

CITY OF BROWNWOOD  
Brownwood, Texas

ANNUAL FINANCIAL STATEMENTS

September 30, 2023

CITY OF BROWNWOOD, TEXAS

Brownwood, Texas

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Brownwood, Texas

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**D. A. "Tony" Krischke, CPA**

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Brownwood, Texas as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brownwood, Texas, as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City of Brownwood, Texas and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

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

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

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

#### ***Required Supplementary Information***

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

#### ***Supplementary Information***

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated February 26, 2024, 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  
February 26, 2024

**City of Brownwood**  
**Management's Discussion and Analysis**  
**For Year Ended September 30, 2023**  
**(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, 2023. 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 \$55,783,509 (net position), an increase of \$9,513,180 as compared to the prior year. Of this amount, \$2,233,245 is restricted for debt service, construction and other uses. The amount invested in fixed assets is \$52,108,413 leaving \$1,441,851 in unrestricted net position.
- As of the close of the current fiscal year, the City's governmental activities reported combined ending net position of \$33,601,883, an increase of \$5,582,706 in comparison with the prior year.
- At the end of the current fiscal year, unrestricted net position for the governmental activities was a negative \$(3,933,628) as compared to a negative \$(283,009) in the prior year. Net position invested in capital assets for governmental activities increased by \$8,880,483. Net position invested in restricted assets for governmental activities increased by \$352,842.
- The City's total liabilities increased by \$14,730,908 during the current fiscal year. Long-term liabilities increased by \$15,120,120 and net pension liability increased by 10,692,813. However, current liabilities decreased by \$6,884,969 and deferred inflows decreased by \$4,197,056.
- Total revenue increased by \$8,830,445 over the prior year. General revenues such as property taxes, sales tax and other taxes increased by \$2,091,844 while operating revenues such as water sales, sewer fees and sanitation fees increased by \$1,072,568. There was a net increase of \$5,666,033 in grant and other contributions, which included \$7,337,315 in contributions from the Brownwood Municipal Development District for construction of the Event Center.
- Expenditures increased by \$5,813,557 primarily due to the combined effect of an increase in Public Safety costs of \$1,565,718, an increase of \$1,015,527 in General Government, an increase of \$854,646 in Parks and Community Facilities costs, and an increase of \$270,021 in Streets. Operating costs for enterprise activities such as Water, Sewer, Sanitation, Landfill and Airport increased by \$1,507,183.
- The year ended with a net surplus of \$9,513,180 compared with a surplus of \$6,496,292 in the prior year.

**Overview of the Financial Statements**

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

**Required Components of Annual Financial Report**

**Basic Financial Statements**

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

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

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

## **Government-wide Financial Statements**

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

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

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

## **Fund Financial Statements**

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Brownwood, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance with finance-related legal requirements. All of the funds of City can be divided into two categories: governmental funds and proprietary funds.

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

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

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

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The Notes to the Financial Statements are on pages 24-51 of this report.

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

### Government-Wide Financial Analysis

The City’s combined net position increased from \$46,270,329 last year to \$55,783,509 this year, an increase of \$9,513,180. 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	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 15,213,396	\$ 16,845,586	\$ 16,679,797	\$ 10,160,785	\$ 31,893,193	\$ 27,006,371
Capital Assets	47,857,773	40,636,428	37,593,657	30,916,332	85,451,430	71,552,760
Deferred Outflows	5,703,516	1,463,562	1,569,018	350,376	7,272,534	1,813,938
Total Assets	<u>\$ 68,774,685</u>	<u>\$ 58,945,576</u>	<u>\$ 55,842,472</u>	<u>\$ 41,427,493</u>	<u>\$ 124,617,157</u>	<u>\$ 100,373,069</u>
Current liabilities	\$ 9,289,272	\$ 8,914,560	\$ 3,879,740	\$ 11,139,421	\$ 13,169,012	\$ 20,053,981
Long-term liabilities	10,358,109	11,579,700	26,887,172	10,545,461	37,245,281	22,125,161
Pension Liability	15,125,440	6,818,106	2,787,679	402,200	17,913,119	7,220,306
Deferred Inflows	399,981	3,614,033	106,255	1,089,259	506,236	4,703,292
Total Liabilities	<u>\$ 35,172,802</u>	<u>\$ 30,926,399</u>	<u>\$ 33,660,846</u>	<u>\$ 23,176,341</u>	<u>\$ 68,833,648</u>	<u>\$ 54,102,740</u>
Net Position:						
Invested in capital assets net of related debt	\$ 36,476,458	\$ 27,595,975	\$ 15,631,955	\$ 18,943,797	\$ 52,108,413	\$ 46,539,772
Restricted	1,059,053	706,211	1,174,192	104,428	2,233,245	810,639
Unrestricted	(3,933,628)	(283,009)	5,375,479	(797,073)	1,441,851	(1,080,082)
Total Net Position	<u>\$ 33,601,883</u>	<u>\$ 28,019,177</u>	<u>\$ 22,181,626</u>	<u>\$ 18,251,152</u>	<u>\$ 55,783,509</u>	<u>\$ 46,270,329</u>

### 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 \$55,783,509 as of September 30, 2023. However, the largest portion of the City’s net position (93.4%) 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 (4.0%) 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 an unrestricted balance of \$1,441,851. This was an increase of \$2,521,933 or 233.5% over the prior year.

**Governmental activities:** Governmental activities increased the City’s net position by \$5,582,706.

**Business-type activities:** Business-type activities increased the City's net position by \$3,930,474.

The following table provides a summary of the City's operations for year ended September 30, 2023:

	<b>City of Brownwood Changes in Net Position</b>					
	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Fees, fines, and charges for services	\$ 3,233,641	\$ 2,997,189	\$ 20,140,465	\$ 19,304,349	\$ 23,374,106	\$ 22,301,538
Operating grants and contributions	2,786,233	1,985,822	-	-	2,786,233	1,985,822
Capital grants and contributions	7,533,772	2,659,372	49,109	57,887	7,582,881	2,717,259
<b>General Revenues:</b>						
Ad valorem taxes	7,918,217	7,368,702	-	-	7,918,217	7,368,702
Sales tax	7,393,146	6,814,240	-	-	7,393,146	6,814,240
Other revenues	5,164,490	4,650,338	775,349	326,078	5,939,839	4,976,416
<b>Total Revenues</b>	<b>\$ 34,029,499</b>	<b>\$ 26,475,663</b>	<b>\$ 20,964,923</b>	<b>\$ 19,688,314</b>	<b>\$ 54,994,422</b>	<b>\$ 46,163,977</b>
<b>Expenses:</b>						
General government and administration	\$ 7,539,319	\$ 6,523,792	\$ -	\$ -	\$ 7,539,319	\$ 6,523,792
Public Safety	11,221,839	9,656,121	-	-	11,221,839	9,656,121
Streets	2,943,398	2,673,377	-	-	2,943,398	2,673,377
Parks & Community Facilities	3,734,193	2,879,547	-	-	3,734,193	2,879,547
Community Development	260,431	146,356	-	-	260,431	146,356
Special Rev Activities	2,062,710	1,902,485	-	-	2,062,710	1,902,485
Water & Sewer	-	-	9,389,645	8,469,069	9,389,645	8,469,069
Sanitation & Landfill	-	-	5,831,646	5,165,915	5,831,646	5,165,915
Airport	-	-	1,513,608	1,592,732	1,513,608	1,592,732
Interest on long-term debt & debt issuance cost	141,376	316,479	843,077	341,812	984,453	658,291
<b>Total Expenses</b>	<b>\$ 27,903,266</b>	<b>\$ 24,098,157</b>	<b>\$ 17,577,976</b>	<b>\$ 15,569,528</b>	<b>\$ 45,481,242</b>	<b>\$ 39,667,685</b>
<b>Change in net position before transfers</b>	<b>\$ 6,126,233</b>	<b>\$ 2,377,506</b>	<b>\$ 3,386,947</b>	<b>\$ 4,118,786</b>	<b>\$ 9,513,180</b>	<b>\$ 6,496,292</b>
<b>Transfers</b>	<b>(543,527)</b>	<b>-</b>	<b>543,527</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net position</b>	<b>\$ 5,582,706</b>	<b>\$ 2,377,506</b>	<b>\$ 3,930,474</b>	<b>\$ 4,118,786</b>	<b>\$ 9,513,180</b>	<b>\$ 6,496,292</b>
<b>Net position October 1</b>	<b>28,019,177</b>	<b>25,641,671</b>	<b>18,251,152</b>	<b>14,132,366</b>	<b>46,270,329</b>	<b>39,774,037</b>
<b>Net position September 30</b>	<b>\$ 33,601,883</b>	<b>\$ 28,019,177</b>	<b>\$ 22,181,626</b>	<b>\$ 18,251,152</b>	<b>\$ 55,783,509</b>	<b>\$ 46,270,329</b>

### 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 \$6,298,982 as compared to \$8,267,457 in the prior year, a decrease of \$1,968,475. Total fund balance was \$6,738,370 this year compared to \$8,534,502 in the prior year, a decrease of \$1,796,132. This decline was primarily due to a decrease in the cash and investments balances in the General Fund of \$250,378, a decrease in the restricted assets in the General Fund of \$779,394, an increase in accounts payable of \$1,425,998 and a decrease in unearned revenue of \$656,263.

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 19.1% and 20.4% respectively compared to 30.4% and 31.4% in the prior year.

At September 30, 2023, the governmental funds of the City reported a combined fund balance of \$7,463,506 compared to the prior year which was \$9,550,006, a decrease of \$2,086,500.

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

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Utility (Water Delivery, Wastewater Collection and Wastewater Treatment), Sanitation (Trash Collection and Landfill) and Airport Funds at the end of the fiscal year amounted to \$5,375,479. This represented an increase of \$6,172,552.

**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 \$2,225,757 or 10.4% while expenditures came in over budget by \$25,070 or 0.1%. This represented a net positive variance of \$2,250,827.

### **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, 2023, totals \$85,451,430 (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, 2023, the City had total bonded debt outstanding of \$25,378,849. 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 10 of the Basic Financial Statements.

### **Economic Factors**

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

- Low unemployment. Brown County's average unemployment rate for 2023 was 3.6% compared to the state average (3.5%) and national average (3.5%).

- Increasing property values. Taxable assessed values for 2023 increased by 15.03% from \$1,031,521,241 in 2022 to \$1,186,593,610 in 2023.
- Sales tax collections increased from \$2.20M in the prior year to \$2.37M in the current year for the economic development ½ cent tax, primarily due to improvements in our local economy.

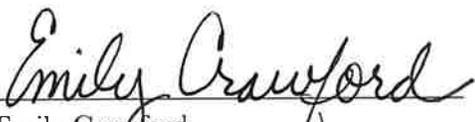
### **Budget Highlights for the Fiscal Year Ending September 30, 2024**

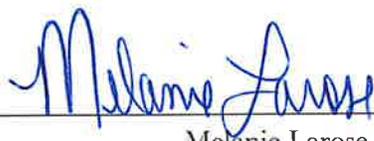
**Governmental Activities:** The property tax rate decreased from .6864 the prior year to .6659 cents per hundred dollars valuation. Sales tax is projected to increase by \$631,978 over the amount budgeted in the prior year due to economic growth. Budgeted expenditures in the General Fund are expected to increase by 9.29%. A pay raise of \$389,946 was budgeted for non-civil service employees. Pay raises were budgeted for police and fire employees as a result of meet and confer negotiations.

**Business – type Activities:** There is an increase of 3.26% in the water consumption rate due to BCWID’s increase in the wholesale rate of 6.2%. The water base rate increased by 5% and the sewer rate increased by 8%. Bond payments for the landfill expansion begin in FY 23/24, creating a 5% increase in the sanitation rate and increases in landfill rates (nonresidents only) in the amount of 6.5%.

