

CITY OF BROWNWOOD
Brownwood, Texas

ANNUAL FINANCIAL STATEMENTS

September 30, 2020

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 Financial Statements

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

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, 2020, 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.

Other Matters

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 3-8 and 47-57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Other 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 and comparative financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The combining and comparative financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In 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 August 31, 2021, 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.



Krischke CPA, PC
August 31, 2021

City of Brownwood
Management's Discussion and Analysis
For Year Ended September 30, 2020
(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, 2020. 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 \$35,831,217 (net position). Of this amount, \$835,117 is restricted for debt service, construction and other uses. The amount invested in fixed assets is \$41,858,815 leaving a negative \$(6,862,715) in unrestricted net position.
- The government's total net position decreased by \$1,969. There were increases and decreases in several areas including a net decrease in current assets versus liabilities of \$4,712,247, a net decrease in capital assets of \$3,075,865 and a net increase in pension liability net of deferred outflows and inflows of \$682,646.
- As of the close of the current fiscal year, the City's governmental activities reported combined ending net position of \$21,165,010, an increase of \$1,107,145 in comparison with the prior year. This increase was due to a combined effect from an increase in current assets of \$3,071,857, a decrease in capital assets of \$1,451,635 and a net decrease in pension liability net of deferred outflows and inflows of \$703,130.
- At the end of the current fiscal year, unrestricted net position for the governmental activities was a negative \$(2,153,048) as compared to a negative \$(3,905,551) in the prior year, an improvement of \$1,752,503. Net position invested in capital assets for governmental activities decreased by \$518,492. Net position invested in restricted assets for governmental activities decreased by \$126,866.
- The City's total liabilities increased by \$542,152 during the current fiscal year primarily due to the combined effect of current liabilities increasing by \$7,812,045 and long-term liabilities decreasing by \$8,468,789.
- Total revenue increased by \$2,400,821 over the prior year. General revenues such as property taxes, sales tax and other taxes increased by \$788,401 while operating revenues such as water sales, sewer fees and sanitation fees increased by \$1,612,420.
- Expenditures increased by \$1,044,204. The increases were in three major areas: Public Safety costs increased by \$431,615 while General Government and Administration costs increased by \$479,452 and Community Development costs increased by \$336,007. Operating costs for enterprise activities such as Water, Sewer, Sanitation, Landfill and Airport decreased by \$30,785.
- The year ended with a net deficit of \$1,969 compared with a deficit of \$1,358,586 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 units. 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 9-13 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 14-18 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 19-22 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 23-46 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 and prior year comparisons.

Government-Wide Financial Analysis

The City's combined net position decreased from \$35,833,186 last year to \$35,831,217 this year, a decrease of \$1,929. 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 12,147,209	\$ 9,075,352	\$ 5,389,477	\$ 5,361,536	\$ 17,536,686	\$ 14,436,888
Capital Assets	36,893,100	38,344,735	33,802,975	35,427,205	70,696,075	73,771,940
Deferred Outflows	4,582,294	3,482,689	267,706	851,061	4,850,000	4,333,750
Total Assets	\$ 53,622,603	\$ 50,902,776	\$ 39,460,158	\$ 41,639,802	\$ 93,082,761	\$ 92,542,578
Current liabilities	\$ 4,205,008	\$ 3,829,853	\$ 10,637,599	\$ 3,200,709	\$ 14,842,607	\$ 7,030,562
Long-term liabilities	13,415,162	13,980,370	12,372,862	20,276,443	25,788,024	34,256,813
Net Pension Liability	13,036,492	12,776,530	1,300,641	2,315,007	14,337,133	15,091,537
Deferred Inflows	1,800,931	258,158	482,849	72,322	2,283,780	330,480
Total Liabilities	\$ 32,457,593	\$ 30,844,911	\$ 24,793,951	\$ 25,864,481	\$ 57,251,544	\$ 56,709,392
Net Position:						
Invested in capital assets net of related debt	\$ 22,757,891	\$ 23,276,383	\$ 19,100,924	\$ 19,748,225	\$ 41,858,815	\$ 43,024,608
Restricted	560,167	687,033	274,950	-	835,117	687,033
Unrestricted	(2,153,048)	(3,905,551)	(4,709,667)	(3,972,904)	(6,862,715)	(7,878,455)
Total Net Position	\$ 21,165,010	\$ 20,057,865	\$ 14,666,207	\$ 15,775,321	\$ 35,831,217	\$ 35,833,186

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 \$35,831,217 as of September 30, 2020. However, the largest portion of the City's net position (117%) 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 (2.3%) 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 \$(6,862,715). This was a decrease of \$1,015,740 or 12.9% over the prior year.

Governmental activities: Governmental activities increased the City's net position by \$1,107,145 after booking transfers.

Business-type activities: Business-type activities decreased the City's net position by \$1,109,114 after booking transfers.

The following table provides a summary of the City's operations for year ended September 30, 2020:

City of Brownwood Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Fees, fines, and charges for services	\$ 2,539,244	\$ 2,727,766	\$ 17,479,924	\$ 16,206,280	\$ 20,019,168	\$ 18,934,046
Operating grants and contributions	2,318,989	1,794,552	-	-	2,318,989	1,794,552
Capital grants and contributions	-	66,449	89,287	19,977	89,287	86,426
General Revenues:						
Ad valorem taxes	7,158,179	6,884,919	-	-	7,158,179	6,884,919
Sales tax	5,850,332	5,717,843	-	-	5,850,332	5,717,843
Other revenues	4,757,584	4,368,343	323,348	329,937	5,080,932	4,698,280
Total Revenues	\$ 22,624,328	\$ 21,559,872	\$ 17,892,559	\$ 16,556,194	\$ 40,516,887	\$ 38,116,066
Expenses:						
General government and administration	\$ 6,743,343	\$ 6,263,891	\$ -	\$ -	\$ 6,743,343	\$ 6,263,891
Public Safety	10,625,039	10,193,424	-	-	10,625,039	10,193,424
Streets	2,766,362	2,778,816	-	-	2,766,362	2,778,816
Parks & Community Facilities	2,537,302	2,688,716	-	-	2,537,302	2,688,716
Community Development	404,534	68,527	-	-	404,534	68,527
Special Rev Activities	1,352,980	1,276,555	-	-	1,352,980	1,276,555
Water & Sewer	-	-	8,772,106	8,514,036	8,772,106	8,514,036
Sanitation & Landfill	-	-	5,198,247	5,361,545	5,198,247	5,361,545
Airport	-	-	1,209,933	1,335,490	1,209,933	1,335,490
Interest on long-term debt	425,325	456,170	483,685	537,482	909,010	993,652
Total Expenses	\$ 24,854,885	\$ 23,726,099	\$ 15,663,971	\$ 15,748,553	\$ 40,518,856	\$ 39,474,652
Change in net position before transfers	\$ (2,230,557)	\$ (2,166,227)	\$ 2,228,588	\$ 807,641	\$ (1,969)	\$ (1,358,586)
Transfers	3,337,702	1,682,000	(3,337,702)	(1,682,000)	-	-
Change in net position	\$ 1,107,145	\$ (484,227)	\$ (1,109,114)	\$ (874,359)	\$ (1,969)	\$ (1,358,586)
Net position October 1	20,057,865	20,542,092	15,775,321	16,649,680	35,833,186	37,191,772
Net position September 30	\$ 21,165,010	\$ 20,057,865	\$ 14,666,207	\$ 15,775,321	\$ 35,831,217	\$ 35,833,186

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 \$8,101,078 as compared to \$5,702,304 in the prior year, an improvement of \$2,398,774. Total fund balance was \$8,791,258 this year compared to \$5,845,867 in the prior year, an improvement of \$2,945,391. These improvements were primarily due to an increase in the cash and investments balances in the General Fund of \$499,181 and an increase in the net receivables in the General Fund of \$2,433,063.

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 39.1% and 42.4% respectively compared to 27.2% and 27.9% in the prior year.

At September 30, 2020, the governmental funds of the City reported a combined fund balance of \$9,485,635 compared to the prior year which was \$6,484,711, an increase of \$3,000,924.

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 \$(4,709,667). This represented a decrease of \$736,763.

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 \$1,369,494 or 7.8% while expenditures came in over budget by \$639,779 or 3.2%. This represented a net positive variance of \$729,715.

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, 2020, totals \$70,696,075 (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, 2020, the City had total bonded debt outstanding of \$22,150,000. 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.

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 2020 was 7.0% compared to the state average (8.3%) and national average (7.7%).
- Increasing property values. Taxable assessed values for 2020 increased by 5.2% from \$878,698,518 in 2019 to \$924,445,354 in 2020.
- Sales tax collections increased from \$1.78M in the prior year to \$1.89M in the current year for the economic development ½ cent tax, primarily due to improvements in our local economy.

Budget Highlights for the Fiscal Year Ending September 30, 2021

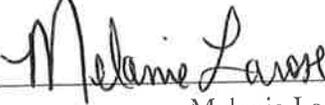
Governmental Activities: The property tax rate decreased from .7869 the prior year to .7448 cents per hundred dollars valuation. Sales tax is projected to decrease slightly by \$34,358 over the amount budgeted in the prior year due to the unknown economic impact of COVID-19. Budgeted expenditures in the General Fund are expected to decrease by 2.36%. No pay raise was budgeted, but there is a \$215,000 one-time bonus budgeted to be distributed to all City employees.

Business – type Activities: There are no increases in the water consumption rate even though the BCWID increased the wholesale treated water rate by 3%. There were no increases in the sewer, sanitation, or landfill rates.

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

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

STATEMENT OF NET POSITION

September 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Brownwood MDD
ASSETS:				
Pooled cash and cash equivalents	\$ (249,603)	\$ 145,919	\$ (103,684)	\$ 134,355
Pooled cash designated for special projects		5,358	5,358	
Non pooled cash and cash equivalents	7,199	3,550	10,749	
Investments	6,239,495	6,058	6,245,553	6,186,157
Investments designated for closure and postclosure		1,780,006	1,780,006	
Receivables, net	5,067,648	1,609,516	6,677,164	783,642
Inventory	28,990	625,720	654,710	
Prepaid expense	19,555		19,555	
Land held for development	350,000		350,000	397,295
Restricted assets	683,925	1,213,350	1,897,275	
Capital assets, net	36,893,100	33,802,975	70,696,075	
Total Assets	<u>\$ 49,040,309</u>	<u>\$ 39,192,452</u>	<u>\$ 88,232,761</u>	<u>\$ 7,501,449</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Amounts related to pensions	\$ 4,582,294	\$ 267,706	\$ 4,850,000	\$ -
Total Deferred Outflows of Resources	<u>\$ 4,582,294</u>	<u>\$ 267,706</u>	<u>\$ 4,850,000</u>	<u>\$ -</u>
LIABILITIES:				
Accounts payable	\$ 797,890	\$ 348,312	\$ 1,146,202	\$ 7,899
Accrued salaries	196,991	51,574	248,565	3,738
Liabilities payable from restricted assets:				
Tax note payable		4,374	4,374	
Bonds payable	68,664	44,998	113,662	
Noncurrent liabilities:				
Customer utility deposits		889,033	889,033	
Estimated liability for landfill closure and postclosure care costs		6,716,756	6,716,756	
Net pension liability	13,036,492	1,300,641	14,337,133	
Compensated absences:				
Portion due or payable within one year	1,148,403	127,759	1,276,162	9,487
Portion due or payable after one year	998,362	115,173	1,113,535	7,300
Capital leases payable:				
Portion due or payable within one year	895,521	1,145,372	2,040,893	
Portion due or payable after one year	1,810,741	2,020,637	3,831,378	
Tax note payable:				
Portion due or payable within one year	51,930	33,696	85,626	
Portion due or payable after one year	343,315	251,685	595,000	
Bonds payable:				
Portion due or payable within one year	1,045,609	1,275,725	2,321,334	
Portion due or payable after one year	10,262,744	9,985,367	20,248,111	
Total Liabilities	<u>\$ 30,656,662</u>	<u>\$ 24,311,102</u>	<u>\$ 54,967,764</u>	<u>\$ 28,424</u>

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

STATEMENT OF NET POSITION (CONT.)

