 22-2657	2,280	
			<u>\$ 12,279</u>	<u>\$ -</u>
Aging Cluster:				
Passed through West Central Texas Council of Governments:				
Special Programs for the Aging, Title III, Part C, Nutrition				
Services	93.045	539-16-0010-00001	\$ 591,214	\$
Total Aging Cluster			<u>\$ 591,214</u>	<u>\$ -</u>
Passed through Texas Department of State Health Services:				
Public Health Emergency Preparedness (PHEP)				
Immunization Cooperative Agreements	93.069	537-18-0123-00001	\$ 96,189	\$
COVID-19 - Immunization Cooperative Agreements	93.268	HHS000135000001	114,667	
COVID-19 - Epidemiology and Laboratory Capacity for			5,218	
Infectious Diseases	93.323	HHS000812700041	190,075	
COVID-19 - Public Health Emergency Response:				
Cooperative Agreement for Emergency Response:				
Public Health Crisis Response	93.354	HHS000768000001	24,174	
COVID-19 - Public Health Emergency Response:				
Cooperative Agreement for Emergency Response:				
Public Health Crisis Response - Workforce	93.354	HHS001074500001	253,963	
COVID-19 - Activities to Support State, Tribal, Local and				
Territorial (STLT) Health Department Response to				
Public Health or Healthcare Crises	93.391	HHS001057600008	88,059	
Preventive Health and Health Services Block Grant	93.991	HHS000485600037	9,761	
			<u>\$ 782,106</u>	<u>\$ -</u>
Passed through Texas Health and Human Services Commission:				
Social Services Block Grant				
	93.667	539-16-0010-0001	\$ 76,225	\$ -
Total U.S. Department of Health and Human Services			<u>\$ 1,461,824</u>	<u>\$ -</u>
Total Federal Assistance			<u>\$ 1,971,727</u>	<u>\$ -</u>

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2022

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of City of Brownwood, Texas under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Brownwood, Texas, it is not intended to and does not present the net position, changes in net position, or cash flows of City of Brownwood, Texas.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City of Brownwood, Texas has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year ended September 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(s) identified not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(s) identified not considered to be material weaknesses? _____ yes X none reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? _____ yes X no

Identification of major programs:

Federal Assistance

<u>Listing Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State’s Program and Non-entitlement Grants in Hawaii
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis

Dollar threshold used to distinguish between Type A and Type B programs \$ 750,000

Auditee qualified as low-risk auditee? X yes _____ no

Section II - Financial Statement Findings

None noted

Section III – Federal Award Findings and Questioned Costs

None noted

Section IV - Prior Year Audit Findings

No prior year findings