### **Requests for Information**

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

  
Emily Crawford  
City Manager

  
Melanie Larose, CGFO  
Director of Finance

BASIC FINANCIAL STATEMENTS

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

STATEMENT OF NET POSITION

	September 30, 2023			<u>Component Unit</u> Brownwood MDD
	<u>Primary Government</u>			
	<u>Governmental</u> Activities	<u>Business-type</u> Activities	<u>Total</u>	
<b>ASSETS:</b>				
Pooled cash and cash equivalents	\$ (3,246,956)	\$ 2,107,920	\$ (1,139,036)	\$ (824,822)
Non pooled cash and cash equivalents	2,224	6,393	8,617	
Investments	11,349,725	7,169,500	18,519,225	5,499,877
Investments designated for closure and postclosure		2,341,623	2,341,623	
Receivables, net	2,628,062	1,901,061	4,529,123	386,066
Inventory	18,898	756,684	775,582	
Prepaid expense	2,399	55,896	58,295	
Land held for development			-	540,577
Restricted assets	4,459,044	2,340,720	6,799,764	3,845
Capital assets, net	47,857,773	37,593,657	85,451,430	14,569
Total Assets	<u>\$ 63,071,169</u>	<u>\$ 54,273,454</u>	<u>\$ 117,344,623</u>	<u>\$ 5,620,112</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Amounts related to pensions	<u>\$ 5,703,516</u>	<u>\$ 1,569,018</u>	<u>\$ 7,272,534</u>	<u>\$ -</u>
Total Deferred Outflows of Resources	<u>\$ 5,703,516</u>	<u>\$ 1,569,018</u>	<u>\$ 7,272,534</u>	<u>\$ -</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 1,973,231	\$ 120,344	\$ 2,093,575	\$ 6,015
Accrued salaries	334,749	88,482	423,231	5,452
Unearned funds - grants	3,470,283		3,470,283	
Liabilities payable from restricted assets:				
Customer utility deposits		1,168,274	1,168,274	
Tax note payable		2,490	2,490	
Bonds payable	65,498	59,652	125,150	3,845
Noncurrent liabilities:				
Estimated liability for landfill closure and postclosure care costs		8,065,490	8,065,490	
Net pension liability	15,125,440	2,787,679	17,913,119	
Compensated absences:				
Portion due or payable within one year	1,420,769	175,394	1,596,163	11,172
Portion due or payable after one year	1,067,034	127,123	1,194,157	5,912
Software subscriptions payable:				
Portion due or payable within one year	37,928	6,769	44,697	
Portion due or payable after one year	39,100		39,100	
Leases payable:				
Portion due or payable within one year	471,449	52,589	524,038	15,459
Portion due or payable after one year	517,869	54,256	572,125	
Notes payable:				
Portion due or payable within one year	558,163	950,588	1,508,751	
Portion due or payable after one year	1,077,411	2,853,149	3,930,560	
Tax note payable:				
Portion due or payable within one year	57,700	39,810	97,510	
Portion due or payable after one year	175,985	129,015	305,000	
Bonds payable:				
Portion due or payable within one year	899,502	1,215,348	2,114,850	281,155
Portion due or payable after one year	7,480,710	15,658,139	23,138,849	4,505,000
Total Liabilities	<u>\$ 34,772,821</u>	<u>\$ 33,554,591</u>	<u>\$ 68,327,412</u>	<u>\$ 4,834,010</u>

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

STATEMENT OF NET POSITION (CONT.)

September 30, 2023

	Primary Government			<u>Component Unit</u>
	Governmental Activities	Business-type Activities	Total	Brownwood MDD
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Amounts related to pensions	\$ 325,394	\$	\$ 325,394	\$
Amounts related to leases	23,218	106,255	129,473	
Amounts related to bond refunding	51,369		51,369	
Total Deferred Inflows of Resources	<u>\$ 399,981</u>	<u>\$ 106,255</u>	<u>\$ 506,236</u>	<u>\$ -</u>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	\$ 36,476,458	\$ 15,631,955	\$ 52,108,413	\$
Restricted for:				
Municipal Court	59,042		59,042	
Vehicular child safety	23,440		23,440	
Law enforcement	23,120		23,120	
Drug awareness education	1,873		1,873	
Lehnis Museum	16,906		16,906	
Beautification	2,565		2,565	
Tourism promotion	471,384		471,384	
Debt service	65,498		65,498	
Fabis Park	40,823		40,823	
Construction	137,257	1,174,192	1,311,449	
Grant expenditures	217,145		217,145	
Unrestricted	<u>(3,933,628)</u>	<u>5,375,479</u>	<u>1,441,851</u>	<u>786,102</u>
Total Net Position	<u>\$ 33,601,883</u>	<u>\$ 22,181,626</u>	<u>\$ 55,783,509</u>	<u>\$ 786,102</u>

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

<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>
<b>Governmental Activities:</b>				
General government	\$ 6,153,079	\$ 1,427,193	\$ 1,328,085	\$
Municipal court	317,694			
Police	4,867,632	350,333	52,290	
Dispatch	1,195,582	477,412		
Fire	4,520,391	54,365	22,214	111,429
Development services	1,386,240	122,230		
Street	2,943,398			16,228
Health	320,540	175,123	248,967	
Community facilities	1,609,048	69,549	20,120	7,337,315
Parks and recreation	2,125,145	92,954		68,800
Community development	260,431			
Interest on long-term debt	141,376			
Special revenue activities	2,062,710	464,482	1,114,557	
Total Governmental Activities	<u>\$ 27,903,266</u>	<u>\$ 3,233,641</u>	<u>\$ 2,786,233</u>	<u>\$ 7,533,772</u>
<b>Business-type Activities:</b>				
Water	\$ 5,905,803	\$ 7,506,874	\$	\$
Waste water collection	2,000,331	4,201,077		
Waste water treatment	1,483,511			
Sanitation	2,603,110	3,598,147		
Landfill	3,228,536	3,855,060		
Airport	1,513,608	979,307		49,109
Debt issuance costs	88,550			
Interest on long-term debt	754,527			
Total Business-type Activities	<u>\$ 17,577,976</u>	<u>\$ 20,140,465</u>	<u>\$ -</u>	<u>\$ 49,109</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 45,481,242</u>	<u>\$ 23,374,106</u>	<u>\$ 2,786,233</u>	<u>\$ 7,582,881</u>
<b>Component Unit:</b>				
Brownwood Municipal Development District	<u>\$ 9,316,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to basic financial statement

Net (Expense) Revenue and Changes in Net Position

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

\$ (3,397,801)		\$ (3,397,801)	
(317,694)		(317,694)	
(4,465,009)		(4,465,009)	
(718,170)		(718,170)	
(4,332,383)		(4,332,383)	
(1,264,010)		(1,264,010)	
(2,927,170)		(2,927,170)	
103,550		103,550	
5,817,936		5,817,936	
(1,963,391)		(1,963,391)	
(260,431)		(260,431)	
(141,376)		(141,376)	
(483,671)		(483,671)	
<u>\$ (14,349,620)</u>		<u>\$ (14,349,620)</u>	

\$ 1,601,071	\$ 1,601,071
2,200,746	2,200,746
(1,483,511)	(1,483,511)
995,037	995,037
626,524	626,524
(485,192)	(485,192)
(88,550)	(88,550)
(754,527)	(754,527)
<u>\$ 2,611,598</u>	<u>\$ 2,611,598</u>

<u>\$ (14,349,620)</u>	<u>\$ 2,611,598</u>	<u>\$ (11,738,022)</u>
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\$ (9,316,710)

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

STATEMENT OF ACTIVITIES (CONT.)

For the Year Ended September 30, 2023

	Net (Expense) Revenue and Changes in Net Position			Component Unit Brownwood MDD
	Primary Government			
	Governmental Activities	Business-type Activities	Total	
CHANGE IN NET POSITION:				
Net Income (Expense)	\$ (14,349,620)	\$ 2,611,598	\$ (11,738,022)	\$ (9,316,710)
General Revenues:				
Taxes:				
Ad valorem	\$ 7,918,217	\$	\$ 7,918,217	\$
Sales	7,393,146		7,393,146	2,374,791
Other	4,197,211		4,197,211	
Earnings on investments	759,145	547,651	1,306,796	447,853
Miscellaneous	58,800	127,698	186,498	930
Gain on disposal of assets	149,334	100,000	249,334	
Transfers	(543,527)	543,527	-	
Total Revenue	<u>\$ 19,932,326</u>	<u>\$ 1,318,876</u>	<u>\$ 21,251,202</u>	<u>\$ 2,823,574</u>
CHANGE IN NET POSITION	\$ 5,582,706	\$ 3,930,474	\$ 9,513,180	\$ (6,493,136)
NET POSITION - BEGINNING OF YEAR	<u>28,019,177</u>	<u>18,251,152</u>	<u>46,270,329</u>	<u>7,279,238</u>
NET POSITION - END OF YEAR	<u>\$ 33,601,883</u>	<u>\$ 22,181,626</u>	<u>\$ 55,783,509</u>	<u>\$ 786,102</u>

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**

September 30, 2023

	General Fund	Nonmajor Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>			
<b>ASSETS:</b>			
Pooled cash and cash equivalents	\$ (3,136,223)	\$ (110,733)	\$ (3,246,956)
Non pooled cash and cash equivalents	2,199	25	2,224
Investments	11,349,725		11,349,725
Receivables, net	2,069,558	355,702	2,425,260
Inventory	18,898		18,898
Prepaid expense	2,399		2,399
Restricted assets	3,842,464	616,580	4,459,044
<b>TOTAL ASSETS</b>	<b>\$ 14,149,020</b>	<b>\$ 861,574</b>	<b>\$ 15,010,594</b>
<b><u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u></b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 1,955,152	\$ 18,079	\$ 1,973,231
Accrued salaries	310,840	23,909	334,749
Compensated absences	1,389,001	31,768	1,420,769
Unearned revenue	3,470,283		3,470,283
<b>TOTAL LIABILITIES</b>	<b>\$ 7,125,276</b>	<b>\$ 73,756</b>	<b>\$ 7,199,032</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable revenue	\$ 269,052	\$ 55,786	\$ 324,838
Amounts related to leases	16,322	6,896	23,218
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 285,374</b>	<b>\$ 62,682</b>	<b>\$ 348,056</b>
<b>FUND BALANCES:</b>			
<b>Nonspendable:</b>			
Inventory	\$ 18,898	\$	\$ 18,898
Prepaid expense	2,399		2,399
Note receivable	74,000		74,000
<b>Restricted for:</b>			
Municipal Court	59,042		59,042
Vehicular child safety	23,440		23,440
Law enforcement	23,120		23,120
Drug awareness education	1,873		1,873
Lehnis Museum	16,906		16,906
Beautification	2,565		2,565
Tourism promotion		471,384	471,384
Debt service		65,498	65,498
Fabis Park		40,823	40,823
Construction		137,257	137,257
Grant expenditures	217,145		217,145
<b>Assigned to:</b>			
Health and nutrition programs		59,343	59,343
Unassigned	6,298,982	(49,169)	6,249,813
<b>TOTAL FUND BALANCES</b>	<b>\$ 6,738,370</b>	<b>\$ 725,136</b>	<b>\$ 7,463,506</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 14,149,020</b>	<b>\$ 861,574</b>	<b>\$ 15,010,594</b>

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, 2023

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 7,463,506
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 \$66,492,984.	47,857,773
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.	324,838
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 \$218,412.	202,802
Deferred inflows from bond refunding are not reported in the governmental funds balance sheet	(51,369)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds balance sheet	<u>(22,195,667)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 33,601,883</u>

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

STATEMENT OF NET POSITION

	September 30, 2023			Component Unit Brownwood MDD
	Primary Government		Total	
	Governmental Activities	Business-type Activities		
<b>ASSETS:</b>				
Pooled cash and cash equivalents	\$ (3,246,956)	\$ 2,107,920	\$ (1,139,036)	\$ (824,822)
Non pooled cash and cash equivalents	2,224	6,393	8,617	
Investments	11,349,725	7,169,500	18,519,225	5,499,877
Investments designated for closure and postclosure		2,341,623	2,341,623	
Receivables, net	2,628,062	1,901,061	4,529,123	386,066
Inventory	18,898	756,684	775,582	
Prepaid expense	2,399	55,896	58,295	
Land held for development			-	540,577
Restricted assets	4,459,044	2,340,720	6,799,764	3,845
Capital assets, net	47,857,773	37,593,657	85,451,430	14,569
<b>Total Assets</b>	<b>\$ 63,071,169</b>	<b>\$ 54,273,454</b>	<b>\$ 117,344,623</b>	<b>\$ 5,620,112</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Amounts related to pensions	\$ 5,703,516	\$ 1,569,018	\$ 7,272,534	\$ -
<b>Total Deferred Outflows of Resources</b>	<b>\$ 5,703,516</b>	<b>\$ 1,569,018</b>	<b>\$ 7,272,534</b>	<b>\$ -</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 1,973,231	\$ 120,344	\$ 2,093,575	\$ 6,015
Accrued salaries	334,749	88,482	423,231	5,452
Unearned funds - grants	3,470,283		3,470,283	
Liabilities payable from restricted assets:				
Customer utility deposits		1,168,274	1,168,274	
Tax note payable		2,490	2,490	
Bonds payable	65,498	59,652	125,150	3,845
Noncurrent liabilities:				
Estimated liability for landfill closure and postclosure care costs		8,065,490	8,065,490	
Net pension liability	15,125,440	2,787,679	17,913,119	
Compensated absences:				
Portion due or payable within one year	1,420,769	175,394	1,596,163	11,172
Portion due or payable after one year	1,067,034	127,123	1,194,157	5,912
Software subscriptions payable:				
Portion due or payable within one year	37,928	6,769	44,697	
Portion due or payable after one year	39,100		39,100	
Leases payable:				
Portion due or payable within one year	471,449	52,589	524,038	15,459
Portion due or payable after one year	517,869	54,256	572,125	
Notes payable:				
Portion due or payable within one year	558,163	950,588	1,508,751	
Portion due or payable after one year	1,077,411	2,853,149	3,930,560	
Tax note payable:				
Portion due or payable within one year	57,700	39,810	97,510	
Portion due or payable after one year	175,985	129,015	305,000	
Bonds payable:				
Portion due or payable within one year	899,502	1,215,348	2,114,850	281,155
Portion due or payable after one year	7,480,710	15,658,139	23,138,849	4,505,000
<b>Total Liabilities</b>	<b>\$ 34,772,821</b>	<b>\$ 33,554,591</b>	<b>\$ 68,327,412</b>	<b>\$ 4,834,010</b>

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

STATEMENT OF NET POSITION (CONT.)