September 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Brownwood MDD
DEFERRED INFLOWS OF RESOURCES:				
Amounts related to pensions	\$ 1,786,594	\$ 482,849	\$ 2,269,443	\$
Amounts related to bond refunding	14,337		14,337	
Total Deferred Inflows of Resources	<u>\$ 1,800,931</u>	<u>\$ 482,849</u>	<u>\$ 2,283,780</u>	<u>\$ -</u>
NET POSITION				
Invested in capital assets, net of related debt	\$ 22,757,891	\$ 19,100,924	\$ 41,858,815	\$
Restricted for:				
Municipal Court	27,849		27,849	
Tourism promotion	23,742		23,742	
Vehicular child safety	22,124		22,124	
Law enforcement	25,422		25,422	
Drug awareness education	1,873		1,873	
Lehnis Museum	4,725		4,725	
Beautification	900		900	
Debt service	88,931		88,931	
Fabis Park	45,990		45,990	
Construction	318,611	274,950	593,561	
Unrestricted	<u>(2,153,048)</u>	<u>(4,709,667)</u>	<u>(6,862,715)</u>	<u>7,473,025</u>
Total Net Position	<u>\$ 21,165,010</u>	<u>\$ 14,666,207</u>	<u>\$ 35,831,217</u>	<u>\$ 7,473,025</u>

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2020

<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	\$ 5,184,349	\$ 1,349,092	\$ 1,104,062	\$
Municipal court	321,903			
Police	5,290,097	457,256	4,174	
Fire	4,724,322	11,752	31,883	
Development services	862,706	87,642		
Street	2,766,362			
Health	288,717	136,464		
Community facilities	625,634	89,150		
Parks and recreation	1,911,668	46,228		
Public works/engineering	492,657			
Community development	404,534			
Motel tax to CVB	203,631			
Interest on long-term debt	425,325			
Special revenue activities	1,352,980	361,660	1,178,870	
Total Governmental Activities	<u>\$ 24,854,885</u>	<u>\$ 2,539,244</u>	<u>\$ 2,318,989</u>	<u>\$ -</u>
Business-type Activities:				
Water	\$ 5,469,218	\$ 6,571,585	\$	\$
Waste water collection	1,959,036	3,885,082		
Waste water treatment	1,343,852			
Sanitation	2,159,683	3,289,981		
Landfill	3,038,564	3,049,832		43,023
Airport	1,209,933	683,444		46,264
Interest on long-term debt	483,685			
Total Business-type Activities	<u>\$ 15,663,971</u>	<u>\$ 17,479,924</u>	<u>\$ -</u>	<u>\$ 89,287</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 40,518,856</u>	<u>\$ 20,019,168</u>	<u>\$ 2,318,989</u>	<u>\$ 89,287</u>
Component Unit:				
Brownwood Municipal Development District	<u>\$ 1,712,821</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to basic financial statement

Net (Expense) Revenue and Changes in Net Position

<u>Primary Government</u>		<u>Component Unit</u>
<u>Governmental</u>	<u>Business-type</u>	<u>Brownwood</u>
<u>Activities</u>	<u>Activities</u>	<u>MDD</u>
		<u>Total</u>
\$ (2,731,195)		\$ (2,731,195)
(321,903)		(321,903)
(4,828,667)		(4,828,667)
(4,680,687)		(4,680,687)
(775,064)		(775,064)
(2,766,362)		(2,766,362)
(152,253)		(152,253)
(536,484)		(536,484)
(1,865,440)		(1,865,440)
(492,657)		(492,657)
(404,534)		(404,534)
(203,631)		(203,631)
(425,325)		(425,325)
187,550		187,550
<u>\$ (19,996,652)</u>		<u>\$ (19,996,652)</u>
	\$ 1,102,367	\$ 1,102,367
	1,926,046	1,926,046
	(1,343,852)	(1,343,852)
	1,130,298	1,130,298
	54,291	54,291
	(480,225)	(480,225)
	(483,685)	(483,685)
	<u>\$ 1,905,240</u>	<u>\$ 1,905,240</u>
<u>\$ (19,996,652)</u>	<u>\$ 1,905,240</u>	<u>\$ (18,091,412)</u>
		<u>\$ (1,712,821)</u>

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

STATEMENT OF ACTIVITIES (CONT.)

For the Year Ended September 30, 2020

	Net (Expense) Revenue and Changes in Net Position			Component Unit Brownwood MDD
	Primary Government		Total	
	Governmental Activities	Business-type Activities		
CHANGE IN NET POSITION:				
Net Income (Expense)	\$ (19,996,652)	\$ 1,905,240	\$ (18,091,412)	\$ (1,712,821)
General Revenues:				
Taxes:				
Ad valorem	\$ 7,158,179	\$	\$ 7,158,179	\$
Sales	5,850,332		5,850,332	1,893,614
Other	4,116,998		4,116,998	
Earnings on investments	63,205	27,919	91,124	72,688
Miscellaneous	131,602	119,329	250,931	47,750
Gain (loss) on disposal of assets	445,779	176,100	621,879	
Transfers	3,337,702	(3,337,702)	-	
Total Revenue	<u>\$ 21,103,797</u>	<u>\$ (3,014,354)</u>	<u>\$ 18,089,443</u>	<u>\$ 2,014,052</u>
CHANGE IN NET POSITION	\$ 1,107,145	\$ (1,109,114)	\$ (1,969)	\$ 301,231
NET POSITION - BEGINNING OF YEAR	<u>20,057,865</u>	<u>15,775,321</u>	<u>35,833,186</u>	<u>7,171,794</u>
NET POSITION - END OF YEAR	<u>\$ 21,165,010</u>	<u>\$ 14,666,207</u>	<u>\$ 35,831,217</u>	<u>\$ 7,473,025</u>

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

BALANCE SHEETS
GOVERNMENTAL FUNDS

September 30, 2020

	<u>Major Fund</u>	<u>Nonmajor Fund</u>	Total
	General	Other	Governmental
	Fund	Governmental	Governmental
		Funds	Funds
<u>ASSETS</u>			
ASSETS:			
Pooled cash and cash equivalents	\$ (155,478)	\$ (94,125)	\$ (249,603)
Non pooled cash and cash equivalents	7,174	25	7,199
Investments	6,239,495		6,239,495
Receivables, net	4,532,692	366,871	4,899,563
Inventory	28,990		28,990
Prepaid expense	19,555		19,555
Land held for development	350,000		350,000
Restricted assets	106,985	576,940	683,925
	<u>\$ 11,129,413</u>	<u>\$ 849,711</u>	<u>\$ 11,979,124</u>
TOTAL ASSETS			
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
LIABILITIES:			
Accounts payable	\$ 707,900	\$ 89,989	\$ 797,889
Accrued salaries	184,437	12,554	196,991
Compensated absences	1,148,403		1,148,403
Internal balances	20,267	(20,267)	-
	<u>\$ 2,061,007</u>	<u>\$ 82,276</u>	<u>\$ 2,143,283</u>
TOTAL LIABILITIES			
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue	\$ 277,148	\$ 73,058	\$ 350,206
	<u>\$ 277,148</u>	<u>\$ 73,058</u>	<u>\$ 350,206</u>
FUND BALANCES:			
Nonspendable:			
Inventory	\$ 28,990	\$	\$ 28,990
Prepaid expense	19,555		19,555
Note receivable	185,000		185,000
Land held for development	350,000		350,000
Restricted for:			
Municipal Court	27,849		27,849
Tourism promotion	23,742		23,742
Vehicular child safety	22,124		22,124
Law enforcement	25,422		25,422
Drug awareness education	1,873		1,873
Lehnis Museum	4,725		4,725
Beautification	900		900
Debt service		88,931	88,931
Fabis Park		45,990	45,990
Construction		318,611	318,611
Committed to:			
Construction		74,597	74,597
Assigned to:			
Health and nutrition programs		52,148	52,148
Unassigned	8,101,078	114,100	8,215,178
	<u>\$ 8,791,258</u>	<u>\$ 694,377</u>	<u>\$ 9,485,635</u>
TOTAL FUND BALANCES			
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,129,413</u>	<u>\$ 849,711</u>	<u>\$ 11,979,124</u>

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, 2020

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 9,485,635
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 \$63,717,808.	36,893,100
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.	350,205
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 \$197,264.	168,085
Deferred inflows from bond refunding are not reported in the governmental funds balance sheet	(14,337)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds balance sheet	<u>(25,717,678)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 21,165,010</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, 2020

	<u>Major Fund</u>		<u>Nonmajor Fund</u>		Total Governmental Funds
	General Fund		Other Governmental Funds		
	\$		\$		
REVENUES:					
Ad valorem taxes	\$ 5,791,489		\$ 1,355,841		\$ 7,147,330
Sales taxes	5,850,332				5,850,332
Other taxes	4,116,998				4,116,998
Fines	219,903				219,903
Licenses and fees	103,471				103,471
Charges for services	281,229				281,229
Intergovernmental	1,560,504				1,560,504
Interest	58,152		5,053		63,205
Grants and contributions	1,140,119		1,178,870		2,318,989
Miscellaneous	102,093		391,168		493,261
Total Revenue	<u>\$ 19,224,290</u>		<u>\$ 2,930,932</u>		<u>\$ 22,155,222</u>
EXPENDITURES:					
Current:					
City Council	\$ 52,796				\$ 52,796
Administration	274,827				274,827
City Secretary	103,183				103,183
Finance/accounting	377,541				377,541
Municipal Court	311,319				311,319
Police	5,242,484				5,242,484
Fire	3,667,184				3,667,184
Development services	849,377				849,377
Street	1,918,541				1,918,541
Health	278,430				278,430
Community services	639,937				639,937
Intergovernmental	261,850				261,850
Utility billing	348,930				348,930
Community facilities	441,875				441,875
Operations support	152,636				152,636
Purchasing/warehouse	182,242				182,242
Parks and recreation	1,489,961				1,489,961
Fleet services	1,091,846				1,091,846
City Attorney	204,554				204,554
Community development	404,534				404,534
Public works/engineering	461,547				461,547
Emergency management	17,920				17,920
Human resources	259,797				259,797
Fire Marshal	128,903				128,903
General fund contingency	82,648				82,648
Information technology	853,384				853,384
Transportation museum	188,639				188,639
Motel tax to CVB	203,631				203,631
Other	236,688				236,688
Special revenue funds			1,356,431		1,356,431
Capital outlay			426,197		426,197
Debt issuance costs			77,370		77,370
Debt Service:					
Principal			992,400		992,400
Interest			433,922		433,922
Bond fees			902		902
Total Expenditures	<u>\$ 20,727,204</u>		<u>\$ 3,287,222</u>		<u>\$ 24,014,426</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (1,502,914)</u>		<u>\$ (356,290)</u>		<u>\$ (1,859,204)</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, 2020