September 30, 2023

	Primary Government			<u>Component Unit</u>
	Governmental Activities	Business-type Activities	Total	Brownwood MDD
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Amounts related to pensions	\$ 325,394	\$	\$ 325,394	\$
Amounts related to leases	23,218	106,255	129,473	
Amounts related to bond refunding	51,369		51,369	
Total Deferred Inflows of Resources	<u>\$ 399,981</u>	<u>\$ 106,255</u>	<u>\$ 506,236</u>	<u>\$ -</u>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	\$ 36,476,458	\$ 15,631,955	\$ 52,108,413	\$
Restricted for:				
Municipal Court	59,042		59,042	
Vehicular child safety	23,440		23,440	
Law enforcement	23,120		23,120	
Drug awareness education	1,873		1,873	
Lehnis Museum	16,906		16,906	
Beautification	2,565		2,565	
Tourism promotion	471,384		471,384	
Debt service	65,498		65,498	
Fabis Park	40,823		40,823	
Construction	137,257	1,174,192	1,311,449	
Grant expenditures	217,145		217,145	
Unrestricted	<u>(3,933,628)</u>	<u>5,375,479</u>	<u>1,441,851</u>	<u>786,102</u>
Total Net Position	<u>\$ 33,601,883</u>	<u>\$ 22,181,626</u>	<u>\$ 55,783,509</u>	<u>\$ 786,102</u>

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

<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>
<b>Governmental Activities:</b>				
General government	\$ 6,153,079	\$ 1,427,193	\$ 1,328,085	\$
Municipal court	317,694			
Police	4,867,632	350,333	52,290	
Dispatch	1,195,582	477,412		
Fire	4,520,391	54,365	22,214	111,429
Development services	1,386,240	122,230		
Street	2,943,398			16,228
Health	320,540	175,123	248,967	
Community facilities	1,609,048	69,549	20,120	7,337,315
Parks and recreation	2,125,145	92,954		68,800
Community development	260,431			
Interest on long-term debt	141,376			
Special revenue activities	2,062,710	464,482	1,114,557	
Total Governmental Activities	<u>\$ 27,903,266</u>	<u>\$ 3,233,641</u>	<u>\$ 2,786,233</u>	<u>\$ 7,533,772</u>
<b>Business-type Activities:</b>				
Water	\$ 5,905,803	\$ 7,506,874	\$	\$
Waste water collection	2,000,331	4,201,077		
Waste water treatment	1,483,511			
Sanitation	2,603,110	3,598,147		
Landfill	3,228,536	3,855,060		
Airport	1,513,608	979,307		49,109
Debt issuance costs	88,550			
Interest on long-term debt	754,527			
Total Business-type Activities	<u>\$ 17,577,976</u>	<u>\$ 20,140,465</u>	<u>\$ -</u>	<u>\$ 49,109</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 45,481,242</u>	<u>\$ 23,374,106</u>	<u>\$ 2,786,233</u>	<u>\$ 7,582,881</u>
<b>Component Unit:</b>				
Brownwood Municipal Development District	<u>\$ 9,316,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to basic financial statement

Net (Expense) Revenue and Changes in Net Position

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

\$ (3,397,801)		\$ (3,397,801)	
(317,694)		(317,694)	
(4,465,009)		(4,465,009)	
(718,170)		(718,170)	
(4,332,383)		(4,332,383)	
(1,264,010)		(1,264,010)	
(2,927,170)		(2,927,170)	
103,550		103,550	
5,817,936		5,817,936	
(1,963,391)		(1,963,391)	
(260,431)		(260,431)	
(141,376)		(141,376)	
(483,671)		(483,671)	
<u>\$ (14,349,620)</u>		<u>\$ (14,349,620)</u>	

\$ 1,601,071	\$ 1,601,071
2,200,746	2,200,746
(1,483,511)	(1,483,511)
995,037	995,037
626,524	626,524
(485,192)	(485,192)
(88,550)	(88,550)
(754,527)	(754,527)
<u>\$ 2,611,598</u>	<u>\$ 2,611,598</u>

<u>\$ (14,349,620)</u>	<u>\$ 2,611,598</u>	<u>\$ (11,738,022)</u>
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\$ (9,316,710)

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

STATEMENT OF ACTIVITIES (CONT.)

For the Year Ended September 30, 2023

	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)	\$ (14,349,620)	\$ 2,611,598	\$ (11,738,022)	\$ (9,316,710)
General Revenues:				
Taxes:				
Ad valorem	\$ 7,918,217	\$	\$ 7,918,217	\$
Sales	7,393,146		7,393,146	2,374,791
Other	4,197,211		4,197,211	
Earnings on investments	759,145	547,651	1,306,796	447,853
Miscellaneous	58,800	127,698	186,498	930
Gain on disposal of assets	149,334	100,000	249,334	
Transfers	(543,527)	543,527	-	
Total Revenue	<u>\$ 19,932,326</u>	<u>\$ 1,318,876</u>	<u>\$ 21,251,202</u>	<u>\$ 2,823,574</u>
CHANGE IN NET POSITION	\$ 5,582,706	\$ 3,930,474	\$ 9,513,180	\$ (6,493,136)
NET POSITION - BEGINNING OF YEAR	28,019,177	18,251,152	46,270,329	7,279,238
NET POSITION - END OF YEAR	<u>\$ 33,601,883</u>	<u>\$ 22,181,626</u>	<u>\$ 55,783,509</u>	<u>\$ 786,102</u>

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**

September 30, 2023

	General Fund	Nonmajor Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>			
<b>ASSETS:</b>			
Pooled cash and cash equivalents	\$ (3,136,223)	\$ (110,733)	\$ (3,246,956)
Non pooled cash and cash equivalents	2,199	25	2,224
Investments	11,349,725		11,349,725
Receivables, net	2,069,558	355,702	2,425,260
Inventory	18,898		18,898
Prepaid expense	2,399		2,399
Restricted assets	3,842,464	616,580	4,459,044
<b>TOTAL ASSETS</b>	<b>\$ 14,149,020</b>	<b>\$ 861,574</b>	<b>\$ 15,010,594</b>
<b><u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u></b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 1,955,152	\$ 18,079	\$ 1,973,231
Accrued salaries	310,840	23,909	334,749
Compensated absences	1,389,001	31,768	1,420,769
Unearned revenue	3,470,283		3,470,283
<b>TOTAL LIABILITIES</b>	<b>\$ 7,125,276</b>	<b>\$ 73,756</b>	<b>\$ 7,199,032</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable revenue	\$ 269,052	\$ 55,786	\$ 324,838
Amounts related to leases	16,322	6,896	23,218
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 285,374</b>	<b>\$ 62,682</b>	<b>\$ 348,056</b>
<b>FUND BALANCES:</b>			
<b>Nonspendable:</b>			
Inventory	\$ 18,898	\$	\$ 18,898
Prepaid expense	2,399		2,399
Note receivable	74,000		74,000
<b>Restricted for:</b>			
Municipal Court	59,042		59,042
Vehicular child safety	23,440		23,440
Law enforcement	23,120		23,120
Drug awareness education	1,873		1,873
Lehnis Museum	16,906		16,906
Beautification	2,565		2,565
Tourism promotion		471,384	471,384
Debt service		65,498	65,498
Fabis Park		40,823	40,823
Construction		137,257	137,257
Grant expenditures	217,145		217,145
<b>Assigned to:</b>			
Health and nutrition programs		59,343	59,343
Unassigned	6,298,982	(49,169)	6,249,813
<b>TOTAL FUND BALANCES</b>	<b>\$ 6,738,370</b>	<b>\$ 725,136</b>	<b>\$ 7,463,506</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 14,149,020</b>	<b>\$ 861,574</b>	<b>\$ 15,010,594</b>

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, 2023

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 7,463,506
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 \$66,492,984.	47,857,773
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.	324,838
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 \$218,412.	202,802
Deferred inflows from bond refunding are not reported in the governmental funds balance sheet	(51,369)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds balance sheet	<u>(22,195,667)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 33,601,883</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, 2023

	General Fund	Nonmajor Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Ad valorem taxes	\$ 6,836,700	\$ 1,059,859	\$ 7,896,559
Sales taxes	7,393,146		7,393,146
Other taxes	3,703,172	494,039	4,197,211
Fines	334,010		334,010
Licenses and fees	167,598		167,598
Charges for services	414,006		414,006
Intergovernmental	1,820,445		1,820,445
Interest	745,892	13,254	759,146
Grants and contributions	9,205,448	1,114,557	10,320,005
Miscellaneous		523,282	523,282
Total Revenue	\$ 30,620,417	\$ 3,204,991	\$ 33,825,408
<b>EXPENDITURES:</b>			
Current:			
City Council	\$ 61,046	\$	\$ 61,046
Administration	421,053		421,053
City Secretary	122,198		122,198
Finance/accounting	409,561		409,561
Municipal Court	303,142		303,142
Police	4,580,724		4,580,724
Dispatch	1,124,283		1,124,283
Fire	4,177,927		4,177,927
Development services	1,320,576		1,320,576
Street	2,185,946		2,185,946
Health	307,014		307,014
Community services	538,317		538,317
Intergovernmental	269,721		269,721
Utility billing	522,353		522,353
Community facilities	9,390,598		9,390,598
Operations support	238,478		238,478
Purchasing/warehouse	193,622		193,622
Parks and recreation	2,939,381		2,939,381
Fleet services	1,049,324		1,049,324
City Attorney	221,871		221,871
Community development	260,431		260,431
Emergency management	10,233		10,233
Human resources	301,112		301,112
General fund contingency	23,342		23,342
Information technology	1,216,997		1,216,997
Transportation museum	220,596		220,596
Other	624,445		624,445
Special revenue funds		2,379,528	2,379,528
Capital outlay		80	80
Debt Service:			
Principal		999,815	999,815
Interest		180,367	180,367
Bond fees		806	806
Total Expenditures	\$ 33,034,291	\$ 3,560,596	\$ 36,594,887
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (2,413,874)</b>	<b>\$ (355,605)</b>	<b>\$ (2,769,479)</b>

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

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

For the Year Ended September 30, 2023

	General Fund	Nonmajor Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Ad valorem taxes	\$ 6,836,700	\$ 1,059,859	\$ 7,896,559
Sales taxes	7,393,146		7,393,146
Other taxes	3,703,172	494,039	4,197,211
Fines	334,010		334,010
Licenses and fees	167,598		167,598
Charges for services	414,006		414,006
Intergovernmental	1,820,445		1,820,445
Interest	745,892	13,254	759,146
Grants and contributions	9,205,448	1,114,557	10,320,005
Miscellaneous		523,282	523,282
Total Revenue	\$ 30,620,417	\$ 3,204,991	\$ 33,825,408
<b>EXPENDITURES:</b>			
Current:			
City Council	\$ 61,046	\$	\$ 61,046
Administration	421,053		421,053
City Secretary	122,198		122,198
Finance/accounting	409,561		409,561
Municipal Court	303,142		303,142
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Dispatch	1,124,283		1,124,283
Fire	4,177,927		4,177,927
Development services	1,320,576		1,320,576
Street	2,185,946		2,185,946
Health	307,014		307,014
Community services	538,317		538,317
Intergovernmental	269,721		269,721
Utility billing	522,353		522,353
Community facilities	9,390,598		9,390,598
Operations support	238,478		238,478
Purchasing/warehouse	193,622		193,622
Parks and recreation	2,939,381		2,939,381
Fleet services	1,049,324		1,049,324
City Attorney	221,871		221,871
Community development	260,431		260,431
Emergency management	10,233		10,233
Human resources	301,112		301,112
General fund contingency	23,342		23,342
Information technology	1,216,997		1,216,997
Transportation museum	220,596		220,596
Other	624,445		624,445
Special revenue funds		2,379,528	2,379,528
Capital outlay		80	80
Debt Service:			
Principal		999,815	999,815
Interest		180,367	180,367
Bond fees		806	806
Total Expenditures	\$ 33,034,291	\$ 3,560,596	\$ 36,594,887
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (2,413,874)</b>	<b>\$ (355,605)</b>	<b>\$ (2,769,479)</b>

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

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

For the Year Ended September 30, 2023

	General Fund	Nonmajor Other Governmental Fund	Total Governmental Funds
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (2,413,874)	\$ (355,605)	\$ (2,769,479)
OTHER FINANCING SOURCES (USES):			
Transfers	\$ (608,764)	\$ 65,237	\$ (543,527)
Note proceeds	243,124		243,124
Lease liability	363,555		363,555
Subscription financing	114,704		114,704
Proceeds from sale of capital assets	505,123		505,123
Net Other Financing Sources (Uses)	\$ 617,742	\$ 65,237	\$ 682,979
NET CHANGE IN FUND BALANCES	\$ (1,796,132)	\$ (290,368)	\$ (2,086,500)
FUND BALANCE - BEGINNING	8,534,502	1,015,504	9,550,006
FUND BALANCE - END OF YEAR	\$ 6,738,370	\$ 725,136	\$ 7,463,506

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, 2023

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (2,086,500)
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	11,291,105
Depreciation and amortization	(3,713,971)
Cost of capital assets sold	(355,789)
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	(710,027)
Principal payments on long-term debt	2,335,956
Change in compensated absences	(291,474)
Current amortization of bond premiums and deferred amount on refunding	46,037
Change in net pension liability and related deferred outflows and inflows	(987,388)
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.	21,658
Revenues on warrants and citations will not be collected for several months after the City's fiscal year end. They are not considered available revenue and are not included in the governmental fund. Revenues accrued from warrants and citations decreased by this amount this year.	<u>33,099</u>
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 5,582,706</u>