	<u>Major Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>
	<u>General</u>	<u>Other</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (1,502,914)	\$ (356,290)	\$ (1,859,204)
OTHER FINANCING SOURCES (USES):			
Transfers in	\$ 3,266,076	\$ 33,924	\$ 3,300,000
Transfers out		(82,481)	(82,481)
Capital lease proceeds	736,450		736,450
Proceeds from sale of capital assets	445,779		445,779
Proceeds from tax note		395,245	395,245
Bond premium received		240,135	240,135
Proceeds from refunding bonds		2,480,000	2,480,000
Debt service principal on refunding		(2,655,000)	(2,655,000)
Net Other Financing Sources (Uses)	\$ 4,448,305	\$ 411,823	\$ 4,860,128
NET CHANGE IN FUND BALANCES	\$ 2,945,391	\$ 55,533	\$ 3,000,924
FUND BALANCE - BEGINNING OF YEAR	5,845,867	638,844	6,484,711
FUND BALANCE - END OF YEAR	\$ 8,791,258	\$ 694,377	\$ 9,485,635

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, 2020

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 3,000,924
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	1,631,349
Depreciation and amortization	(3,082,984)
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	(3,851,831)
Principal payments on long-term debt	4,435,668
Additional accrual of compensated absences	(352,167)
Current amortization of bond premiums and deferred amount on refunding	8,597
Change in net pension liability and related deferred outflows and inflows	(705,737)
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.	
	10,849
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.	
	12,477
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 1,107,145

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

STATEMENTS OF NET POSITION
PROPRIETARY FUNDS

September 30, 2020

	<u>Business-Type Activities - Enterprise Fund</u>			
	<u>Major Funds</u>		<u>Nonmajor Fund</u>	
	<u>Utility Fund</u>	<u>Sanitation Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
CURRENT ASSETS:				
Pooled cash and cash equivalents	\$ 60,610	\$ 81,285	\$ 4,024	\$ 145,919
Pooled cash designated for special projects	5,358			5,358
Non pooled cash and cash equivalents	2,500	650	400	3,550
Investments	3,551	2,507		6,058
Investments designated for closure and postclosure		1,780,006		1,780,006
Accounts receivable, net	1,063,100	495,026	51,390	1,609,516
Inventory	576,563		49,157	625,720
Total Current Assets	<u>\$ 1,711,682</u>	<u>\$ 2,359,474</u>	<u>\$ 104,971</u>	<u>\$ 4,176,127</u>
NONCURRENT ASSETS:				
Restricted assets	\$ 934,031	\$ 279,319	\$ -	\$ 1,213,350
Capital assets, net	<u>23,516,304</u>	<u>7,624,597</u>	<u>2,662,074</u>	<u>33,802,975</u>
Total Noncurrent Assets	<u>\$ 24,450,335</u>	<u>\$ 7,903,916</u>	<u>\$ 2,662,074</u>	<u>\$ 35,016,325</u>
TOTAL ASSETS	<u>\$ 26,162,017</u>	<u>\$ 10,263,390</u>	<u>\$ 2,767,045</u>	<u>\$ 39,192,452</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Amounts related to pensions	\$ 126,524	\$ 118,463	\$ 22,719	\$ 267,706
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 126,524</u>	<u>\$ 118,463</u>	<u>\$ 22,719</u>	<u>\$ 267,706</u>
CURRENT LIABILITIES:				
Accounts payable	\$ 278,119	\$ 63,494	\$ 6,699	\$ 348,312
Accrued salaries	25,604	21,786	4,184	51,574
Capital leases payable	215,785	918,849	10,738	1,145,372
Tax note payable		33,696		33,696
Bonds payable	1,059,977	215,748		1,275,725
Compensated absences	58,751	49,330	19,678	127,759
Total Current Liabilities	<u>\$ 1,638,236</u>	<u>\$ 1,302,903</u>	<u>\$ 41,299</u>	<u>\$ 2,982,438</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS:				
Tax note payable	\$ -	\$ 4,374	\$ -	\$ 4,374
Bonds payable	44,998			44,998
Total Liabilities Payable from Restricted Assets	<u>\$ 44,998</u>	<u>\$ 4,374</u>	<u>\$ -</u>	<u>\$ 49,372</u>
NONCURRENT LIABILITIES:				
Compensated absences	\$ 52,861	\$ 43,704	\$ 18,608	\$ 115,173
Net pension liability	614,712	575,549	110,380	1,300,641
Customer water meter deposits	889,033			889,033
Capital leases payable	448,379	1,532,908	39,350	2,020,637
Tax note payable		251,685		251,685
Bonds payable	8,442,966	1,542,401		9,985,367
Accrued landfill closure and postclosure care costs		6,716,756		6,716,756
Total Noncurrent Liabilities	<u>\$ 10,447,951</u>	<u>\$ 10,663,003</u>	<u>\$ 168,338</u>	<u>\$ 21,279,292</u>
TOTAL LIABILITIES	<u>\$ 12,131,185</u>	<u>\$ 11,970,280</u>	<u>\$ 209,637</u>	<u>\$ 24,311,102</u>
DEFERRED INFLOWS OF RESOURCES:				
Amounts related to pensions	\$ 228,205	\$ 213,666	\$ 40,978	\$ 482,849
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 228,205</u>	<u>\$ 213,666</u>	<u>\$ 40,978</u>	<u>\$ 482,849</u>
NET POSITION:				
Invested in capital assets, net of related debt	\$ 13,349,197	\$ 3,139,741	\$ 2,611,986	\$ 19,100,924
Restricted for construction		274,950		274,950
Unrestricted	579,954	<u>(5,216,784)</u>	<u>(72,837)</u>	<u>(4,709,667)</u>
TOTAL NET POSITION	<u>\$ 13,929,151</u>	<u>\$ (1,802,093)</u>	<u>\$ 2,539,149</u>	<u>\$ 14,666,207</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, 2020

	Business-Type Activities - Enterprise Fund			
	Major Funds		Nonmajor Fund	
	Utility Fund	Sanitation Fund	Other Enterprise Fund	Total
OPERATING REVENUES:				
Charges for service	\$ 10,456,667	\$ 6,339,813	\$ 683,444	\$ 17,479,924
Miscellaneous	81,063	38,196	70	119,329
Total Operating Revenues	<u>\$ 10,537,730</u>	<u>\$ 6,378,009</u>	<u>\$ 683,514</u>	<u>\$ 17,599,253</u>
OPERATING EXPENSES:				
Personnel services	\$ 1,889,787	\$ 1,685,035	\$ 311,371	\$ 3,886,193
Supplies	229,674	327,808	333,887	891,369
Contractual	2,761,660	845,474	73,674	3,680,808
Maintenance	747,784	299,611	87,567	1,134,962
Sundry charges	819,615	430,082		1,249,697
Support services	768,204	473,400		1,241,604
Depreciation and amortization	1,555,382	1,136,837	403,434	3,095,653
Total Operating Expenses	<u>\$ 8,772,106</u>	<u>\$ 5,198,247</u>	<u>\$ 1,209,933</u>	<u>\$ 15,180,286</u>
OPERATING GAIN (LOSS)	<u>\$ 1,765,624</u>	<u>\$ 1,179,762</u>	<u>\$ (526,419)</u>	<u>\$ 2,418,967</u>
NON-OPERATING REVENUE AND EXPENSE:				
Sale of equipment	\$ 500	\$ 175,600	\$	\$ 176,100
Grants and contributions		43,023	46,264	89,287
Interest income	7,446	20,322	151	27,919
Interest expense	(366,528)	(113,951)	(3,206)	(483,685)
Net Non-Operating Revenue (Expense)	<u>\$ (358,582)</u>	<u>\$ 124,994</u>	<u>\$ 43,209</u>	<u>\$ (190,379)</u>
GAIN (LOSS) BEFORE TRANSFERS	<u>\$ 1,407,042</u>	<u>\$ 1,304,756</u>	<u>\$ (483,210)</u>	<u>\$ 2,228,588</u>
TRANSFERS:				
Operating transfers in	\$	\$ 1,597	\$ 257,116	\$ 258,713
Operating transfers out	(1,787,702)	(1,807,116)	(1,597)	(3,596,415)
Net Operating Transfers	<u>\$ (1,787,702)</u>	<u>\$ (1,805,519)</u>	<u>\$ 255,519</u>	<u>\$ (3,337,702)</u>
CHANGES IN NET POSITION	<u>\$ (380,660)</u>	<u>\$ (500,763)</u>	<u>\$ (227,691)</u>	<u>\$ (1,109,114)</u>
NET POSITION - BEGINNING	<u>14,309,811</u>	<u>(1,301,330)</u>	<u>2,766,840</u>	<u>15,775,321</u>
NET POSITION - ENDING	<u>\$ 13,929,151</u>	<u>\$ (1,802,093)</u>	<u>\$ 2,539,149</u>	<u>\$ 14,666,207</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, 2020

	<u>Business-Type Activities - Enterprise Fund</u>			
	<u>Major Funds</u>		<u>Nonmajor Fund</u>	
	Utility	Sanitation	Other	Total
	Fund	Fund	Enterprise Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 10,579,067	\$ 6,349,507	\$ 665,514	\$ 17,594,088
Cash payments to suppliers for goods and services	(5,356,142)	(1,829,906)	(565,848)	(7,751,896)
Cash payments to employees for services	<u>(1,872,758)</u>	<u>(1,682,516)</u>	<u>(318,518)</u>	<u>(3,873,792)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,350,167</u>	<u>\$ 2,837,085</u>	<u>\$ (218,852)</u>	<u>\$ 5,968,400</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Increase in customer meter deposits	\$ 41,109	\$	\$	\$ 41,109
Operating transfers in		1,597	257,116	258,713
Operating transfers out	<u>(1,787,702)</u>	<u>(1,807,116)</u>	<u>(1,597)</u>	<u>(3,596,415)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ (1,746,593)</u>	<u>\$ (1,805,519)</u>	<u>\$ 255,519</u>	<u>\$ (3,296,593)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from bonds	\$ 2,057,082	\$ 1,758,149	\$	\$ 3,815,231
Principal payments on bonds	(3,185,000)	(1,955,000)		(5,140,000)
Proceeds from tax note		289,755		289,755
Principal payments on tax note			(67,600)	(67,600)
Proceeds from notes and capital leases	133,180	1,049,127	50,088	1,232,395
Principal payments on notes and capital leases	(190,002)	(860,525)	(3,911)	(1,054,438)
Proceeds from sale of capital assets	500	175,600		176,100
Acquisition and construction of capital assets	(240,762)	(1,131,654)	(55,984)	(1,428,400)
Grant income			46,264	46,264
Interest expense	<u>(378,245)</u>	<u>(113,951)</u>	<u>(3,206)</u>	<u>(495,402)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (1,803,247)</u>	<u>\$ (788,499)</u>	<u>\$ (34,349)</u>	<u>\$ (2,626,095)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments	\$ (1,803,345)	\$ (1,629,601)	\$ (63,451)	\$ (3,496,397)
Sale of investments	2,063,700	1,699,400	64,879	3,827,979
Interest income	<u>7,446</u>	<u>20,322</u>	<u>151</u>	<u>27,919</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 267,801</u>	<u>\$ 90,121</u>	<u>\$ 1,579</u>	<u>\$ 359,501</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>\$ 68,128</u>	<u>\$ 333,188</u>	<u>\$ 3,897</u>	<u>\$ 405,213</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>930,266</u>	<u>24,597</u>	<u>527</u>	<u>955,390</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 998,394</u></u>	<u><u>\$ 357,785</u></u>	<u><u>\$ 4,424</u></u>	<u><u>\$ 1,360,603</u></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, 2020

	<u>Business-Type Activities - Enterprise Fund</u>			
	<u>Major Funds</u>		<u>Nonmajor Fund</u>	
	Utility Fund	Sanitation Fund	Other Enterprise Fund	Total
RECONCILIATION OF OPERATING INCOME TO				
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>				
OPERATING GAIN (LOSS)	\$ 1,765,624	\$ 1,179,762	\$ (526,419)	\$ 2,418,967
ADJUSTMENTS TO RECONCILE OPERATING				
GAIN (LOSS) TO NET CASH PROVIDED BY				
OPERATING ACTIVITIES:				
Depreciation and amortization	1,555,382	1,136,837	403,434	3,095,653
Closure and postclosure care costs		534,588		534,588
Changes in assets and liabilities:				
Receivables	41,337	(28,502)	(18,000)	(5,165)
Inventories	8,092		39,403	47,495
Prepaid expense	3,360			3,360
Accounts payable	(40,657)	11,881	(110,123)	(138,899)
Accrued salaries	10,836	7,291	1,414	19,541
Compensated absences	8,807	7,706	(3,169)	13,344
Pension assets and liabilities	(2,614)	(12,478)	(5,392)	(20,484)
NET CASH PROVIDED (USED) BY OPERATING				
ACTIVITIES	\$ 3,350,167	\$ 2,837,085	\$ (218,852)	\$ 5,968,400

See accompanying notes to basic financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2020

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, 2020

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 Fund – 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 Fund – 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 Fund – 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.

Additionally, the government reports the following nonmajor proprietary fund:

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.

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

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 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.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

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

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 \$2,500 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 will be paid if the employee meets the prescribed conditions. Civil service employees are paid up to twenty-three 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.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

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

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 (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 three items that qualify for reporting in this category. Two of the items, amounts related to pensions and amounts related to bond refunding, are reported on the government wide statement of position. 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.

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

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

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.

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, (e) 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, 2020, \$1,658,039, 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.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

NOTE 3: DEPOSITS AND INVESTMENTS (CONT.)

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, 2020, TexPool's portfolio maintained a weighted average maturity of approximately 38 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, 2020, TexStar's portfolio maintained a weighted average maturity of approximately 44 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, 2020, the City's investments in TexPool and TexStar were both rated AAAM by Standard and Poor's.

Cash for Cash Flows Statement

Proprietary funds cash and cash equivalents at September 30, 2020 are as follows:

	Utility Fund	Sanitation Fund	Airport Fund
Pooled cash and cash equivalents	\$ 60,610	\$ 81,285	\$ 4,024
Pooled cash designated for special projects	5,358		
Non pooled cash and cash equivalents	2,500	650	400
Restricted cash	929,926	275,850	
 Total	 \$ 998,394	 \$ 357,785	 \$ 4,424

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, 2020:

	Governmental Activities	Business-type Activities
Restricted for debt service payments	\$ 68,664	\$ 49,367
Restricted for drug awareness education	1,873	
Restricted for law enforcement	25,422	
Restricted for vehicular child safety	22,124	
Restricted for beautification	1,200	
Restricted for municipal court	27,899	
Restricted for tourism promotion	23,742	
Restricted for Lehnis Museum	4,725	
Restricted for Fabis Park	46,259	
Restricted for construction or purchase of fixed assets	462,017	274,950
Restricted for customer deposits		889,033
 Total Restricted Assets	 \$ 683,925	 \$ 1,213,350

Restricted assets included \$1,672,339 in cash and \$224,936 in investments.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

NOTE 5: RECEIVABLES

A summary of the net receivables at September 30, 2020 is as follows:

	Governmental Activities	Business-type Activities	Component Unit - BMDD
Ad valorem taxes	\$ 375,058	\$	\$
Sales taxes	983,474		314,988
Utility		3,065,084	
Warrants and citations	365,349		
Airport		8,920	
Grants receivable	1,164,787	46,264	
PILOT payments	1,846,892		
Other receivables	529,901	40,737	3,000
Notes receivable	185,000		465,654
	<u>\$ 5,450,461</u>	<u>\$ 3,161,005</u>	<u>\$ 783,642</u>
Less allowance for uncollectable accounts	<u>(382,813)</u>	<u>(1,551,489)</u>	
Receivables, net	<u>\$ 5,067,648</u>	<u>\$ 1,609,516</u>	<u>\$ 783,642</u>

NOTE 6: LEASE COMMITMENTS

The City had telephone equipment under operating leases during the year. Rent expense amounted to \$33,185 for the year ended September 30, 2020. The minimum future lease payments under these leases at September 30, 2020 are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ 17,934
2022	10,547

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 \$6,716,756 as of September 30, 2020 which is based on 29.44% usage (filled) of the overall landfill. It is estimated that an additional \$10,414,050 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, \$17,130,805, 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, 2020. 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 \$10,290,518 and is being met by the government financial test specified in 30 TAC Chapter 37.271.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

NOTE 8: CAPITAL ASSETS

Capital asset activity in the City for the year ended September 30, 2020 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 2,837,185	\$	\$	\$ 2,837,185
Construction in progress	366,716	45,775		412,491
Total capital assets not being depreciated	<u>\$ 3,203,901</u>	<u>\$ 45,775</u>	<u>\$ -</u>	<u>\$ 3,249,676</u>
Capital assets being depreciated and amortized:				
Building and grounds	\$ 16,022,555	\$ 259,819	\$	\$ 16,282,374
Improvements	63,486,617	351,820		63,838,437
Machinery/equipment	15,232,203	973,935	(326,862)	15,879,276
Intangible assets	1,361,145			1,361,145
Total capital assets being depreciated and amortized	<u>\$ 96,102,520</u>	<u>\$ 1,585,574</u>	<u>\$ (326,862)</u>	<u>\$ 97,361,232</u>
Less accumulated depreciation and amortization:				
Buildings	\$ (6,590,179)	\$ (414,388)	\$	\$ (7,004,567)
Improvements	(41,461,529)	(1,578,208)		(43,039,737)
Machinery/equipment	(12,123,262)	(1,050,815)	326,862	(12,847,215)
Intangible assets	<u>(786,716)</u>	<u>(39,573)</u>		<u>(826,289)</u>
Total accumulated depreciation and amortization	<u>\$ (60,961,686)</u>	<u>\$ (3,082,984)</u>	<u>\$ 326,862</u>	<u>\$ (63,717,808)</u>
Total Capital Assets Being Depreciated and Amortized, Net	<u>\$ 35,140,834</u>	<u>\$ (1,497,410)</u>	<u>\$</u>	<u>\$ 33,643,424</u>
Governmental Activities Capital Assets, Net	<u>\$ 38,344,735</u>	<u>\$ (1,451,635)</u>	<u>\$ -</u>	<u>\$ 36,893,100</u>
Business-type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 383,351	\$	\$	\$ 383,351
Construction in progress	7,000	14,665		21,665
Total capital assets not being depreciated	<u>\$ 390,351</u>	<u>\$ 14,665</u>	<u>\$ -</u>	<u>\$ 405,016</u>
Capital assets being depreciated and amortized:				
Building and grounds	\$ 3,457,697	\$ 26,737	\$	\$ 3,484,434
Improvements	84,785,090	41,913		84,827,003
Landfill cell development	12,836,858			12,836,858
Machinery/equipment	17,130,273	1,388,107	(667,800)	17,850,580
Intangible assets	493,054			493,054
Total capital assets being depreciated and amortized	<u>\$ 118,702,972</u>	<u>\$ 1,456,757</u>	<u>\$ (667,800)</u>	<u>\$ 119,491,929</u>
Less accumulated depreciation and amortization:				
Buildings	\$ (2,972,456)	\$ (115,353)	\$	\$ (3,087,809)
Improvements	(58,696,550)	(1,513,965)		(60,210,515)
Landfill cell development	(7,409,058)	(255,926)		(7,664,984)
Machinery/equipment	(14,304,029)	(1,168,603)	667,800	(14,804,832)
Intangible assets	<u>(284,025)</u>	<u>(41,805)</u>		<u>(325,830)</u>
Total accumulated depreciation and amortization	<u>\$ (83,666,118)</u>	<u>\$ (3,095,652)</u>	<u>\$ 667,800</u>	<u>\$ (86,093,970)</u>
Total Capital Assets Being Depreciated and Amortized, Net	<u>\$ 35,036,854</u>	<u>\$ (1,638,895)</u>	<u>\$</u>	<u>\$ 33,397,959</u>
Business-type Activities Capital Assets, Net	<u>\$ 35,427,205</u>	<u>\$ (1,624,230)</u>	<u>\$ -</u>	<u>\$ 33,802,975</u>

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

NOTE 8: CAPITAL ASSETS (CONT.)

Assets under capital leases totaled \$7,106,899 in governmental funds and \$11,741,444 in the business type funds. Accumulated amortization on those assets at September 30, 2020 amounted to \$5,115,385 and \$8,927,449, respectively. This equipment is being amortized over 3 to 20 years. The amount of the amortization for the year ended September 30, 2020 was \$699,264 and \$1,065,756 in the governmental and business-type activities respectively.

Depreciation and amortization expense was charged to the following functions:

Governmental Activities:	
General government	\$ 467,311
Police	214,975
Fire	356,510
Development services	13,031
Street	1,338,589
Health	4,038
Community facilities	197,377
Parks and recreation	443,571
Public works	47,582
	<u>\$ 3,082,984</u>
Business-type Activities:	
Water	\$ 928,712
Waste water	414,756
Waste water treatment	211,914
Sanitation	296,138
Landfill	840,698
Airport	403,434
	<u>\$ 3,095,652</u>

NOTE 9: INTERNAL BALANCES AND INTERFUND TRANSFERS

Internal balances at September 30, 2020 amount to \$20,267 and represent short term advances between funds.