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

STATEMENTS OF NET POSITION  
PROPRIETARY FUNDS

September 30, 2023

	<u>Business-Type Activities - Enterprise Fund</u>			
	Utility Fund	Sanitation Fund	Airport Fund	Total
<b>CURRENT ASSETS:</b>				
Pooled cash and cash equivalents	\$ 449,622	\$ 1,836,785	\$ (178,487)	\$ 2,107,920
Non pooled cash and cash equivalents	5,343	650	400	6,393
Investments	4,270,390	2,899,110		7,169,500
Investments designated for closure and postclosure		2,341,623		2,341,623
Accounts receivable, net	1,250,931	515,414	72,364	1,838,709
Inventory	689,838		66,846	756,684
Prepaid expenses	8,004	47,892		55,896
Total Current Assets	<u>\$ 6,674,128</u>	<u>\$ 7,641,474</u>	<u>\$ (38,877)</u>	<u>\$ 14,276,725</u>
<b>NONCURRENT ASSETS:</b>				
Restricted assets	\$ 1,189,760	\$ 1,150,960		\$ 2,340,720
Leases receivable			62,352	62,352
Capital assets, net	20,942,702	14,921,776	1,729,179	37,593,657
Total Noncurrent Assets	<u>\$ 22,132,462</u>	<u>\$ 16,072,736</u>	<u>\$ 1,791,531</u>	<u>\$ 39,996,729</u>
<b>TOTAL ASSETS</b>	<u>\$ 28,806,590</u>	<u>\$ 23,714,210</u>	<u>\$ 1,752,654</u>	<u>\$ 54,273,454</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Amounts related to pensions	\$ 755,689	\$ 701,190	\$ 112,139	\$ 1,569,018
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 755,689</u>	<u>\$ 701,190</u>	<u>\$ 112,139</u>	<u>\$ 1,569,018</u>
<b>CURRENT LIABILITIES:</b>				
Accounts payable	\$ 36,243	\$ 80,290	\$ 3,811	\$ 120,344
Accrued salaries	43,343	39,115	6,024	88,482
Leases payable	42,452	9,128	1,009	52,589
Software subscription liability	6,769			6,769
Notes payable	254,765	695,823		950,588
Tax note payable		39,810		39,810
Bonds payable	710,672	504,676		1,215,348
Compensated absences	93,242	60,820	21,332	175,394
Total Current Liabilities	<u>\$ 1,187,486</u>	<u>\$ 1,429,662</u>	<u>\$ 32,176</u>	<u>\$ 2,649,324</u>
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS:</b>				
Customer water meter deposits	\$ 1,168,274			\$ 1,168,274
Tax note payable		2,490		2,490
Bonds payable	24,328	35,324		59,652
Total Liabilities Payable from Restricted Assets	<u>\$ 1,192,602</u>	<u>\$ 37,814</u>	<u>\$ -</u>	<u>\$ 1,230,416</u>
<b>NONCURRENT LIABILITIES:</b>				
Compensated absences	\$ 69,129	\$ 41,746	\$ 16,248	\$ 127,123
Net pension liability	1,342,634	1,245,805	199,240	2,787,679
Leases payable	45,369	6,568	2,319	54,256
Notes payable	544,586	2,308,563		2,853,149
Tax note payable		129,015		129,015
Bonds payable	6,112,779	9,545,360		15,658,139
Accrued landfill closure and postclosure care costs		8,065,490		8,065,490
Total Noncurrent Liabilities	<u>\$ 8,114,497</u>	<u>\$ 21,342,547</u>	<u>\$ 217,807</u>	<u>\$ 29,674,851</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 10,494,585</u>	<u>\$ 22,810,023</u>	<u>\$ 249,983</u>	<u>\$ 33,554,591</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Amounts related to leases			\$ 106,255	\$ 106,255
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,255</u>	<u>\$ 106,255</u>
<b>NET POSITION:</b>				
Invested in capital assets, net of related debt	\$ 13,225,310	\$ 677,466	\$ 1,729,179	\$ 15,631,955
Restricted for construction		1,174,192		1,174,192
Unrestricted	5,842,384	(246,281)	(220,624)	5,375,479
<b>TOTAL NET POSITION</b>	<u>\$ 19,067,694</u>	<u>\$ 1,605,377</u>	<u>\$ 1,508,555</u>	<u>\$ 22,181,626</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, 2023

	<u>Business-Type Activities - Enterprise Fund</u>			Total
	Utility Fund	Sanitation Fund	Airport Fund	
<b>OPERATING REVENUES:</b>				
Charges for service	\$ 11,707,951	\$ 7,453,207	\$ 979,307	\$ 20,140,465
Miscellaneous	84,826	42,780	92	127,698
Total Operating Revenues	<u>\$ 11,792,777</u>	<u>\$ 7,495,987</u>	<u>\$ 979,399</u>	<u>\$ 20,268,163</u>
<b>OPERATING EXPENSES:</b>				
Personnel services	\$ 2,220,121	\$ 2,161,432	\$ 341,298	\$ 4,722,851
Supplies	279,802	506,926	652,192	1,438,920
Contractual	3,172,143	765,866	107,319	4,045,328
Maintenance	822,023	272,208	97,642	1,191,873
Sundry charges	796,692	466,046		1,262,738
Support services	768,204	473,400		1,241,604
Depreciation and amortization	1,330,660	1,274,318	315,157	2,920,135
Total Operating Expenses	<u>\$ 9,389,645</u>	<u>\$ 5,920,196</u>	<u>\$ 1,513,608</u>	<u>\$ 16,823,449</u>
<b>OPERATING GAIN (LOSS)</b>	<u>\$ 2,403,132</u>	<u>\$ 1,575,791</u>	<u>\$ (534,209)</u>	<u>\$ 3,444,714</u>
<b>NON-OPERATING REVENUE AND EXPENSE:</b>				
Sale of equipment	\$	\$ 100,000	\$	\$ 100,000
Grants and contributions			49,109	49,109
Interest income	122,516	423,847	1,288	547,651
Interest expense	(272,680)	(481,847)		(754,527)
Net Non-Operating Revenue (Expense)	<u>\$ (150,164)</u>	<u>\$ 42,000</u>	<u>\$ 50,397</u>	<u>\$ (57,767)</u>
<b>GAIN (LOSS) BEFORE TRANSFERS</b>	<u>\$ 2,252,968</u>	<u>\$ 1,617,791</u>	<u>\$ (483,812)</u>	<u>\$ 3,386,947</u>
<b>TRANSFERS:</b>				
Operating transfers in	\$ 100,937	\$ 404,411	\$ 38,179	\$ 543,527
Total Transfers	<u>\$ 100,937</u>	<u>\$ 404,411</u>	<u>\$ 38,179</u>	<u>\$ 543,527</u>
<b>CHANGES IN NET POSITION</b>	<u>\$ 2,353,905</u>	<u>\$ 2,022,202</u>	<u>\$ (445,633)</u>	<u>\$ 3,930,474</u>
<b>NET POSITION - BEGINNING</b>	<u>16,713,789</u>	<u>(416,825)</u>	<u>1,954,188</u>	<u>18,251,152</u>
<b>NET POSITION - ENDING</b>	<u>\$ 19,067,694</u>	<u>\$ 1,605,377</u>	<u>\$ 1,508,555</u>	<u>\$ 22,181,626</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, 2023

	<u>Business-Type Activities - Enterprise Fund</u>			Total
	Utility Fund	Sanitation Fund	Airport Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 11,818,237	\$ 7,473,471	\$ 983,768	\$ 20,275,476
Cash payments to suppliers for goods and services	(2,271,861)	(2,090,145)	(838,156)	(5,200,162)
Cash payments to employees for services	<u>(5,696,092)</u>	<u>(2,020,459)</u>	<u>(313,518)</u>	<u>(8,030,069)</u>
Net Cash From Operating Activities	<u>\$ 3,850,284</u>	<u>\$ 3,362,867</u>	<u>\$ (167,906)</u>	<u>\$ 7,045,245</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Increase in customer meter deposits	\$ 41,077			\$ 41,077
Transfers in	100,937	404,411	38,179	543,527
Net Cash From Noncapital Financing Activities	<u>\$ 142,014</u>	<u>\$ 404,411</u>	<u>\$ 38,179</u>	<u>\$ 543,527</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from bonds	\$	\$ 9,156,019	\$	\$ 9,156,019
Principal payments on bonds	(710,000)	(255,000)		(965,000)
Principal payments on tax note		(40,185)		(40,185)
Proceeds from notes	156,505	1,261,391		1,417,896
Principal payments on notes	(272,551)	(714,254)		(986,805)
Principal payments on leases	(69,235)	(14,254)	(851)	(84,340)
Principal payments on subscriptions	(6,651)			(6,651)
Proceeds from sale of capital assets		100,000		100,000
Acquisition and construction of capital assets	(199,829)	(9,196,262)	(91,836)	(9,487,927)
Grant income			49,109	49,109
Interest expense	<u>(294,463)</u>	<u>(509,573)</u>		<u>(804,036)</u>
Net Cash From Capital and Related Financing Activities	<u>\$ (1,396,224)</u>	<u>\$ (212,118)</u>	<u>\$ (43,578)</u>	<u>\$ (1,651,920)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of investments	\$ (3,562,530)	\$ (2,358,739)		\$ (5,921,269)
Interest income	122,516	423,847	1,288	547,651
Net Cash From Investing Activities	<u>\$ (3,440,014)</u>	<u>\$ (1,934,892)</u>	<u>\$ 1,288</u>	<u>\$ (5,373,618)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>\$ (843,940)</u>	<u>\$ 1,620,268</u>	<u>\$ (172,017)</u>	<u>\$ 563,234</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>2,478,872</u>	<u>1,362,139</u>	<u>(6,070)</u>	<u>3,834,941</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,634,932</u>	<u>\$ 2,982,407</u>	<u>\$ (178,087)</u>	<u>\$ 4,398,175</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, 2023

	<u>Business-Type Activities - Enterprise Fund</u>			Total
	Utility Fund	Sanitation Fund	Airport Fund	
<b>RECONCILIATION OF OPERATING INCOME TO</b>				
<b><u>NET CASH FROM OPERATING ACTIVITIES</u></b>				
OPERATING GAIN (LOSS)	\$ 2,403,132	\$ 1,575,791	\$ (534,209)	\$ 3,444,714
<b>ADJUSTMENTS TO RECONCILE OPERATING GAIN (LOSS)</b>				
<b>TO NET CASH FROM OPERATING ACTIVITIES:</b>				
Depreciation and amortization	1,337,831	1,274,318	315,157	2,927,306
Closure and postclosure care costs		419,357		419,357
Changes in assets and liabilities:				
Receivables	25,460	(22,516)	4,369	7,313
Inventories	(16,751)		21,911	5,160
Prepaid expense	(5,918)	(47,892)		(53,810)
Accounts payable	(29,071)	22,836	(2,914)	(9,149)
Accrued salaries	15,137	13,339	1,856	30,332
Compensated absences	32,225	6,337	10,893	49,455
Pension assets and liabilities	88,239	121,297	15,031	224,567
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 3,850,284</b>	<b>\$ 3,362,867</b>	<b>\$ (167,906)</b>	<b>\$ 7,045,245</b>

See accompanying notes to basic financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2023

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.

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

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

Basis of Presentation (Cont.)

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

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

The City has presented the following major governmental fund:

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

Additionally, the government reports the following nonmajor governmental funds:

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

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

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

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

The City has presented the following major proprietary funds:

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

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

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

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include all cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

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

Measurement Focus/Basis of Accounting

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

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

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

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

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

Budgets and Budgetary Accounting

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

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

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

Cash and Investments

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

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

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

Cash and Investments (cont.)

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

Inventories

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

Interfund Receivables and Payables

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

Transactions Between Funds

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

Receivables

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

Capital Assets

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

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

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

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

Compensated Absences

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

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

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

Compensated Absences (cont.)

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

Use of Estimates

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

Government-wide and Proprietary Net Position

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

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

Governmental Fund Balance

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

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

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

Deferred Inflows/Outflows of Resources

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

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

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

Deferred Inflows/Outflows of Resources (cont.)

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

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

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

Pensions

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

NOTE 2: PROPERTY TAX

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

NOTE 3: DEPOSITS AND INVESTMENTS

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

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 3: DEPOSITS AND INVESTMENTS (CONT.)

Legal Investments

The City is authorized by statute to invest in (a) U.S. Treasury Bills and Notes, (b) Repurchase Agreements with a maximum maturity at purchase of 90 days and an average maturity at any point in time not exceeding 30 days, (c) Certificates of Deposit with a maturity of one year or less insured by the Federal Deposit Insurance Corporation or collateralized by pledged securities, (d) Government/Private Sponsored Investment Funds, 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 365 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, 2023, \$2,110,364, of the City's deposit balances were exposed to custodial credit risk by being uninsured by FDIC but collateralized by securities held by the pledging financial institution's agent not in the City's name.

Interest Rate Risk

For short term liquidity requirements, the City utilized two local government investment pools. TexPool is managed by Federated Hermes, Inc. for the Texas Comptroller of Public Accounts and was created to invest funds on behalf of Texas political subdivisions. The pool operates on a \$1 net asset value basis and allows same day or next day redemptions and deposits. At September 30, 2023, TexPool's portfolio maintained a weighted average maturity of approximately 28 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, 2023, TexStar's portfolio maintained a weighted average maturity of approximately 29 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, 2023, the City's investments in TexPool and TexStar were both rated AAAM by Standard and Poor's.