Transfers to/from other funds during the year ended September 30, 2020 consist of the following:

From Utility Fund to the General Fund to supplement the functions of that fund	\$ 1,500,000
From Utility Fund to the General Fund for capital outlay	\$ 37,702
From Sanitation Fund to the General Fund to supplement the functions of that fund	\$ 1,800,000

NOTE 10: UTILITY

The Utility Department was serving the following number of customers:

	9/30/20	9/30/19
Water Department	7,473	7,401
Sewer Department	6,970	6,895
Sanitation Department	7,132	7,045

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

NOTE 11: LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Duc Within One Year
Governmental Activities:					
Bonds, Notes and Leases Payable:					
Certificates of obligation	\$ 11,030,000	\$	\$ (3,345,000)	\$ 7,685,000	\$ 520,000
General obligation bonds	1,170,000	2,480,000	(270,000)	3,380,000	594,273
Tax note payable	32,400	395,245	(32,400)	395,245	51,930
Direct borrowings:					
Capital leases payable	2,758,080	736,450	(788,268)	2,706,262	895,521
	<u>\$ 14,990,480</u>	<u>\$ 3,611,695</u>	<u>\$ (4,435,668)</u>	<u>\$ 14,166,507</u>	<u>\$ 2,061,724</u>
Bond premiums	77,872	240,135	(5,990)	312,017	
Total Bonds, Notes and Leases Payable	<u>\$ 15,068,352</u>	<u>\$ 3,851,830</u>	<u>\$ (4,441,658)</u>	<u>\$ 14,478,524</u>	<u>\$ 2,061,724</u>
Compensated absences	1,813,616	1,141,576	(808,427)	2,146,765	1,148,403
Total Governmental Activities	<u>\$ 16,881,968</u>	<u>\$ 4,993,406</u>	<u>\$ (5,250,085)</u>	<u>\$ 16,625,289</u>	<u>\$ 3,210,127</u>
Business-type Activities:					
Bonds, Notes and Leases Payable:					
Certificates of obligation	\$ 11,545,000	\$	\$ (4,610,000)	\$ 6,935,000	\$ 300,000
General obligation bonds	1,080,000	3,600,000	(530,000)	4,150,000	1,020,723
Tax note payable	67,600	289,755	(67,600)	289,755	38,070
Direct borrowings:					
Capital leases payable	2,988,052	1,232,395	(1,054,438)	3,166,009	1,145,372
	<u>\$ 15,680,652</u>	<u>\$ 5,122,150</u>	<u>\$ (6,262,038)</u>	<u>\$ 14,540,764</u>	<u>\$ 2,504,165</u>
Bond premiums	17,576	215,231	(11,717)	221,090	
Total Bonds, Notes and Leases Payable	<u>\$ 15,698,228</u>	<u>\$ 5,337,381</u>	<u>\$ (6,273,755)</u>	<u>\$ 14,761,854</u>	<u>\$ 2,504,165</u>
Compensated absences	229,588	113,293	(99,949)	242,932	127,759
Total Business-type Activities	<u>\$ 15,927,816</u>	<u>\$ 5,450,674</u>	<u>\$ (6,373,704)</u>	<u>\$ 15,004,786</u>	<u>\$ 2,631,924</u>
Total Primary Government	<u>\$ 32,809,784</u>	<u>\$ 10,444,080</u>	<u>\$ (11,623,789)</u>	<u>\$ 31,630,075</u>	<u>\$ 5,842,051</u>

Long-term obligations for the component unit BMDD at September 30, 2020 are as follows:

Compensated absences	\$ 9,976	\$ 10,333	\$ (3,522)	\$ 16,787	\$ 9,487
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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

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

NOTE 11: LONG-TERM OBLIGATIONS (CONT.)

Governmental Activities (cont.)

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 September 17, 2020, the City issued \$6,080,000 General Obligation Refunding Bonds, Series 2020 with an interest rate of 3.0% and a final maturity on March 15, 2031. The City issued the bonds to refund both governmental and business-type outstanding obligations as follows: the \$2,655,000 outstanding balance of Combination Tax and Revenue Certificates of Obligation, Series 2016 with interest rates from 3.2% to 4.5%; the \$2,005,000 outstanding balance of Combination Tax & Revenue Certificates of Obligation, Series 2004 with interest rates from 0.3% to 3.35%; the \$1,715,000 outstanding balance of Combination Tax and Revenue Certificates of Obligation, Series 2013 with an interest rate of 3.18%. The refunding reduced total debt service payments over the next eleven years by \$561,441. This results in an economic gain (difference between present value of the debt service payments on the old and the new debt) of \$520,134.

A summary of the bonds follows:

	Date of Issue	Original Amount	Interest Rate	Maturity Date	Amount Outstanding 9/30/2020
Combination tax and revenue certificates of obligation:					
Series 2012	6/19/2012	\$ 10,750,000	2.0 to 4.125%	3/15/2032	\$ 7,685,000
General obligation refunding bonds,					
Series 2015	10/15/2015	2,250,000	0.45 to 2.2%	3/15/2026	900,000
Series 2020 - Governmental portion	9/17/2020	2,480,000	3%	3/15/3031	2,480,000
					<u>\$ 11,065,000</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>
2021	\$ 1,114,276	\$ 366,291	\$ 1,480,567
2022	989,474	334,926	1,324,400
2023	1,026,710	303,223	1,329,933
2024	1,061,908	268,888	1,330,796
2025	1,101,184	234,262	1,335,446
2026-2030	4,125,395	709,124	4,834,519
2031-2032	1,646,053	65,263	1,711,316
Total	<u>\$ 11,065,000</u>	<u>\$ 2,281,977</u>	<u>\$ 13,346,977</u>

A summary of the tax note follows:

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

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

NOTE 11: LONG-TERM OBLIGATIONS (CONT.)

Governmental Activities (cont.)

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

<u>Year Ending September 30,</u>	Principal	Interest	Total
2021	\$ 51,930	\$ 6,396	\$ 58,326
2022	54,815	4,739	59,554
2023	54,815	3,916	58,731
2024	57,700	3,072	60,772
2025	57,700	2,207	59,907
2026-2027	118,285	1,796	120,081
Total	<u>\$ 395,245</u>	<u>\$ 22,126</u>	<u>\$ 417,371</u>

Governmental activities are obligated under a number of long-term capital leases. Capital leases amounting to \$1,614,267 at September 30, 2020 are secured by the underlying equipment on the lease. The following represents the future maturities on all governmental activity capital leases:

<u>Year Ending September 30,</u>	Principal	Interest	Total
2020	\$ 895,521	\$ 113,202	\$ 1,008,723
2021	717,425	78,832	796,257
2022	561,890	48,698	610,588
2023	511,859	15,058	526,917
2024	19,567	360	19,927
Total	<u>\$ 2,706,262</u>	<u>\$ 256,150</u>	<u>\$ 2,962,412</u>

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 9/30/2020</u>
Combination tax and revenue certificates of obligation:					
Series 2012A	12/1/2012	\$ 3,440,000	1.96 to 4.64%	3/15/2044	\$ 3,030,000
Series 2015	10/15/2015	4,815,000	2.95%	9/30/2035	3,905,000
General obligation refunding bonds,					
Series 2010	3/15/2010	5,050,000	2.0 to 4.0%	3/15/2021	550,000
Series 2020 - Business-type portion	9/17/2020	3,600,000	3%	3/15/3031	3,600,000
					<u>\$ 11,085,000</u>

The following represents the future maturities on these bonds:

<u>Year Ending September 30,</u>	Principal	Interest	Total
2021	\$ 1,320,723	\$ 353,869	\$ 1,674,592
2022	795,527	319,634	1,115,161
2023	823,290	294,898	1,118,188
2024	848,092	269,271	1,117,363
2025	883,816	242,692	1,126,508
2026-2030	2,634,605	1,095,825	3,730,430
2031-2035	2,263,947	596,654	2,860,601
2036-2040	765,000	264,983	1,029,983
2041-2044	750,000	71,447	821,447
Total	<u>\$ 11,085,000</u>	<u>\$ 3,509,273</u>	<u>\$ 14,594,273</u>

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

NOTE 11: LONG-TERM OBLIGATIONS (CONT.)

Business-type activities (cont.)

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>
2021	\$ 38,070	\$ 4,689	\$ 42,759
2022	40,185	3,474	43,659
2023	40,185	2,871	43,056
2024	42,300	2,252	44,552
2025	42,300	1,618	43,918
2026-2027	86,715	1,317	88,032
Total	<u>\$ 289,755</u>	<u>\$ 16,221</u>	<u>\$ 305,976</u>

Business-type activities are obligated under a number of long-term capital leases. Capital leases amounting to \$3,001,122 at September 30, 2020 are secured by the underlying equipment on the lease. The following represents the future maturities on all business-type activity capital leases:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,145,372	\$ 77,601	\$ 1,222,973
2022	693,210	48,919	742,129
2023	652,392	29,687	682,079
2024	327,585	12,695	340,280
2025	347,450	5,650	353,100
Total	<u>\$ 3,166,009</u>	<u>\$ 174,552</u>	<u>\$ 3,340,561</u>

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 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tnrs.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 benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest. 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.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

NOTE 12: DEFINED BENEFIT PENSION PLAN (CONT.)

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	
Plan 10190 City	146
Plan 30190 Health Department	12
Inactive employees entitled to but not yet receiving benefits	
Plan 10190 City	90
Plan 30190 Health Department	2
Active employees	
Plan 10190 City	228
Plan 30190 Health Department	12

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both 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 actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

	Calendar Year	
	2019	2020
Plan 10190 City	13.13%	13.37%
Plan 30190 Health Department	9.95%	10.64%

The city's contributions to TMRS for the year ended September 30, 2020, for Plan 10190 City and Plan 30190 Health Department were \$1,359,045 and \$48,615, respectively, and were equal to or in excess of the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 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 is 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.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

NOTE 12: DEFINED BENEFIT PENSION PLAN (CONT.)

Net Pension Liability (cont.)

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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
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 employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

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)
Plan 10190 City			
Balance 12/31/2018	\$ 52,616,209	\$ 43,473,805	\$ 9,142,404
Changes for the year:			
Service cost	\$ 1,566,926	\$	\$ 1,566,926
Interest	3,516,776		3,516,776
Difference between expected and actual experience	(378,117)		(378,117)
Change in assumptions	23,428		23,428
Contributions-employer		1,324,616	(1,324,616)
Contributions-employee		705,457	(705,457)
Net investment income		6,719,995	(6,719,995)
Benefit payments, including refunds of employee contributions	(2,598,580)	(2,598,580)	-
Administrative expense		(37,977)	37,977
Other changes		(1,140)	1,140
Net changes	\$ 2,130,433	\$ 6,112,371	\$ (3,981,938)
Balance 12/31/2019	\$ 54,746,642	\$ 49,586,176	\$ 5,160,466
Plan 30190 Health Department			
Balance 12/31/2018	\$ 1,498,885	\$ 1,287,036	\$ 211,849
Changes for the year:			
Service cost	\$ 66,714	\$	\$ 66,714
Interest	100,673		100,673
Difference between expected and actual experience	26,394		26,394
Change in assumptions	29,031		29,031
Contributions-employer		43,905	(43,905)
Contributions-employee		31,624	(31,624)
Net investment income		197,951	(197,951)
Benefit payments, including refunds of employee contributions	(81,592)	(81,592)	-
Administrative expense		(1,124)	1,124
Other changes		(34)	34
Net changes	\$ 141,220	\$ 190,730	\$ (49,510)
Balance 12/31/2019	\$ 1,640,105	\$ 1,477,766	\$ 162,339

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	\$12,894,456	\$5,160,467	\$1,161,704
Plan 30190 Health Department	\$389,358	\$162,339	\$(23,295)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tnrs.com.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

NOTE 12: DEFINED BENEFIT PENSION PLAN (CONT.)

Net Pension Liability (cont.)

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

For the year ended September 30, 2020, the City recognized pension expense of \$1,364,177. At September 30, 2020, 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	\$	\$ 401,718
Changes in actuarial assumptions	17,343	
Difference between projected and actual investment earnings		1,514,049
Contributions subsequent to the measurement date	<u>1,044,820</u>	
Total	<u>\$ 1,062,163</u>	<u>\$ 1,915,767</u>
Plan 30190 Health Department		
Differences between expected and actual economic experience	\$ 22,631	\$
Changes in actuarial assumptions	22,135	
Difference between projected and actual investment earnings		43,422
Contributions subsequent to the measurement date	<u>38,096</u>	
Total	<u>\$ 82,862</u>	<u>\$ 43,422</u>

\$1,082,916 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, 2021. 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		
2020	\$ (627,352)	\$ (3,572)
2021	(563,750)	5,233
2022	49,776	19,134
2023	<u>(757,098)</u>	<u>(19,451)</u>
Total	<u>\$ (1,898,424)</u>	<u>\$ 1,344</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, 2020

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, 2019 actuarial valuation, the following numbers of members were covered by the Fund:

Retirees and beneficiaries currently receiving benefits	25
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 8% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. The City currently contributes 20% of payroll based on a contract between the City and the Fund. The City contributed 20% of payroll through September 30, 2018 based on a contract between the City and the Fund and began contributing 21% of payroll in October 2018. The City contributed 21% of payroll for all of 2019, but returned to the 20% rate in March 2020. The December 31, 2019 actuarial valuation includes the assumption that the City contribution rate will be 20% over the unfunded liability amortization period. 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. The board selects and employs investment managers with the advice of their investment consultant. For the year ending December 31, 2019, the money-weighted rate of return on pension plan investments was 20.71%. 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, 2020

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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, revised to use a discount rate of 4.86%.

Total pension liability	\$ 13,669,591
Plan fiduciary net position	<u>4,655,263</u>
City's net pension liability	<u>\$ 9,014,328</u>

Plan fiduciary net position as a percentage of the total pension liability 34.1%

Actuarial assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%	
Salary increases	3%, plus promotion, step and longevity increases that vary by service	
Investment rate of return	7%, net of pension plan investment expense, including inflation	
Municipal bond rate	2.74%	
Discount rate	4.86%	

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 4.0%) and by adding expected inflation (3%). 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 (Arithmetic)
Large Cap Domestic Equity	22%	5.3%
Small/mid Cap Domestic Equity	11%	5.8%
International Developed Equity	25%	5.8%
Emerging Markets Equity	7%	7.3%
Fixed Income	33%	0.8%
Cash	2%	0.0%
Total	100%	
Weighted Average		4.0%

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

NOTE 12: DEFINED BENEFIT PENSION PLAN (CONT.)

Net Pension Liability (cont.)

Discount Rate. The discount rate used to measure the total pension liability was 4.86%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current 8% contribution rate and that city contributions will be made at the current 20% contribution rate. Based on those assumptions, the Fund's fiduciary net position was projected to make projected future benefit payments of current active and inactive employees through 2054. Therefore, the discount rate of 4.86% is the single rate of return that results in a present value of all projected benefits equal to the sum of (a) the present value of benefits through 2054 discounted at the long-term expected rate of return of 7% and (b) the present value of benefits after 2054 discounted at the 2.74% discount rate based on the Bond Buyer Index of general obligation bonds with 20 years to maturity at/near December 2019.

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 4.86%, 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 (3.86%) or 1-percentage-point higher (5.86%) than the current rate:

	1% Decrease in Discount Rate (3.86%)	Discount Rate (4.86%)	1% Increase in Discount Rate (5.86%)
City's Net Pension Liability	\$11,089,612	\$9,014,328	\$7,332,923

Pension Plan Fiduciary Net Position. The plan fiduciary net position 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.

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, 2019	\$ 9,571,334	\$ 3,834,051	\$ 5,737,283
Changes for the year:			
Service cost	\$ 264,992	\$	\$ 264,992
Interest	693,266		693,266
Difference between expected and actual experience	(168,400)		(168,400)
Change in assumptions	3,856,465		3,856,465
Contributions-employer		423,515	(423,515)
Contributions-employee		161,339	(161,339)
Net investment income		796,428	(796,428)
Benefit payments	(548,066)	(548,066)	-
Administrative expense		(12,004)	12,004
Net changes	<u>\$ 4,098,257</u>	<u>\$ 821,212</u>	<u>\$ 3,277,045</u>
Amounts as of September 30, 2020	<u>\$ 13,669,591</u>	<u>\$ 4,655,263</u>	<u>\$ 9,014,328</u>

Measurements for the fiscal year ended September 30, 2019 were taken as of December 31, 2018.
Measurements for the fiscal year ended September 30, 2020 were taken as of December 31, 2019.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

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, 2020, the City's GASB 68 pension expense of \$1,149,090. 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, 2020:

Service cost	\$ 264,992
Interest	693,266
Firefighter's contributions	(161,339)
Projected earnings on pension plan investments	(278,867)
Amortization of differences between projected and actual earnings on plan investments	33,015
Amortization of changes of assumptions	607,275
Amortization of differences between expected and actual experience	(21,256)
Pension plan administrative expenses	12,004
Total pension expense	<u>\$ 1,149,090</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	\$	\$ 193,762
Differences between expected and actual experience		116,492
Changes of assumptions	3,399,577	
Contributions subsequent to the measurement date	305,398	
Total	<u>\$ 3,704,975</u>	<u>\$ 310,254</u>

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 Inflow:
2020	\$ 549,941
2021	530,450
2022	586,319
2023	476,745
2024	565,483
Thereafter	380,385
Total	<u>\$ 3,089,323</u>

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, 2019 through September 30, 2020 is a deferred outflow of resources that will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. This amount is \$305,398.

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

NOTE 13: COMMITMENTS

Brownwood Municipal Development District (BMDD) assumed several project financial obligations from Brownwood Economic Development Corporation (BEDC) with only one that has not yet been fully funded. BEDC approved a five-year incentive up to \$300,000 to 3M Company to support a product line. At September 30, 2020 there is \$60,000 remaining to be paid on this incentive.

BMDD has a building improvement incentive program that provides matching funds of up to \$20,000 upon completion of an approved project. Four projects totaling \$62,912 were approved and not yet funded at September 30, 2020.

During the 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, 2020, there is \$200,000 remaining to be paid on this incentive. Other BMDD approved financial incentives that were not yet funded at September 30, 2020 are as follows:

- Steve Browder in the amount of \$15,924 for Duckhorn Town Ranch Phase III
- Jeff Tucker in the amount of \$3,936 for water taps
- AJA Development LLC up to \$675,000 for infrastructure
- Sawyer Industries up to \$250,000 for expansion

On August 22, 2019, BMDD committed to a lease of office space for \$15,600 annually for five years with the intention of subleasing the property as a financial incentive. At September 30, 2020, BMDD has outstanding contracts as follows: \$267,469 for demolition and \$167,000 for asbestos abatement.

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, 2020 including City Hall improvements, airport improvements, street improvements and park improvements. Total cost of these projects is approximately \$1,518,900 with remaining costs of approximately \$1,084,700 at September 30, 2020.

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, 2020 the unpaid balance was \$9,450,000. 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.

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.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2020

NOTE 16: ELECTED OFFICIALS

Stephen Haynes	Mayor
Walker Willey	Councilman
H.D. Jones	Councilman
Draco Miller	Councilman
Larry Mathis	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 Haney	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	\$ 57,947,030
	Contents	5,393,893
Risk covered:	Fire, lightning, extended coverage including Replacement cost endorsement.	

NOTE 19: SUBSEQUENT EVENTS

In October 2020, the BMDD Board approved funding to the City of Brownwood for design, procurement and construction of an Event Center at an estimated cost of \$7,900,000 including property acquisition, demolition and parking at an estimated cost of \$1,000,000. In April 2021, the City began the primary administration of the Hotel Occupancy Tax funds previously contracted to the Brownwood Area Chamber of Commerce. In May 2021, the City entered into a ten year lease agreement with Howard Payne University for the Brownwood Coliseum. Credit against rent will be given for renovations and improvements to the property. The University will have exclusive use of the property with the exception of five community events annually. In July 2021, the City Council of the City of Brownwood approved transferring \$487,251 of economic development funds from the City to BMDD under a 380 agreement.

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 Six 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)	\$ 44,194,095	\$ 45,993,998	\$ 48,148,004
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)	\$ 37,797,828	\$ 37,771,112	\$ 40,149,698
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
\$	1,508,507	\$ 1,520,893	\$ 1,566,926
	3,224,688	3,365,563	3,516,776
	-	-	-
	(232,661)	(79,402)	(378,117)
	-	-	23,428
	<u>(2,258,196)</u>	<u>(2,581,187)</u>	<u>(2,598,580)</u>
\$	2,242,338	\$ 2,225,867	\$ 2,130,433
	48,148,004	50,390,342	52,616,209
\$	<u>50,390,342</u>	<u>\$ 52,616,209</u>	<u>\$ 54,746,642</u>

\$	1,333,369	\$ 1,322,217	\$ 1,324,616
	677,329	685,087	705,457
	5,564,415	(1,360,949)	6,719,995
	(2,258,196)	(2,581,187)	(2,598,580)
	(28,838)	(26,304)	(37,977)
	(1,462)	(1,374)	(1,141)
\$	5,286,617	\$ (1,962,510)	\$ 6,112,370
	40,149,698	45,436,315	43,473,805
\$	<u>45,436,315</u>	<u>\$ 43,473,805</u>	<u>\$ 49,586,175</u>

\$	4,954,027	\$ 9,142,404	\$ 5,160,467
	90.17%	82.62%	90.57%
\$	9,676,122	\$ 9,786,957	\$ 10,083,176
	51.20%	93.41%	51.18%

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 Six 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	\$ 81,322	\$ 87,020	\$ 30,591
Total Pension Liability - Ending (a)	<u>\$ 1,147,969</u>	<u>\$ 1,229,291</u>	<u>\$ 1,316,311</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	<u>1,090,007</u>	<u>1,144,847</u>	<u>1,106,567</u>
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
\$ 68,378	\$ 66,235	\$ 66,714
90,878	92,725	100,673
-	-	-
(48,929)	46,484	26,394
-	-	29,031
(69,495)	(94,293)	(81,592)
\$ 40,832	\$ 111,151	\$ 141,220
1,346,902	1,387,734	1,498,885
\$ 1,387,734	\$ 1,498,885	\$ 1,640,105

\$ 46,376	\$ 46,373	\$ 43,905
31,325	30,423	31,624
162,122	(40,102)	197,951
(69,495)	(94,293)	(81,592)
(845)	(779)	(1,124)
(43)	(40)	(34)
\$ 169,440	\$ (58,418)	\$ 190,730
1,176,014	1,345,454	1,287,036
\$ 1,345,454	\$ 1,287,036	\$ 1,477,766

\$ 42,280	\$ 211,849	\$ 162,339
96.95%	85.87%	90.10%
\$ 447,500	\$ 434,613	\$ 446,547
9.45%	48.74%	36.35%

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

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

Last Six 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)	<u>\$ 4,366,124</u>	<u>\$ 4,844,632</u>	<u>\$ 5,056,328</u>
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 and 2018 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
\$	237,308	\$ 256,651	\$ 264,992
	640,267	667,406	693,266
		-	-
	70,132	-	(168,400)
	146,910		3,856,465
	(517,907)	(603,337)	(548,066)
\$	576,710	\$ 320,720	\$ 4,098,257
	8,673,904	9,250,614	9,571,334
\$	9,250,614	\$ 9,571,334	\$ 13,669,591
\$	369,559	\$ 386,967	\$ 423,515
	147,813	152,982	161,339
	552,099	(226,615)	796,428
	(517,907)	(603,337)	(548,066)
	(11,050)	(34,036)	(12,004)
	-	-	-
\$	540,514	\$ (324,039)	\$ 821,212
	3,617,576	4,158,090	3,834,051
\$	4,158,090	\$ 3,834,051	\$ 4,655,263
\$	5,092,524	\$ 5,737,283	\$ 9,014,328
	44.90%	40.10%	34.10%
\$	1,847,663	\$ 1,912,275	\$ 2,016,738
	275.60%	300.00%	447.00%

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN 10190 CITY
SCHEDULE OF PENSION CONTRIBUTIONS