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 3: DEPOSITS AND INVESTMENTS (CONT.)

Cash for Cash Flows Statement

Proprietary funds cash and cash equivalents at September 30, 2023 are as follows:

	Utility Fund	Sanitation Fund	Airport Fund
Pooled cash and cash equivalents	\$ 449,622	\$ 1,836,785	\$ (178,487)
Non pooled cash and cash equivalents	5,343	650	400
Restricted cash	1,179,967	1,144,972	
 Total	 \$ 1,634,932	 \$ 2,982,407	 \$ (178,087)

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, 2023:

	Governmental Activities	Business-type Activities	Component Unit - BMDD
Restricted for debt service payments	\$ 65,498	\$ 56,810	\$ 3,845
Restricted for drug awareness education	1,873		
Restricted for law enforcement	23,120		
Restricted for vehicular child safety	23,440		
Restricted for beautification	2,822		
Restricted for municipal court	60,709		
Restricted for tourism promotion	373,688		
Restricted for Lehnis Museum	16,906		
Restricted for Fabis Park	40,137		
Restricted for construction or purchase of fixed assets	3,681,523	1,115,636	
Restricted for grant expenditures	169,328		
Restricted for customer deposits		1,168,274	
 Total Restricted Assets	 \$ 4,459,044	 \$ 2,340,720	 \$ 3,845

Restricted assets in the City included \$3,175,031 in cash and \$3,624,733 in investments. Restricted assets in BMDD included \$3,845 in cash.

NOTE 5: LEASES

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

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

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 5: LEASES (CONT.)

receivable at September 30, 2023 amount to \$118,614 and are included in receivables in Note 6. Total deferred inflows on these leases at September 30, 2023 amount to \$129,473 and the City recognized lease revenue of \$169,139 and interest revenue of \$2,158 during the fiscal year.

Future payments on these leases are as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 11,132	\$ 182	\$ 32,264	\$ 781
2025	7,413	99	33,176	472
2026	2,124	65	23,497	167
2027	2,145	43	2,821	60
2028	228	22	2,858	23
2029-2032	956	44		
Total	<u>\$ 23,998</u>	<u>\$ 455</u>	<u>\$ 94,616</u>	<u>\$ 1,503</u>

The City is also the lessee for a number of vehicles. The value of lease right-to-use assets and the related accumulated amortization is detailed in Note 8. The details of the lease liability and principal and interest requirements to maturity are provided in Note 10.

NOTE 6: RECEIVABLES

A summary of the net receivables at September 30, 2023 is as follows:

	Governmental Activities	Business-type Activities	Component Unit - BMDD
Ad valorem taxes	\$ 346,765	\$	\$
Sales taxes	1,202,366		386,066
Utility		2,542,991	
Warrants and citations	421,214		
Grants receivable	284,783		
Franchise fee receivable	241,419		
Other receivables	500,263	42,392	
Leases receivable	23,998	94,616	
Notes receivable	74,000		
	<u>\$ 3,094,808</u>	<u>\$ 2,679,999</u>	<u>\$ 386,066</u>
Less allowance for uncollectable accounts	(466,746)	(778,938)	
Receivables, net	<u>\$ 2,628,062</u>	<u>\$ 1,901,061</u>	<u>\$ 386,066</u>

NOTE 7: LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

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

The estimated liability for landfill closure and postclosure care costs has a balance of \$8,065,490 as of September 30, 2023 which is based on 32.55% usage (filled) of the overall landfill. It is estimated that an additional \$8,933,429

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

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

will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2110). The estimated total current cost of the landfill closure and postclosure care, \$16,998,917, 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, 2023. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

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

NOTE 8: CAPITAL ASSETS

Capital asset activity in the City for the year ended September 30, 2023 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,454,340		\$ (355,789)	\$ 3,098,551
Construction in progress	3,333,042	8,085,722		11,418,764
Total capital assets not being depreciated	<u>\$ 6,787,382</u>	<u>\$ 8,085,722</u>	<u>\$ (355,789)</u>	<u>\$ 14,517,315</u>
Capital assets being depreciated:				
Building and grounds	\$ 16,563,099	\$ 930,378		\$ 17,493,477
Improvements	66,728,148	1,036,185		67,764,333
Machinery/equipment	14,946,818	846,431	(3,639,791)	12,153,458
Intangible assets	1,347,755			1,347,755
Total capital assets being depreciated and amortized	<u>\$ 99,585,820</u>	<u>\$ 2,812,994</u>	<u>\$ (3,639,791)</u>	<u>\$ 98,759,023</u>
Less accumulated depreciation and amortization:				
Buildings	\$ (7,801,711)	\$ (465,495)		\$ (8,267,206)
Improvements	(46,160,393)	(1,747,789)		(47,908,182)
Machinery/equipment	(12,162,325)	(880,711)	3,639,791	(9,403,245)
Intangible assets	<u>(892,045)</u>	<u>(22,306)</u>		<u>(914,351)</u>
Total accumulated depreciation and amortization	<u>\$ (67,016,474)</u>	<u>\$ (3,116,301)</u>	<u>\$ 3,639,791</u>	<u>\$ (66,492,984)</u>
Total Capital Assets Being Depreciated and Amortized, Net	<u>\$ 32,569,346</u>	<u>\$ (303,307)</u>	<u>\$ -</u>	<u>\$ 32,266,039</u>
Intangible right-to-use assets:				
Leased equipment	\$ 1,770,293	\$ 277,685		\$ 2,047,978
Less accumulated amortization	(490,593)	(555,790)		(1,046,383)
Net intangible right-to-use assets	<u>\$ 1,279,700</u>	<u>\$ (278,105)</u>	<u>\$ -</u>	<u>\$ 1,001,595</u>
Subscription right-to-use assets:				
Software	\$ -	\$ 114,704		\$ 114,704
Less accumulated amortization		(41,880)		(41,880)
Net intangible subscription right-to-use assets	<u>\$ -</u>	<u>\$ 72,824</u>	<u>\$ -</u>	<u>\$ 72,824</u>
Governmental Activities Capital Assets, Net	<u>\$ 40,636,428</u>	<u>\$ 7,577,134</u>	<u>\$ (355,789)</u>	<u>\$ 47,857,773</u>

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 8: CAPITAL ASSETS (CONT.)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 383,351			\$ 383,351
Construction in progress	87,490	7,350,683	(191,598)	7,246,575
Total capital assets not being depreciated	\$ 470,841	\$ 7,350,683	\$ (191,598)	\$ 7,629,926
Capital assets being depreciated and amortized:				
Building and grounds	\$ 3,467,622			\$ 3,467,622
Improvements	85,601,867	297,836		85,899,703
Landfill cell development	12,836,858			12,836,858
Machinery/equipment	16,774,287	2,031,006	(6,569,386)	12,235,907
Intangible assets	493,054			493,054
Total capital assets being depreciated and amortized	\$ 119,173,688	\$ 2,328,842	\$ (6,569,386)	\$ 114,933,144
Less accumulated depreciation and amortization:				
Buildings	\$ (3,210,607)	\$ (50,982)		\$ (3,261,589)
Improvements	(62,657,523)	(1,299,373)		(63,956,896)
Landfill cell development	(8,334,710)	(371,048)	6,569,386	(2,136,372)
Machinery/equipment	(14,210,643)	(1,078,741)		(15,289,384)
Intangible assets	(409,440)	(41,805)		(451,245)
Total accumulated depreciation and amortization	\$ (88,822,923)	\$ (2,841,949)	\$ 6,569,386	\$ (85,095,486)
Total Capital Assets Being Depreciated and Amortized, Net	\$ 30,350,765	\$ (513,107)	\$ -	\$ 29,837,658
Intangible right-to-use assets:				
Leased equipment	\$ 145,944	\$ 103,284		\$ 249,228
Less accumulated amortization	(51,218)	(83,680)		(134,898)
Net intangible right-to-use assets	\$ 94,726	\$ 19,604	\$ -	\$ 114,330
Subscription right-to-use assets:				
Software	\$ -	\$ 13,420		\$ 13,420
Less accumulated amortization		(1,677)		(1,677)
Net intangible subscription right-to-use assets	\$ -	\$ 11,743	\$ -	\$ 11,743
Business-type Activities Capital Assets, Net	\$ 30,916,332	\$ 6,868,923	\$ (191,598)	\$ 37,593,657

Depreciation and amortization expense was charged to the following functions:

Governmental Activities:	
General government	\$ 709,440
Police	364,632
Fire	368,061
Development services	50,680
Street	1,364,939
Health	3,496
Community facilities	221,653
Parks and recreation	631,070
	\$ 3,713,971
Business-type Activities:	
Water	\$ 842,074
Waste water	279,204
Waste water treatment	216,553
Sanitation	348,426
Landfill	925,892
Airport	315,157
	\$ 2,927,306

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

September 30, 2023

NOTE 9: SOFTWARE SUBSCRIPTIONS PAYABLE

For the year ended September 30, 2023, the financial statements include the adoption of GASB Statement No. 96 *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to enhance the relevance and consistency of information about government's subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financing of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use asset. The value of the subscription right-to-use assets and the related accumulated amortization is detailed in Note 8. The details of the subscriptions payable and principal and interest requirements to maturity are provided in Note 10.

NOTE 10: LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Duc Within One Year
<b>Governmental Activities:</b>					
<b>Bonds, Notes and Leases Payable:</b>					
General obligation bonds	\$ 2,600,000		\$ (330,000)	\$ 2,270,000	\$ 335,000
Tax note payable	288,500		(54,815)	233,685	57,700
<b>Direct borrowings and direct placements:</b>					
General obligation bonds	6,660,000		(615,000)	6,045,000	630,000
Notes payable	2,073,126	243,124	(680,676)	1,635,574	558,163
Leases payable	1,187,741	352,199	(550,622)	989,318	471,449
	<u>\$ 12,809,367</u>	<u>\$ 595,323</u>	<u>\$ (2,231,113)</u>	<u>\$ 11,173,577</u>	<u>\$ 2,052,312</u>
Bond premiums	163,920		(33,210)	130,710	
Total Bonds, Notes and Leases Payable	<u>\$ 12,973,287</u>	<u>\$</u>	<u>\$</u>	<u>\$ 11,304,287</u>	<u>\$ 2,052,312</u>
Subscription-based information technology arrangements payable		114,704	(37,676)	77,028	37,928
Compensated absences	2,160,652	1,629,216	(1,302,065)	2,487,803	1,420,769
Total Governmental Activities	<u>\$ 15,133,939</u>	<u>\$ 1,743,920</u>	<u>\$ (1,339,741)</u>	<u>\$ 13,869,118</u>	<u>\$ 3,511,009</u>
<b>Business-type Activities:</b>					
<b>Bonds, Notes and Leases Payable:</b>					
Certificates of obligation	\$ 6,325,000	\$ 9,015,000	\$ (320,000)	\$ 15,020,000	\$ 610,000
General obligation bonds	2,375,000		(645,000)	1,730,000	665,000
Tax note payable	211,500		(40,185)	171,315	42,300
<b>Direct borrowings:</b>					
Notes payable	3,372,646	1,417,896	(986,805)	3,803,737	950,588
Leases payable	162,238	17,413	(72,806)	106,845	52,589
	<u>\$ 12,446,384</u>	<u>\$ 10,450,309</u>	<u>\$ (2,064,796)</u>	<u>\$ 20,831,897</u>	<u>\$ 2,320,477</u>
Bond premiums	91,629	141,019	(49,509)	183,139	
Total Bonds, Notes and Leases Payable	<u>\$ 12,538,013</u>	<u>\$ 10,591,328</u>	<u>\$ (2,114,305)</u>	<u>\$ 21,015,036</u>	<u>\$ 2,320,477</u>
Subscription-based information technology arrangements payable	-	13,420	(6,651)	6,769	6,769
Compensated absences	253,062	324,552	(275,097)	302,517	175,394
Total Business-type Activities	<u>\$ 12,791,075</u>	<u>\$ 10,929,300</u>	<u>\$ (2,396,053)</u>	<u>\$ 21,324,322</u>	<u>\$ 2,502,640</u>
Total Primary Government	<u>\$ 27,925,014</u>	<u>\$ 12,673,220</u>	<u>\$ (3,735,794)</u>	<u>\$ 35,193,440</u>	<u>\$ 6,013,649</u>

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

September 30, 2023

NOTE 10: LONG-TERM OBLIGATIONS (CONT.)

Long-term obligations for the component unit BMDD at September 30, 2023 are as follows:

Bonds and lease payable:					
Sales tax revenue bonds	\$ 5,070,000	\$	\$ (280,000)	\$ 4,790,000	\$ 285,000
Lease payable	30,755		(15,296)	15,459	15,459
<b>Total Bonds and Lease Payable</b>	<b>\$ 5,100,755</b>	<b>\$</b>	<b>\$ (295,296)</b>	<b>\$ 4,805,459</b>	<b>\$ 300,459</b>
Compensated absences	16,690		32,718	(32,324)	17,084
<b>Total</b>	<b>\$ 5,117,445</b>	<b>\$</b>	<b>\$ 32,718</b>	<b>\$ (327,620)</b>	<b>\$ 4,822,543</b>
					<b>\$ 311,631</b>

Governmental Activities

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

A summary of the bonds follows:

	Date of Issue	Original Amount	Interest Rate	Maturity Date	Amount Outstanding 9/30/2023
General obligation refunding bonds:					
Series 2015	10/15/2015	\$ 2,250,000	0.45 to 2.2%	3/15/2026	\$ 385,000
Series 2020 - Governmental portion	9/17/2020	2,480,000	3%	3/15/3031	1,885,000
Series 2021	12/16/2021	6,830,000	2%	3/15/3032	6,045,000
					<u>\$ 8,315,000</u>

The following represents the future maturities on these bonds:

Year Ending September 30,	Principal	Interest	Total
2024	\$ 965,000	\$ 157,173	\$ 1,122,173
2025	990,000	137,313	1,127,313
2026	1,000,000	116,952	1,116,952
2027	895,000	97,595	992,595
2028	910,000	79,232	989,232
2029-2032	3,555,000	130,163	3,685,163
Total	<u>\$ 8,315,000</u>	<u>\$ 718,428</u>	<u>\$ 9,033,428</u>

A summary of the tax note follows:

	Date of Issue	Original Amount	Interest Rate	Maturity Date	Amount Outstanding 9/30/2023
Tax Note, Taxable Series 2020					
Governmental portion	7/23/2020	\$ 395,245	1.50%	3/15/2027	\$ 233,685
Business-type portion	7/23/2020	289,755	1.50%	3/15/2027	171,315
		<u>\$ 685,000</u>			<u>\$ 405,000</u>

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NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 10: 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>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 57,700	\$ 3,072	\$ 60,772
2025	57,700	2,207	59,907
2026	57,700	1,342	59,042
2027	60,585	454	61,039
Total	<u>\$ 233,685</u>	<u>\$ 7,075</u>	<u>\$ 240,760</u>

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

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Outstanding 9/30/2023</u>
Citizens National Bank	62% WSJ Prime	2024-2028	<u>\$ 1,635,574</u>

The following represents the future maturities on governmental notes payable:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 558,163	\$ 77,017	\$ 635,180
2025	464,021	49,819	513,840
2026	319,975	27,066	347,041
2027	263,343	10,344	273,687
2028	30,072	623	30,695
Total	<u>\$ 1,635,574</u>	<u>\$ 164,869</u>	<u>\$ 1,800,443</u>

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 471,449	\$ 10,557	\$ 482,006
2025	286,716	6,995	293,711
2026	134,459	4,045	138,504
2027	61,572	1,819	63,391
2028	35,122	507	35,629
Total	<u>\$ 989,318</u>	<u>\$ 23,923</u>	<u>\$ 1,013,241</u>

The following represents the future maturities on the governmental subscription-based information technology arrangements:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 37,928	\$ 2,494	\$ 40,422
2025	39,100	1,321	40,421
Total	<u>\$ 77,028</u>	<u>\$ 3,815</u>	<u>\$ 80,843</u>

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

September 30, 2023

NOTE 10: LONG-TERM OBLIGATIONS (CONT.)

Business-type activities

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

On October 13, 2022, the City issued \$9,015,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022 with interest rates ranging from 4% to 5% and a final maturity on March 15, 2043. The City issued the certificates of obligation to fund landfill cell construction and improvements.

A summary of the bonds follows:

	Date of Issue	Original Amount	Interest Rate	Maturity Date	Amount Outstanding 9/30/2023
Combination tax and revenue certificates of obligation:					
Series 2012A	12/1/2012	\$ 3,440,000	1.96 to 4.64%	3/15/2044	\$ 2,795,000
Series 2015	10/15/2015	4,815,000	2.95%	9/30/2035	3,210,000
Series 2022	10/13/2022	9,015,000	4.0 to 5.0%	3/15/2043	9,015,000
General obligation refunding bonds,					
Series 2020 - Business-type portion	9/17/2020	3,600,000	3%	3/15/3031	1,730,000
					<u>\$ 16,750,000</u>

The following represents the future maturities on these bonds:

Year Ending September 30,	Principal	Interest	Total
2024	\$ 1,275,000	\$ 646,878	\$ 1,921,878
2025	1,330,000	601,453	1,931,453
2026	900,000	601,467	1,501,467
2027	745,000	566,146	1,311,146
2028	680,000	533,572	1,213,572
2029-2033	3,915,000	2,146,118	6,061,118
2034-2038	3,800,000	1,258,169	5,058,169
2039-2043	3,905,000	484,482	4,389,482
2044	200,000	4,640	204,640
Total	<u>\$ 16,750,000</u>	<u>\$ 6,842,925</u>	<u>\$ 23,592,925</u>

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

Year Ending September 30,	Principal	Interest	Total
2024	\$ 42,300	\$ 2,252	\$ 44,552
2025	42,300	1,618	43,918
2026	42,300	984	43,284
2027	44,415	333	44,748
Total	<u>\$ 171,315</u>	<u>\$ 5,187</u>	<u>\$ 176,502</u>

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

	Interest Rate	Maturity Date	Amount Outstanding 9/30/2023
Citizens National Bank	62% WSJ Prime	2024-2028	<u>\$ 3,803,737</u>

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

September 30, 2023

NOTE 10: LONG-TERM OBLIGATIONS (CONT.)

Business-type activities (cont.)

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 950,588	\$ 189,916	\$ 1,140,504
2025	1,128,042	138,228	1,266,270
2026	1,051,415	78,299	1,129,714
2027	590,111	27,286	617,397
2028	83,581	1,730	85,311
Total	<u>\$ 3,803,737</u>	<u>\$ 435,459</u>	<u>\$ 4,239,196</u>

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 52,589	\$ 765	\$ 53,354
2025	36,656	427	37,083
2026	16,829	143	16,972
2027	771	4	775
Total	<u>\$ 106,845</u>	<u>\$ 1,339</u>	<u>\$ 108,184</u>

The following represents the future maturities on the business-type subscription-based information technology arrangements:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 6,769	\$ 214	\$ 6,983

BMDD

A summary of the BMDD bonds follows:

	<u>Date of Issue</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Outstanding 9/30/2023</u>
Sales tax revenue bonds, series 2022	4/6/2022	\$ 5,070,000	1.87 to 3.28%	3/15/2037	<u>\$ 4,790,000</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>
2024	\$ 285,000	\$ 135,804	\$ 420,804
2025	290,000	128,857	418,857
2026	300,000	121,259	421,259
2027	305,000	113,120	418,120
2028	315,000	104,407	419,407
2029-2033	1,725,000	377,001	2,102,001
2034-2037	1,570,000	102,948	1,672,948
Total	<u>\$ 4,790,000</u>	<u>\$ 1,083,396</u>	<u>\$ 5,873,396</u>

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 15,459	\$ 141	\$ 15,600

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

September 30, 2023

NOTE 11: DEFINED BENEFIT PENSION PLAN

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

TMRS Plan Descriptions

The City of Brownwood participates as two of the 909 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at *tmrs.com*.

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

Benefits Provided

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

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

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	
Plan 10190 City	174
Plan 30190 Health Department	12
Inactive employees entitled to but not yet receiving benefits	
Plan 10190 City	101
Plan 30190 Health Department	3
Active employees	
Plan 10190 City	224
Plan 30190 Health Department	21

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the city matching percentages are either 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 city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONT.)

Contributions (cont.)

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

	Calendar Year	
	2022	2023
Plan 10190 City	13.11%	13.44%
Plan 30190 Health Department	12.09%	10.59%

The city's contributions to TMRS for the year ended September 30, 2023, for Plan 10190 City and Plan 30190 Health Department were \$1,519,745 and \$94,540, respectively, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2022, 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, 2022 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

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

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

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

September 30, 2023

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONT.)

Net Pension Liability (cont.)

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.7%
Core Fixed Income	6.0%	4.9%
Non-Core Fixed Income	20.0%	8.7%
Other Public and Private Markets	12.0%	8.1%
Real Estate	12.0%	5.8%
Hedge Funds	5.0%	6.9%
Private Equity	10.0%	11.8%
Total	100.00%	

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

Changes in the Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Plan 10190 City			
Balance 12/31/2021	\$ 60,302,635	\$ 58,782,802	\$ 1,519,833
Changes for the year:			
Service cost	\$ 1,688,257	\$	\$ 1,688,257
Interest	4,025,717		4,025,717
Difference between expected and actual experience	1,100,549		1,100,549
Contributions-employer		1,400,837	(1,400,837)
Contributions-employee		747,942	(747,942)
Net investment income		(4,287,822)	4,287,822
Benefit payments, including refunds of employee contributions	(3,013,031)	(3,013,031)	-
Administrative expense		(37,131)	37,131
Other changes		44,309	(44,309)
Net changes	<u>\$ 3,801,492</u>	<u>\$ (5,144,896)</u>	<u>\$ 8,946,388</u>
Balance 12/31/2022	<u>\$ 64,104,127</u>	<u>\$ 53,637,906</u>	<u>\$ 10,466,221</u>

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONT.)

Net Pension Liability (cont.)

Changes in net pension liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Plan 30190 Health Department			
Balance 12/31/2021	\$ 1,759,039	\$ 1,767,867	\$ (8,828)
Changes for the year:			
Service cost	\$ 125,162		\$ 125,162
Interest	119,469		119,469
Difference between expected and actual experience	(10,012)		(10,012)
Contributions-employer		97,563	(97,563)
Contributions-employee		56,488	(56,488)
Net investment income		(128,528)	128,528
Benefit payments, including refunds of employee contributions	(103,426)	(103,426)	-
Administrative expense		(1,117)	1,117
Other changes		1,333	(1,333)
Net changes	\$ 131,193	\$ (77,687)	\$ 208,880
Balance 12/31/2022	\$ 1,890,232	\$ 1,690,180	\$ 200,052

*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	\$19,331,198	\$10,466,221	\$3,218,530
Plan 30190 Health Department	\$442,364	\$200,052	\$(1,272)

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

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 11: 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, 2023, the City recognized TMRS pension expense (income) of \$2,467,392. At September 30, 2023, 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	\$ 1,078,585	\$
Difference between projected and actual investment earnings	3,689,473	
Contributions subsequent to the measurement date	1,122,754	
Total	\$ 5,890,812	\$ -
Plan 30190 Health Department		
Differences between expected and actual economic experience	\$ -	\$ 39,384
Changes in actuarial assumptions	1,447	
Difference between projected and actual investment earnings	111,636	
Contributions subsequent to the measurement date	65,695	
Total	\$ 178,778	\$ 39,384

\$1,188,449 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, 2024. 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		
2023	\$ 583,003	\$ (5,616)
2024	1,358,304	8,558
2025	1,175,622	22,834
2026	1,651,129	47,923
Total	\$ 4,768,058	\$ 73,699

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.

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONT.)

Benefits Provided

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

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

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

Members Covered by the Fund

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

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

Funding Policy

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

The funding policy of the Brownwood Firefighter's Relief and Retirement Fund requires contributions equal to 10% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA effective October 1, 2021. The rate had previously been 8%. The City normally contributes 20% of payroll, as it did for 2022 and 2023. The December 31, 2021 actuarial valuation included the assumption that the total contribution rate would continue to be 30%, even though the fund had an inadequate contribution arrangement. The costs of administering the plan are paid from the Fund assets.

Ultimately, the funding policy also depends upon the total return of the Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. For the year ending December 31, 2022, the money-weighted rate of return on pension plan investments was -18.43%. 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  
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NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 11: 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 FRR net pension liability was measured as December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021 and rolled forward to December 31, 2022.

Total pension liability	\$ 11,907,044
Plan fiduciary net position	4,660,197
City's net pension liability	\$ 7,246,847

Plan fiduciary net position as a percentage of the total pension liability	39.1%
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*Actuarial assumptions.* The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONT.)

Net Pension Liability (cont.)

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

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

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

	1% Decrease in Discount Rate (6%)	Discount Rate (7%)	1% Increase in Discount Rate (8%)
City's Net Pension Liability	\$8,777,779	\$7,246,847	\$5,977,374

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

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONT.)

Net Pension Liability (cont.)

Changes in the net pension liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Amounts as of September 30, 2022	\$ 11,498,390	\$ 5,789,089	\$ 5,709,301
Changes for the year:			
Service cost	\$ 289,913	\$	\$ 289,913
Interest	801,292		801,292
Contributions-employer		430,192	(430,192)
Contributions-employee		215,064	(215,064)
Net investment income		(1,060,786)	1,060,786
Benefit payments	(682,551)	(682,551)	-
Administrative expense		(30,811)	30,811
Net changes	\$ 408,654	\$ (1,128,892)	\$ 1,537,546
Amounts as of September 30, 2023	\$ 11,907,044	\$ 4,660,197	\$ 7,246,847

Measurements for the fiscal year ended September 30, 2022 were taken as of December 31, 2021.

Measurements for the fiscal year ended September 30, 2023 were taken as of December 31, 2022.

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

For the year ended September 30, 2023, the City's FRR pension expense was \$796,905. 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, 2023:

Service cost	\$ 289,913
Interest	801,292
Firefighter's contributions	(215,064)
Projected earnings on pension plan investments	(402,853)
Amortization of differences between projected and actual earnings on plan investments	182,548
Amortization of changes of assumptions	100,093
Amortization of differences between expected and actual experience	10,165
Pension plan administrative expenses	30,811
Total pension expense	\$ 796,905

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	\$ 799,599	\$
Differences between expected and actual experience	86,328	
Changes of assumptions		286,010
Contributions subsequent to the measurement date	317,017	
Total	\$ 1,202,944	\$ 286,010

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONT.)