Last Six Fiscal Years

	2015	2016	2017	2018	2019	2020
Actuarially determined contribution	\$ 1,299,125	\$ 1,369,431	\$ 1,337,744	\$ 1,307,905	\$ 1,331,684	\$ 1,359,045
Contributions in relation to the actuarially determined contribution	<u>1,299,125</u>	<u>1,369,431</u>	<u>1,337,744</u>	<u>1,307,905</u>	<u>1,331,684</u>	<u>1,359,045</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Covered employee payroll	\$ 8,798,850	\$ 9,647,016	\$ 9,670,777	\$ 9,636,494	\$ 10,073,473	\$ 10,207,847
Contributions as a percentage of covered employee payroll	14.76%	14.20%	13.83%	13.57%	13.22%	13.31%

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
Amortization Method
Remaining Amortization Period
Asset Valuation Method
Inflation
Salary Increases
Investment Rate of Return
Retirement Age

Entry Age Normal
Level Percentage of Payroll, Closed
26 years
10 year smoothed market; 12% soft corridor
2.50%
3.5% to 11.50% including inflation
6.75%

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.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

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

Last Six Fiscal Years

	2015	2016	2017	2018	2019	2020
Actuarially determined contribution	\$ 35,246	\$ 40,367	\$ 44,912	\$ 46,374	\$ 44,396	\$ 48,615
Contributions in relation to the actuarially determined contribution	35,246	40,367	44,930	46,374	44,396	48,615
Contribution deficiency (excess)	\$ -	\$ -	\$ (18)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 415,734	\$ 440,225	\$ 443,482	\$ 437,705	\$ 438,725	\$ 463,767
Contributions as a percentage of covered employee payroll	8.48%	9.17%	10.13%	10.59%	10.12%	10.48%

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS:

Valuation Date:
Notes

Actuarially determined contribution rates are calculated as of

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method
Amortization Method
Remaining Amortization Period
Asset Valuation Method
Inflation
Salary Increases
Investment Rate of Return
Retirement Age

Entry Age Normal
Level Percentage of Payroll, Closed
24 years
10 year smoothed market; 12% soft corridor
2.50%
3.5% to 11.50% including inflation
6.75%

Mortality

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.
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.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

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

Last Six Fiscal Years

	2015	2016	2017	2018	2019	2020
Required contributions	\$ 323,975	\$ 340,092	\$ 355,382	\$ 369,559	\$ 386,967	\$ 423,515
Contributions in relation to the actuarially determined contribution	323,975	340,092	355,382	369,559	386,967	423,515
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,619,763	\$ 1,700,450	\$ 1,776,788	\$ 1,847,663	\$ 1,912,275	\$ 2,016,738
Contributions as a percentage of covered employee payroll	20.00%	20.00%	20.00%	20.00%	20.24%	21.00%

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
35 years
3.0%
3.0% plus promotion, step and longevity increases that vary by service

Investment Rate of Return
Retirement Age
Mortality

7.0%, net of pension plan investment expense, including inflation
Age 50 with 20 years of service
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.

RESOURCES (INFLOWS):				
Ad valorem taxes	\$ 5,740,239	\$ 5,740,239	\$ 5,791,489	\$ 51,250
Sales tax	5,705,358	5,705,358	5,861,705	156,347
Other taxes	3,720,100	3,720,100	3,913,367	193,267
Fines	249,000	249,000	219,903	(29,097)
License and fees	78,000	78,000	103,471	25,471
Charges for services	424,100	424,100	281,229	(142,871)
Intergovernmental	1,537,151	1,537,151	1,560,504	23,353
Miscellaneous	208,590	208,590	1,300,364	1,091,774
Total Resources (Inflows)	\$ 17,662,538	\$ 17,662,538	\$ 19,032,032	\$ 1,369,494
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
City Council	\$ 59,172	\$ 59,172	\$ 52,796	\$ 6,376
Administration	283,193	283,193	274,738	8,455
City Secretary	114,687	114,687	102,220	12,467
Finance/Accounting	375,567	375,567	373,311	2,256
Municipal Court	327,712	327,712	313,228	14,484
Police	5,239,111	5,239,111	5,214,696	24,415
Fire	3,786,241	3,776,341	3,646,460	129,881
Development services	947,663	947,663	851,993	95,670
Street	1,959,675	1,959,675	1,915,885	43,790
Health	251,637	251,637	276,806	(25,169)
Community services	664,589	664,589	639,937	24,652
Intergovernmental	257,657	257,657	261,850	(4,193)
Utility billing	317,328	317,328	351,386	(34,058)
Community facilities	477,136	477,136	441,694	35,442
Operations support	157,993	157,993	152,354	5,639
Purchasing/warehouse	184,545	184,545	183,416	1,129
Parks and recreation	1,658,413	1,665,520	1,488,279	177,241
Fleet services	792,362	793,362	1,091,242	(297,880)
City Attorney	207,136	207,136	201,823	5,313
Community development	-	-	404,534	(404,534)
Public works/engineering	585,616	585,616	465,438	120,178
Emergency management	23,850	33,750	17,920	15,830
Human Resources	284,239	284,239	259,714	24,525
Fire Marshal	184,873	184,873	135,002	49,871
General fund contingency	(148,500)	(148,500)	82,648	(231,148)
Information technology	639,913	639,913	846,346	(206,433)
Transportation museum	187,890	187,890	188,444	(554)
Other	-	-	233,424	(233,424)
Total Charges to Appropriations (Outflows)	\$ 19,819,698	\$ 19,827,805	\$ 20,467,584	\$ (639,779)
EXCESS CHARGES TO APPROPRIATIONS	\$ (2,157,160)	\$ (2,165,267)	\$ (1,435,552)	\$ 729,715
FUND BALANCE - BEGINNING	5,845,567	5,845,567	5,845,567	-
FUND BALANCE - ENDING	\$ 3,688,407	\$ 3,680,300	\$ 4,410,015	\$ -

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO BUDGETARY COMPARISON SCHEDULE

For the Year Ended September 30, 2020

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.	\$ 19,032,032
The City budgets for sales tax based on the amount collected rather than on the modified accrual basis.	(11,373)
The City budgets Hotel Occupancy Tax net of the payments to other entities rather than gross.	<u>203,631</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances governmental fund.	<u>\$ 19,224,290</u>

Uses/outflows of Resources:

Actual amount (budgetary basis) charges to appropriations from the budgetary comparison schedule	\$ 20,467,584
The City budgets for salaries on the cash basis rather than on the modified accrual basis	75,007
The City budgets for compensated absences on the cash basis rather than the modified accrual basis.	(19,018)
The City budgets Hotel Occupancy Tax net of the payments to other entities rather than gross.	<u>203,631</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances governmental fund.	<u>\$ 20,727,204</u>

SUPPLEMENTARY INFORMATION

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

OTHER GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS

September 30, 2020

	Total Debt Service Fund	Total Capital Projects Fund	Total Special Revenue Fund	Total Other Governmental Funds
<u>ASSETS</u>				
ASSETS:				
Pooled cash and cash equivalents	\$	\$	\$ (94,125)	\$ (94,125)
Non pooled cash and cash equivalents			25	25
Receivables, net	73,058	5,788	288,025	366,871
Internal balances	20,267			20,267
Restricted assets	68,664	462,017	46,259	576,940
TOTAL ASSETS	\$ 161,989	\$ 467,805	\$ 240,184	\$ 869,978
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>				
LIABILITIES:				
Accounts payable	\$	\$ 74,597	\$ 15,392	\$ 89,989
Accrued payroll			12,554	12,554
TOTAL LIABILITIES	\$ -	\$ 74,597	\$ 27,946	\$ 102,543
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue	\$ 73,058	\$ -	\$ -	\$ 73,058
FUND BALANCES:				
Restricted for:				
Debt service	\$ 88,931	\$	\$	\$ 88,931
Construction		318,611		318,611
Fabis Park			45,990	45,990
Committed to:				
Construction		74,597		74,597
Assigned to:				
Health and nutrition programs			52,148	52,148
Unassigned			114,100	114,100
TOTAL FUND BALANCES	\$ 88,931	\$ 393,208	\$ 212,238	\$ 694,377
TOTAL LIABILITIES AND FUND BALANCES	\$ 161,989	\$ 467,805	\$ 240,184	\$ 869,978

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, 2020

	Total Debt Service Fund	Total Capital Projects Fund	Total Special Revenue Fund	Total Other Governmental Funds
REVENUES:				
Ad valorem taxes	\$ 1,355,841	\$	\$	\$ 1,355,841
Grants and contributions			1,178,870	1,178,870
Other revenue	29,508		361,660	391,168
Interest	3,497	1,103	453	5,053
Total Revenues	<u>\$ 1,388,846</u>	<u>\$ 1,103</u>	<u>\$ 1,540,983</u>	<u>\$ 2,930,932</u>
EXPENDITURES:				
Debt service:				
Principal	\$ 992,400	\$	\$	\$ 992,400
Interest	433,922			433,922
Bond fees	902			902
Debt issuance costs	62,963	14,407		77,370
Capital outlay		426,197		426,197
Special revenue fund			1,356,431	1,356,431
Total Expenditures	<u>\$ 1,490,187</u>	<u>\$ 440,604</u>	<u>\$ 1,356,431</u>	<u>\$ 3,287,222</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ (101,341)</u>	<u>\$ (439,501)</u>	<u>\$ 184,552</u>	<u>\$ (356,290)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	\$ 33,924	\$	\$	\$ 33,924
Transfers out			(82,481)	(82,481)
Proceeds from tax note		395,245		395,245
Bond premium received	240,135			240,135
Proceeds from refunding bonds	2,480,000			2,480,000
Debt service principal on refunding	(2,655,000)			(2,655,000)
Total Other Financing Sources	<u>\$ 99,059</u>	<u>\$ 395,245</u>	<u>\$ (82,481)</u>	<u>\$ 411,823</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ (2,282)</u>	<u>\$ (44,256)</u>	<u>\$ 102,071</u>	<u>\$ 55,533</u>
FUND BALANCE - BEGINNING OF YEAR	<u>91,213</u>	<u>437,464</u>	<u>110,167</u>	<u>638,844</u>
FUND BALANCE - END OF YEAR	<u>\$ 88,931</u>	<u>\$ 393,208</u>	<u>\$ 212,238</u>	<u>\$ 694,377</u>

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

GENERAL FUND
COMPARATIVE BALANCE SHEETS

September 30, 2020 and 2019

	2020	2019
<u>ASSETS</u>		
ASSETS:		
Pooled cash and cash equivalents	\$ (155,478)	\$ (21,401)
Non pooled cash and cash equivalents	7,174	7,174
Investments	6,239,495	5,606,237
Receivables, net	4,532,692	2,099,629
Inventory	28,990	26,475
Prepaid expense	19,555	3,949
Land held for development	350,000	350,000
Restricted assets	106,985	116,404
	<u>\$ 11,129,413</u>	<u>\$ 8,188,467</u>
TOTAL ASSETS		
<u>LIABILITIES AND FUND BALANCES</u>		
LIABILITIES:		
Accounts payable	\$ 707,900	\$ 778,062
Accrued salaries	184,437	109,430
Internal balances	20,267	21,925
Compensated absences	1,148,403	1,167,421
	<u>\$ 2,061,007</u>	<u>\$ 2,076,838</u>
TOTAL LIABILITIES		
DEFERRED INFLOWS OF RESOURCES:		
Unavailable revenue	\$ 277,148	\$ 265,762
	<u>\$ 277,148</u>	<u>\$ 265,762</u>
FUND BALANCES:		
Nonspendable:		
Inventory	\$ 28,990	\$ 26,475
Prepaid expense	19,555	3,949
Note receivable	185,000	-
Land held for development	350,000	350,000
Restricted for:		
Municipal Court	27,849	28,604
Tourism promotion	23,742	28,978
Vehicular child safety	22,124	21,832
Law enforcement	25,422	26,353
Drug awareness education	1,873	3,494
Lehnis Museum	4,725	3,224
Beautification	900	654
Unassigned	8,101,078	5,352,304
	<u>\$ 8,791,258</u>	<u>\$ 5,845,867</u>
TOTAL FUND BALANCES		
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,129,413</u>	<u>\$ 8,188,467</u>