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

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

Plan Year	Net of Deferred Outflows Minus Deferred Inflows
2023	\$ 183,233
2024	271,971
2025	153,800
2026	(26,129)
2027	17,042
Total	\$ 599,917

*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, 2022 through September 30, 2023 is a deferred outflow of resources that will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. This amount is \$317,017.

NOTE 12: INTERNAL BALANCES AND TRANSFERS

Internal balances are short-term loans to cover temporary cash deficits in various funds. At September 30, 2023, there were no internal balances.

Transfers to/from other funds during the year ended September 30, 2023 consist of the following:

- \$58,728 from General Fund to the Debt Service Funds for debt service requirements.
- \$6,509 from General Fund to Special Revenue Funds for grant expenditures
- \$56,892 from General Fund to Proprietary Funds for capital expenditures
- \$486,635 from General Fund to Proprietary Funds for grant expenditures

NOTE 13: UTILITY

The Utility Department was serving the following number of customers:

	9/30/23	9/30/22
Water Department	7,549	7,535
Sewer Department	7,064	7,040
Sanitation Department	7,268	7,239

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 14: COMMITMENTS

Brownwood Municipal Development District (BMDD) has a building improvement incentive program that provides matching funds of up to \$20,000 upon completion of an approved project. Seven projects totaling \$140,125 were approved and not yet funded at September 30, 2023. During a prior year, BMDD approved a financial incentive to Hendricks Health System for construction of a medical office building in the amount of \$350,000 payable over five years. At September 30, 2023, there is \$50,000 remaining to be paid on this incentive. Other BMDD approved financial incentives that were not yet funded at September 30, 2023 are as follows:

- AJA Development LLC up to \$337,500 for infrastructure
- Commerce Station LP up to \$125,000 for expansion

In the prior year, BMDD approved up to \$12,000,000 funding to the City of Brownwood for construction of a multi-purpose event center. At September 30, 2023, \$1,381,475 remained to be funded. During the current year, the District committed to purchase two parking lots for \$55,440 and spend up to an additional \$10,000 on them for repairs. The purchase did not close before year end. Subsequent to September 30, 2023, the District committed to awarding a \$1,000,000 retail incentive for a proposed retail development

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, 2023 including a multipurpose event center, park improvements, street and sidewalk improvements and landfill cell construction and improvements. Total cost of these projects is approximately \$27,086,000 with remaining costs of approximately \$8,420,000 at September 30, 2023.

NOTE 15: 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, 2023 the unpaid balance was \$6,150,000. 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 16: RISK MANAGEMENT

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

NOTE 17: ELECTED OFFICIALS

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

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 18: 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 19: 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	\$ 68,364,814
	Contents	8,207,085
Risk covered:	Fire, lightning, extended coverage including Replacement cost endorsement.	

NOTE 20: SUBSEQUENT EVENTS

Subsequent to year end, the City entered into a construction agreement for approximately \$1,650,000 for the renovation of the Brownwood/Brown County Health Department building along with an agreement to share cost of the renovation equally with Brown County.

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 Nine Plan Years

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

**NOTES TO SCHEDULE:**

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

	2017	2018	2019	2020	2021	2022
\$	1,508,507	\$ 1,520,893	\$ 1,566,926	\$ 1,656,381	\$ 1,594,738	\$ 1,688,257
	3,224,688	3,365,563	3,516,776	3,662,099	3,811,985	4,025,717
	-	-	-	-	-	-
	(232,661)	(79,402)	(378,117)	(258,868)	706,160	1,100,549
	-	-	23,428	-	-	-
	<u>(2,258,196)</u>	<u>(2,581,187)</u>	<u>(2,598,580)</u>	<u>(2,643,040)</u>	<u>(2,973,462)</u>	<u>(3,013,031)</u>
\$	2,242,338	\$ 2,225,867	\$ 2,130,433	\$ 2,416,572	\$ 3,139,421	\$ 3,801,492
	48,148,004	50,390,342	52,616,209	54,746,642	57,163,214	60,302,635
\$	<u>50,390,342</u>	<u>\$ 52,616,209</u>	<u>\$ 54,746,642</u>	<u>\$ 57,163,214</u>	<u>\$ 60,302,635</u>	<u>\$ 64,104,127</u>
\$	1,333,369	\$ 1,322,217	\$ 1,324,616	\$ 1,429,684	\$ 1,330,331	\$ 1,400,837
	677,329	685,087	705,457	748,526	711,694	747,942
	5,564,415	(1,360,949)	6,719,995	3,761,947	6,887,918	(4,287,822)
	(2,258,196)	(2,581,187)	(2,598,580)	(2,643,040)	(2,973,462)	(3,013,031)
	(28,838)	(26,304)	(37,977)	(24,355)	(31,883)	(37,131)
	<u>(1,462)</u>	<u>(1,374)</u>	<u>(1,141)</u>	<u>(951)</u>	<u>218</u>	<u>44,309</u>
\$	5,286,617	\$ (1,962,510)	\$ 6,112,370	\$ 3,271,811	\$ 5,924,816	\$ (5,144,896)
	40,149,698	45,436,315	43,473,805	49,586,175	52,857,986	58,782,802
\$	<u>45,436,315</u>	<u>\$ 43,473,805</u>	<u>\$ 49,586,175</u>	<u>\$ 52,857,986</u>	<u>\$ 58,782,802</u>	<u>\$ 53,637,906</u>
\$	4,954,027	\$ 9,142,404	\$ 5,160,467	\$ 4,305,228	\$ 1,519,833	\$ 10,466,221
	90.17%	82.62%	90.57%	92.47%	97.48%	83.67%
\$	9,676,122	\$ 9,786,957	\$ 10,083,176	\$ 10,693,227	\$ 10,055,095	\$ 10,685,173
	51.20%	93.41%	51.18%	40.26%	15.12%	97.95%

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 Nine Plan Years

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

**NOTES TO SCHEDULE:**

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

2017	2018	2019	2020	2021	2022
\$ 68,378	\$ 66,235	\$ 66,714	\$ 73,369	\$ 81,915	\$ 125,162
90,878	92,725	100,673	110,437	117,829	119,469
-	-	-	-	-	-
(48,929)	46,484	26,394	29,457	(78,033)	(10,012)
-	-	29,031	-	-	-
<u>(69,495)</u>	<u>(94,293)</u>	<u>(81,592)</u>	<u>(81,379)</u>	<u>(134,661)</u>	<u>(103,426)</u>
\$ 40,832	\$ 111,151	\$ 141,220	\$ 131,884	\$ (12,950)	\$ 131,193
<u>1,346,902</u>	<u>1,387,734</u>	<u>1,498,885</u>	<u>1,640,105</u>	<u>1,771,989</u>	<u>1,759,039</u>
<u>\$ 1,387,734</u>	<u>\$ 1,498,885</u>	<u>\$ 1,640,105</u>	<u>\$ 1,771,989</u>	<u>\$ 1,759,039</u>	<u>\$ 1,890,232</u>
\$ 46,376	\$ 46,373	\$ 43,905	\$ 52,498	\$ 63,515	\$ 97,563
31,325	30,423	31,624	34,538	38,561	56,488
162,122	(40,102)	197,951	111,673	207,064	(128,528)
(69,495)	(94,293)	(81,592)	(81,379)	(134,661)	(103,426)
(845)	(779)	(1,124)	(726)	(962)	(1,117)
(43)	(40)	(34)	(28)	8	1,333
\$ 169,440	\$ (58,418)	\$ 190,730	\$ 116,576	\$ 173,525	\$ (77,687)
<u>1,176,014</u>	<u>1,345,454</u>	<u>1,287,036</u>	<u>1,477,766</u>	<u>1,594,342</u>	<u>1,767,867</u>
<u>\$ 1,345,454</u>	<u>\$ 1,287,036</u>	<u>\$ 1,477,766</u>	<u>\$ 1,594,342</u>	<u>\$ 1,767,867</u>	<u>\$ 1,690,180</u>
\$ 42,280	\$ 211,849	\$ 162,339	\$ 177,647	\$ (8,828)	\$ 200,052
96.95%	85.87%	90.10%	89.97%	100.50%	89.42%
\$ 447,500	\$ 434,613	\$ 446,547	\$ 493,400	\$ 550,872	\$ 806,975
9.45%	48.74%	36.35%	36.00%	(1.60%)	24.79%

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

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

Last Nine Plan Years

	2014	2015	2016
<b>TOTAL PENSION LIABILITY:</b>			
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>
<b>PLAN FIDUCIARY NET POSITION:</b>			
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>
<b>NET PENSION LIABILITY - ENDING (a) - (b)</b>	<b>\$ 4,366,124</b>	<b>\$ 4,844,632</b>	<b>\$ 5,056,328</b>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY</b>	<b>44.10%</b>	<b>41.20%</b>	<b>41.70%</b>
<b>COVERED EMPLOYEE PAYROLL</b>	<b>\$ 1,619,763</b>	<b>\$ 1,700,450</b>	<b>\$ 1,776,788</b>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL</b>	<b>269.60%</b>	<b>284.90%</b>	<b>284.60%</b>

**NOTES TO SCHEDULE:**

Until a full 10-year trend is compiled, only available information is shown. The measurement date is December 31, nine months prior to the fiscal year end.  
Total pension liability for 2014, 2016, 2018, 2020 and 2022 were determined from the beginning of the year total pension liability, using the roll forward procedure allowed by GASB 68.  
Covered employee payroll is contributions by firefighters divided by their contribution ratio.

	2017	2018	2019	2020	2021	2022
\$	237,308	\$ 256,651	\$ 264,992	\$ 480,945	\$ 301,276	\$ 289,913
	640,267	667,406	693,266	676,034	763,558	801,292
	-	-	-	-	18,991	-
	70,132	-	(168,400)	-	200,860	-
	146,910	-	3,856,465	(3,362,358)	(16,232)	-
	(517,907)	(603,337)	(548,066)	(480,748)	(753,527)	(682,551)
\$	576,710	\$ 320,720	\$ 4,098,257	\$ (2,686,127)	\$ 514,926	\$ 408,654
	8,673,904	9,250,614	9,571,334	13,669,591	10,983,464	11,498,390
\$	9,250,614	\$ 9,571,334	\$ 13,669,591	\$ 10,983,464	\$ 11,498,390	\$ 11,907,044
\$	369,559	\$ 386,967	\$ 423,515	\$ 413,686	\$ 398,825	\$ 430,192
	147,813	152,982	161,339	164,262	170,894	215,064
	552,099	(226,615)	796,428	663,653	594,372	(1,060,786)
	(517,907)	(603,337)	(548,066)	(480,748)	(753,527)	(682,551)
	(11,050)	(34,036)	(12,004)	(7,260)	(30,331)	(30,811)
	-	-	-	-	-	-
\$	540,514	\$ (324,039)	\$ 821,212	\$ 753,593	\$ 380,233	\$ (1,128,892)
	3,617,576	4,158,090	3,834,051	4,655,263	5,408,856	5,789,089
\$	4,158,090	\$ 3,834,051	\$ 4,655,263	\$ 5,408,856	\$ 5,789,089	\$ 4,660,197
\$	5,092,524	\$ 5,737,283	\$ 9,014,328	\$ 5,574,608	\$ 5,709,301	\$ 7,246,847
	44.90%	40.10%	34.10%	49.20%	50.30%	39.10%
\$	1,847,663	\$ 1,912,275	\$ 2,016,738	\$ 2,053,275	\$ 1,994,125	\$ 2,150,640
	275.60%	300.00%	447.00%	271.50%	286.30%	337.00%

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN 10190 CITY  
SCHEDULE OF PENSION CONTRIBUTIONS

Last Nine Fiscal Years

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

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS:

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method  
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  
23 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.

2018	2019	2020	2021	2022	2023
\$ 1,307,905	\$ 1,331,684	\$ 1,359,045	\$ 1,341,052	\$ 1,365,299	\$ 1,519,745
1,307,905	1,331,684	1,359,045	1,341,052	1,365,299	1,519,745
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 9,636,494	\$ 10,073,473	\$ 10,207,847	\$ 10,172,140	\$ 10,414,181	\$ 11,381,984
13.57%	13.22%	13.31%	13.18%	13.11%	13.35%

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

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

Last Nine Fiscal Years

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

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS:

Valuation Date:  
Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 years
Asset Valuation Method	10 year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.5% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other information:  
Notes

There were no benefit changes during the year.

2018	2019	2020	2021	2022	2023
\$ 46,374	\$ 44,396	\$ 48,615	\$ 53,365	\$ 93,270	\$ 94,540
46,374	44,396	48,615	53,365	93,270	94,540
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 437,705	\$ 438,725	\$ 463,767	\$ 473,289	\$ 781,330	\$ 858,930
10.59%	10.12%	10.48%	11.28%	11.94%	11.01%

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

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

Last Nine Fiscal Years

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

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS:

Valuation Date:  
Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method  
Amortization Method  
Remaining Amortization Period  
Inflation  
Salary Increases

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

Investment Rate of Return  
Retirement Age  
Mortality

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

Other information:  
Notes

\*There were no benefit changes during the year.