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

For the Years Ended September 30, 2020 and 2019

	2020	2019
REVENUES:		
Ad valorem taxes	\$ 5,791,489	\$ 5,588,045
Sales taxes	5,850,332	5,717,843
Other taxes	4,116,998	4,041,801
Fines	219,903	283,955
Licenses and fees	103,471	118,828
Charges for services	281,229	412,958
Intergovernmental	1,560,504	1,557,309
Interest	58,152	104,747
Grants and contributions	1,140,119	946,321
Miscellaneous	102,093	126,746
Total Revenues	\$ 19,224,290	\$ 18,898,553
EXPENDITURES:		
City Council	\$ 52,796	\$ 58,421
Administration	274,827	268,303
City Secretary	103,183	111,408
Finance/accounting	377,541	363,247
Municipal court	311,319	332,717
Police	5,242,484	5,489,835
Fire	3,667,184	3,892,630
Development services	849,377	854,424
Street	1,918,541	2,031,541
Health	278,430	283,226
Community services	639,937	630,518
Intergovernmental	261,850	252,051
Utility billing	348,930	307,431
Community facilities	441,875	497,345
Operations support	152,636	170,738
Purchasing/warehouse	182,242	187,687
Parks and recreation	1,489,961	1,614,720
Fleet services	1,091,846	1,070,861
City Attorney	204,554	203,135
Community development	404,534	68,527
Public works/engineering	461,547	536,132
Emergency management	17,920	19,237
Human resources	259,797	265,891
Fire Marshal	128,903	128,009
General fund contingency	82,648	65,082
Information technology	853,384	791,425
Transportation museum	188,639	185,256
Motel tax to CVB	203,631	191,910
Other	236,688	67,974
Total Expenditures	\$ 20,727,204	\$ 20,939,681
EXCESS OF REVENUES OVER EXPENDITURES	\$ (1,502,914)	\$ (2,041,128)
OTHER FINANCING SOURCES (USES):		
Transfers in	\$ 3,266,076	\$ 1,736,432
Capital lease proceeds	736,450	1,411,233
Proceeds from sale of capital assets	445,779	48,440
Net Other Financing Sources (Uses)	\$ 4,448,305	\$ 3,196,105
NET CHANGES IN FUND BALANCES	\$ 2,945,391	\$ 1,154,977
FUND BALANCE - BEGINNING OF YEAR	5,845,867	4,690,890
FUND BALANCE - END OF YEAR	\$ 8,791,258	\$ 5,845,867

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

PROPRIETARY FUNDS
COMPARATIVE STATEMENTS OF NET POSITION

September 30, 2020 and 2019

	2020	2019
CURRENT ASSETS:		
Pooled cash and cash equivalents	\$ 145,919	\$ 46,133
Pooled cash designated for special projects	5,358	57,725
Non pooled cash and cash equivalents	3,550	3,550
Investments	6,058	491,561
Investments designated for closure and postclosure	1,780,006	1,614,573
Accounts receivable, net	1,609,516	1,604,351
Inventory	625,720	673,215
Prepaid expenses	-	3,360
Total Current Assets	\$ 4,176,127	\$ 4,494,468
NONCURRENT ASSETS:		
Restricted assets	\$ 1,213,350	\$ 867,068
Capital assets, net	33,802,975	35,427,205
Total Noncurrent Assets	\$ 35,016,325	\$ 36,294,273
TOTAL ASSETS	\$ 39,192,452	\$ 40,788,741
DEFERRED OUTFLOWS OF RESOURCES:		
Amounts related to pensions	\$ 267,706	\$ 851,061
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 267,706	\$ 851,061
CURRENT LIABILITIES:		
Accounts payable	\$ 348,312	\$ 487,211
Accrued salaries	51,574	32,033
Capital leases payable	1,145,372	1,041,945
Tax note payable	33,696	66,153
Bonds payable	1,275,725	1,402,303
Compensated absences	127,759	151,920
Total Current Liabilities	\$ 2,982,438	\$ 3,181,565
LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Tax note payable	\$ 4,374	\$ 1,447
Bonds payable	44,998	17,697
Total Liabilities Payable from Restricted Assets	\$ 49,372	\$ 19,144
NONCURRENT LIABILITIES:		
Compensated absences	\$ 115,173	\$ 77,668
Net pension liability	1,300,641	2,315,007
Customer water meter deposits	889,033	847,924
Capital leases payable	2,020,637	1,946,107
Tax note payable	251,685	-
Bonds payable	9,985,367	11,222,576
Accrued landfill closure and postclosure care costs	6,716,756	6,182,168
Total Noncurrent Liabilities	\$ 21,279,292	\$ 22,591,450
TOTAL LIABILITIES	\$ 24,311,102	\$ 25,792,159
DEFERRED INFLOWS OF RESOURCES:		
Amounts related to pensions	\$ 482,849	\$ 72,322
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 482,849	\$ 72,322
NET POSITION:		
Invested in capital assets, net of related debt	\$ 19,100,924	\$ 19,748,225
Restricted for construction	274,950	-
Unrestricted	(4,709,667)	(3,972,904)
TOTAL NET POSITION	\$ 14,666,207	\$ 15,775,321

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

PROPRIETARY FUNDS
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND NET POSITION

For the Years Ended September 30, 2020 and 2019

	2020	2019
OPERATING REVENUES:		
Charges for services	\$ 17,479,924	\$ 16,206,280
Miscellaneous	119,329	131,658
Total Operating Revenues	\$ 17,599,253	\$ 16,337,938
OPERATING EXPENSES:		
Personnel services	\$ 3,886,193	\$ 3,716,764
Supplies	891,369	1,189,318
Contractual	3,680,808	3,810,884
Maintenance	1,134,962	1,054,350
Sundry charges	1,249,697	1,146,941
Support services	1,241,604	1,241,604
Depreciation and amortization	3,095,653	3,051,210
Total Operating Expenses	\$ 15,180,286	\$ 15,211,071
OPERATING GAIN	\$ 2,418,967	\$ 1,126,867
NON-OPERATING REVENUE AND EXPENSE:		
Sale of equipment	\$ 176,100	\$ 127,431
Grants and contributions	89,287	19,977
Interest income	27,919	70,848
Interest expense	(483,685)	(537,482)
Net Non-Operating Revenue (Expense)	\$ (190,379)	\$ (319,226)
GAIN BEFORE TRANSFERS	\$ 2,228,588	\$ 807,641
TRANSFERS:		
Operating transfers in	\$ 258,713	\$ 187,080
Operating transfers out	(3,596,415)	(1,869,080)
Net Operating Transfers	\$ (3,337,702)	\$ (1,682,000)
CHANGES IN NET POSITION	\$ (1,109,114)	\$ (874,359)
NET POSITION - BEGINNING	15,775,321	16,649,680
NET POSITION - ENDING	\$ 14,666,207	\$ 15,775,321

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 units, each major fund, and the aggregate remaining fund information of City of Brownwood, Texas, as of and for the year ended September 30, 2020, 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 August 31, 2021.

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) to determine the 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.

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 determination of financial statement amounts. 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
Krischke CPA, PC
August 31, 2021



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

I have audited City of Brownwood, Texas compliance with the types of compliance requirements described 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, 2020. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of City of Brownwood, Texas major federal programs based on my audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Brownwood, Texas compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of City of Brownwood, Texas compliance.

Opinion on Each Major Federal Program

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, 2020.

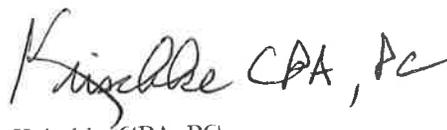
Report on Internal Control Over Compliance

Management of City of Brownwood, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered City of Brownwood, Texas internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of City of Brownwood, Texas 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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
August 31, 2021

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2020

	Federal CFDA 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	2017-049825-001	\$ 225,596	\$
Registered Dietician	10.557	2017-049825-001	7,970	
Peer Counselor	10.557	2017-049825-001	47,893	
Client Experience	10.557	2017-049825-001	10,115	
Lactation Grant	10.557	2017-049825-001	1,730	
COVID-19 - Special Supplemental Nutrition Program for Women, Infants and Children	10.557	2017-049825-001	921	
Total Special Supplemental Nutrition Program for Women, Infants and Children			<u>\$ 294,225</u>	<u>\$ -</u>
SNAP Cluster:				
Passed through Texas Department of State Health Services:				
State Administrative Matching Grants for the Supplemental Nutrition Program	10.561	2017-049825-001	\$ 709	\$
Total SNAP Cluster			<u>\$ 709</u>	<u>\$ -</u>
Total U.S. Department of Agriculture			<u>\$ 294,934</u>	<u>\$ -</u>
U.S. Department of Justice:				
Passed through Office of the Texas Governor Criminal Justice Division:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	3703602	\$ 13,252	\$ -
U.S. Department of the Treasury:				
Passed through Texas Division of Emergency Management:				
COVID-19 - 2020 Coronavirus Relief Fund	21.019		\$ 1,094,390	\$ -
General Services Administration:				
Non-monetary pass through from Texas Facilities Commission: Donation of Federal Surplus Personal Property	39.003	26171	\$ 43,023	\$ -
U.S. Department of Health and Human Services:				
Passed through Texas Department of State Health Services:				
Medical Reserve Corps Small Grant Program	93.008	6 HITEP 150032-02-13	\$ 1,094	\$
Public Health Emergency Preparedness (PHEP)	93.069	537-18-0123-00001	102,948	
Immunization Cooperative Agreements	93.268	HHS000135000001	134,565	
COVID-19 - Public Health Emergency Response:				
Cooperative Agreement for Emergency Response:				
Public Health Crisis Response	93.354	HHS000768000001	66,349	
Preventive Health and Health Services Block Grant	93.991	HHS000485600037	9,761	
			<u>\$ 314,717</u>	<u>\$ -</u>
Passed through West Central Texas Council of Governments:				
COVID-19 - Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042	539-16-0010-00001	\$ 7,336	\$ -
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	\$ 151,117	\$
Total Aging Cluster			<u>\$ 151,117</u>	<u>\$ -</u>
Passed through Texas Health and Human Services Commission:				
Social Services Block Grant	93.667	000169900	\$ 60,646	\$ -
Total U.S. Department of Health and Human Services			<u>\$ 533,816</u>	<u>\$ -</u>
Total Federal Assistance			<u>\$ 1,979,415</u>	<u>\$ -</u>

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2020

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of City of Brownwood, Texas under programs of the federal government for the year ended September 30, 2020. 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, 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 as allowed under the Uniform Guidance.

CITY OF BROWNWOOD, TEXAS
Brownwood, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year ended September 30, 2020

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 <u> X </u> no
Significant deficiency(s) identified not considered to be material weaknesses?	_____ yes <u> X </u> none reported
Noncompliance material to financial statements noted?	_____ yes <u> X </u> no

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	_____ yes <u> X </u> no
Significant deficiency(s) identified not considered to be material weaknesses?	_____ yes <u> X </u> none reported
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	_____ yes <u> X </u> no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
21.019	2020 Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
Auditee qualified as low-risk auditee?	<u> X </u> 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