	2018	2019	2020	2021	2022	2023
\$	369,559	\$ 386,967	\$ 423,515	\$ 403,601	\$ 430,192	\$ 430,801
	<u>369,559</u>	<u>386,967</u>	<u>423,515</u>	<u>403,601</u>	<u>430,192</u>	<u>430,801</u>
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
\$	1,847,663	\$ 1,912,275	\$ 2,016,738	\$ 2,018,006	\$ 2,150,962	\$ 2,154,004
	20.00%	20.24%	21.00%	20.00%	20.00%	20.00%

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

For the Year Ended September 30, 2023

	Original Budget	Final Budget	Actual Budgetary Basis (See Note A)	Variance with Final Budget Positive (Negative)
<b>RESOURCES (INFLOWS):</b>				
Ad valorem taxes	\$ 6,846,674	\$ 6,846,674	\$ 6,836,700	\$ (9,974)
Sales tax	6,251,424	6,251,424	7,373,208	1,121,784
Other taxes	3,506,121	3,506,121	3,703,172	197,051
Fines	255,000	255,000	334,010	79,010
License and fees	60,500	60,500	167,598	107,098
Charges for services	379,531	379,531	414,006	34,475
Intergovernmental	1,821,524	1,821,524	1,820,445	(1,079)
Miscellaneous	48,500	<b>48,500</b>	745,892	697,392
<b>Total Resources (Inflows)</b>	<b>\$ 19,169,274</b>	<b>\$ 19,169,274</b>	<b>\$ 21,395,031</b>	<b>\$ 2,225,757</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
City Council	\$ 65,530	\$ 65,530	\$ 61,046	\$ 4,484
Administration	393,074	393,074	391,470	1,604
City Secretary	125,952	125,952	117,480	8,472
Finance/Accounting	409,908	409,908	394,338	15,570
Municipal Court	316,714	316,714	300,616	16,098
Police	4,503,025	4,525,069	4,324,291	200,778
Central Dispatch	1,127,666	1,127,666	1,056,668	70,998
Fire	3,923,289	3,923,289	3,641,685	281,604
Planning and development	1,443,915	1,454,271	1,255,073	199,198
Street	2,119,174	2,119,174	2,076,914	42,260
Health	322,756	322,756	297,387	25,369
Community services	504,298	538,698	538,317	381
Intergovernmental	278,146	278,146	269,721	8,425
Utility billing	451,312	451,312	511,282	(59,970)
Community facilities	1,240,926	1,590,926	1,505,635	85,291
Operations support	155,884	155,884	236,186	(80,302)
Purchasing/warehouse	210,660	210,660	187,071	23,589
Parks and recreation	2,521,530	2,548,592	2,263,730	284,862
Fleet services	938,791	938,791	1,019,741	(80,950)
City Attorney	224,280	224,280	212,636	11,644
Community development	-	-	260,431	(260,431)
Emergency management	19,770	19,770	10,233	9,537
Human Resources	302,132	302,132	289,452	12,680
General fund contingency	(683,960)	(683,960)	23,342	(707,302)
Information technology	925,081	925,081	1,010,790	(85,709)
Transportation museum	210,082	210,082	213,192	(3,110)
<b>Total Charges to Appropriations (Outflows)</b>	<b>\$ 22,049,935</b>	<b>\$ 22,493,797</b>	<b>\$ 22,468,727</b>	<b>\$ 25,070</b>
<b>EXCESS CHARGES TO APPROPRIATIONS</b>	<b>\$ (2,880,661)</b>	<b>\$ (3,324,523)</b>	<b>\$ (1,073,696)</b>	<b>\$ 2,250,827</b>
<b>FUND BALANCE - BEGINNING</b>	<b>8,534,502</b>	<b>8,534,502</b>	<b>8,534,502</b>	<b>-</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 5,653,841</b>	<b>\$ 5,209,979</b>	<b>\$ 7,460,806</b>	<b>\$ -</b>

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BUDGETARY COMPARISON SCHEDULE

For the Year Ended September 30, 2023

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.	\$ 21,395,031
The City budgets for sales tax based on the amount collected rather than on the modified accrual basis.	19,938
The City does not budget for certain grant and contribution revenues	<u>9,205,448</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances governmental fund.	<u>\$ 30,620,417</u>

Uses/outflows of Resources:

Actual amount (budgetary basis) charges to appropriations from the budgetary comparison schedule	\$ 22,468,727
The City budgets for salaries on the cash basis rather than on the modified accrual basis	106,342
The City budgets for compensated absences on the cash basis rather than the modified accrual basis.	36,777
The City budgets for pension expense on the cash basis rather than the modified accrual basis.	935,208
The City does not budgets for certain special projects and contributed capital outlay in the General Fund	<u>9,487,237</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances governmental fund.	<u>\$ 33,034,291</u>

SUPPLEMENTARY INFORMATION

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

**OTHER GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS**

September 30, 2023

	Total Debt Service Funds	Total Capital Projects Funds	Total Special Revenue Funds	Total Other Governmental Funds
<b><u>ASSETS</u></b>				
<b>ASSETS:</b>				
Pooled cash and cash equivalents	\$	\$	\$ (110,733)	\$ (110,733)
Non pooled cash and cash equivalents			25	25
Receivables, net	55,786		299,916	355,702
Restricted assets	65,498	137,257	413,825	616,580
<b>TOTAL ASSETS</b>	<b>\$ 121,284</b>	<b>\$ 137,257</b>	<b>\$ 603,033</b>	<b>\$ 861,574</b>
 <b><u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u></b>				
<b>LIABILITIES:</b>				
Accounts payable	\$	\$	\$ 18,079	\$ 18,079
Accrued payroll			23,909	23,909
Compensated absences			31,768	31,768
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 73,756</b>	<b>\$ 73,756</b>
 <b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenue	\$ 55,786	\$	\$	\$ 55,786
Amounts related to leases			6,896	6,896
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 55,786</b>	<b>\$ -</b>	<b>\$ 6,896</b>	<b>\$ 62,682</b>
 <b>FUND BALANCES:</b>				
Restricted for:				
Debt service	\$ 65,498	\$	\$	\$ 65,498
Construction		137,257		137,257
Fabis Park			40,823	40,823
Tourism promotion			471,384	471,384
Assigned to:				
Health and nutrition programs			59,343	59,343
Unassigned			(49,169)	(49,169)
<b>TOTAL FUND BALANCES</b>	<b>\$ 65,498</b>	<b>\$ 137,257</b>	<b>\$ 522,381</b>	<b>\$ 725,136</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 121,284</b>	<b>\$ 137,257</b>	<b>\$ 603,033</b>	<b>\$ 861,574</b>

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, 2023

	Total Debt Service Funds	Total Capital Projects Funds	Total Special Revenue Funds	Total Other Governmental Funds
<b>REVENUES:</b>				
Ad valorem taxes	\$ 1,059,859	\$	\$	\$ 1,059,859
Other taxes			494,039	494,039
Grants and contributions			1,114,557	1,114,557
Other revenue	58,800		464,482	523,282
Interest	11,363		1,891	13,254
Total Revenues	<u>\$ 1,130,022</u>	<u>\$ -</u>	<u>\$ 2,074,969</u>	<u>\$ 3,204,991</u>
<b>EXPENDITURES:</b>				
Debt service:				
Principal	\$ 999,815	\$	\$	\$ 999,815
Interest	180,367			180,367
Bond fees	806			806
Capital outlay		80		80
Special revenue fund			<u>2,379,528</u>	<u>2,379,528</u>
Total Expenditures	<u>\$ 1,180,988</u>	<u>\$ 80</u>	<u>\$ 2,379,528</u>	<u>\$ 3,560,596</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ (50,966)</u>	<u>\$ (80)</u>	<u>\$ (304,559)</u>	<u>\$ (355,605)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	\$ 58,728	\$	\$ 6,509	\$ 65,237
Total Other Financing Sources	<u>\$ 58,728</u>	<u>\$ -</u>	<u>\$ 6,509</u>	<u>\$ 65,237</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	\$ 7,762	\$ (80)	\$ (298,050)	\$ (290,368)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>57,736</u>	<u>137,337</u>	<u>820,431</u>	<u>1,015,504</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 65,498</u>	<u>\$ 137,257</u>	<u>\$ 522,381</u>	<u>\$ 725,136</u>

SINGLE AUDIT SECTION

**D. A. “Tony” Krischke, CPA**

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

The Honorable Mayor and City Council  
City of Brownwood, Texas

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Brownwood, Texas, as of and for the year ended September 30, 2023, 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 February 26, 2024.

### **Report on Internal Control Over Financial Reporting**

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

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

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

### **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Krischke CPA, PC*

Krischke CPA, PC  
February 26, 2024



America Counts on CPAs®

**D. A. “Tony” Krischke, CPA**

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

The Honorable Mayor and City Council  
City of Brownwood, Texas

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

I have audited City of Brownwood, Texas’ compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Brownwood, Texas’ major federal programs for the year ended September 30, 2023. City of Brownwood, Texas major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In my opinion, City of Brownwood, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

***Basis for Opinion on Each Major Federal Program***

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of my report.

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

***Responsibilities of Management for Compliance***

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

***Auditor’s Responsibilities for the Audit of Compliance***

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



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

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

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

### **Report on Internal Control over Compliance**

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

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

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

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



Krischke CPA, PC  
February 26, 2024

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2023

	Federal Assistance <u>Listing Number</u>	Pass Through Entity <u>ID Number</u>	Amount Expended	Amount Expended to Sub-recipients
<b>FEDERAL ASSISTANCE:</b>				
U.S. Department of Agriculture:				
Passed through Texas Health and Human Services				
Commission:				
WIC Special Supplemental Nutrition Program				
Women, Infants and Children	10.557	HHS000801200001	\$ 237,381	\$
Registered Dietician	10.557	HHS000801200001	17,546	
Peer Counselor	10.557	HHS000801200001	67,833	
Lactation Grant	10.557	HHS000801200001	9,594	
Extra funding - Other	10.557	HHS000801200001	4,713	
SNAP - ID	10.557	HHS000801200001	6,394	
Total U.S. Department of Agriculture			<u>\$ 343,461</u>	<u>\$ -</u>
U.S. Department of the Treasury:				
Passed through Texas Division of Emergency Management:				
COVID-19 - Coronavirus State and Local Fiscal Recovery				
Funds	21.027		\$ 1,028,442	\$ -
U.S. Department of Health and Human Services:				
Passed through National Association of County and City				
Health Officials:				
Medical Reserve Corps Small Grant Program - Operation				
Readiness	93.008	MRC 23-2657	\$ 4,475	\$
Medical Reserve Corps Small Grant Program - RISE	93.008	MRC RISE 22-2657	66,830	
			<u>\$ 71,305</u>	<u>\$ -</u>
Aging Cluster:				
Passed through West Central Texas Council of Governments:				
Special Programs for the Aging, Title III, Part C, Nutrition				
Services	93.045	539-16-0010-00001	\$ 222,579	\$
Total Aging Cluster			<u>\$ 222,579</u>	<u>\$ -</u>
Passed through National Council on Aging:				
Special Programs for the Aging, Title IV, and Title II,				
Discretionary Projects	93.048		\$ 12,488	\$ -
Passed through Texas Department of State Health Services:				
Public Health Emergency Preparedness				
Immunization Cooperative Agreements	93.069	537-18-0123-00001	\$ 103,040	\$
COVID-19 - Epidemiology and Laboratory Capacity for	93.268	HHS000135000001	124,358	
Infectious Diseases	93.323	HHS000812700041	162,484	
COVID-19 - Public Health Emergency Response:				
Cooperative Agreement for Emergency Response:				
Public Health Crisis Response	93.354	HHS000768000001	8,220	
COVID-19 - Public Health Emergency Response:				
Cooperative Agreement for Emergency Response:				
Public Health Crisis Response - Workforce	93.354	HHS001074500001	206,680	
COVID-19 - Activities to Support State, Tribal, Local and				
Territorial (STLT) Health Department Response to				
Public Health or Healthcare Crises	93.391	HHS001057600008	70,838	
Preventive Health and Health Services Block Grant	93.991	HHS001018100001	9,761	
			<u>\$ 685,381</u>	<u>\$ -</u>
Passed through Texas Health and Human Services Commission:				
Social Services Block Grant				
Social Services Block Grant	93.667	000169900	\$ 65,988	\$
Total U.S. Department of Health and Human Services			<u>\$ 1,057,741</u>	<u>\$ -</u>
U.S. Department of Homeland Security:				
Assistance to Firefighters Grant				
Assistance to Firefighters Grant	97.044	EMW-2021-FG-05773	\$ 111,429	\$
Passed through West Central Texas Council of Governments:				
Hazard Mitigation Grant				
Hazard Mitigation Grant	97.039	4416	16,447	
Total U.S. Department of Homeland Security			<u>\$ 127,876</u>	<u>\$ -</u>
Total Federal Assistance			<u>\$ 2,557,520</u>	<u>\$ -</u>

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2023

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of City of Brownwood, Texas under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Brownwood, Texas, it is not intended to and does not present the net position, changes in net position, or cash flows of City of Brownwood, Texas.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year ended September 30, 2023

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:	Unmodified
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:

Federal Assistance

<u>Listing Number</u>	<u>Name of Federal Program or Cluster</u>
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21.027	Coronavirus State and Local Fiscal Recovery Funds
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Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
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Auditee qualified as low-risk auditee?	<u>  X  </u> yes _____ no
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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